


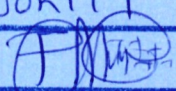
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
WATER RESOURCES MANAGEMENT  
AUTHORITY (WARMA)

FOR THE YEAR  
ENDED 30 JUNE 2017



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**WATER RESOURCES AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2017**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International  
Public Sector Accounting Standards (IPSAS)**

**Water Resources Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

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## **I. KEY WRA INFORMATION AND MANAGEMENT**

### **(a) Background information**

Water Resources Management Authority was established by an Act of Parliament, under Section 7 of the Water Act, 2002 of the Laws of Kenya. It is a State Corporation under the Ministry of Water and Irrigation and was operationalized in July 2005.

WRMA has been renamed Water Resources Authority- WRA in the new Water Act 2016 under section 11 which was operationalized in April 2017

The Authority's principal mandate is to work as the Lead Agency in the management of water resources in the whole country. At cabinet level, Water Resources Authority is represented by the Cabinet Secretary for the Ministry of water and irrigation, who is responsible for the general policy and strategic direction of the Authority.

### **(b) Principal Activities**

The principal activity/mission of the Authority is to regulate and manage water resources in collaboration with Stakeholders for sustainable development

#### **Our Vision**

To be a global leader in Water Resources Regulation and Management

#### **Key Management**

The Authority's day-to-day management is under the following key organs:

- The Governing Board and its Committees
- The Chief Executive Officer and Management; operates through the Regional Offices established in the six Catchment Basins, namely: Athi, Ewaso Ngiro, Lake Victoria South, Lake Victoria North, Rift Valley and Tana Catchment Areas. In addition, we have delineated the six catchment areas into 26 sub-catchment areas which operate as sub-regional offices nationally. The operations of the Authority in the Regions and Sub-Regions are anchored on the Strategic Plan. The Authority partners/collaborates with key stakeholders in integrated water resource management activities to deliver its mandate to the public

### **(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Chief Executive officer	Mohammed Moulid. Shurie
2.	Finance and Administration Manager	Protus W.Salasya
3.	Technical Coordination Manager	Francis J Edalia
4.	Resource Mobilization & Devt Partner Coordination	Boniface M Mwaniki

#### **(d) Fiduciary Oversight Arrangements**

##### **Finance committee**

The Committee reviews quarterly financial, human resource and procurement reports and recommends to the Board ways of raising and utilizing the Authority's funds and human resources and the establishment of systems and procedures for efficient financial management.

The Committee advises the Board on Water Resources Authority's human resource policies and guidelines which include the scheme of establishment and career progression and terms and conditions of service for the staff of the Authority

##### **Audit committee**

Final management reports are submitted to the board audit and finance committee

The scope of this Committee includes risk management, as well as compliance with the regulatory requirements. The Audit Committee broadly oversees Water Resources Authority's standards of integrity and behaviour, reporting of financial information and internal control systems.

##### **Parliamentary Committee activities**

Final management reports submitted to parliamentary investment committee of environment and natural resources who assesses and justifies the budget ally requirement before presentation to the

##### **Development Partner oversight activities**

Resource Mobilisation Committee is charged with the responsibility of providing strategic directions as to funding of Water Resources Authority's activities and advice to the Board on Water Resources Authority's revenue and fund raising, activities and forecasting the same in line with Water Resources Authority's statutory mandate. Finally they give a no objection for all key procurement requirements

##### **Water situation Report**

Every year water situation report and performance report are disseminated to the public for purposes of their information and feedback

**WRA Headquarters**

Water Resources Authority  
NHIF Building, 9th & 10th Floors.  
Ragati Road  
P. O. Box 45250-00100  
Nairobi, Kenya

**(e) WRA Contacts**

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Fax. 2729950  
E-mail: [WRA@WRA.or.ke](mailto:WRA@WRA.or.ke)  
Website: [www. WRA.or.ke](http://www.WRA.or.ke)

**(f) WRA Bankers**

1. National Bank of Kenya  
Hill Branch  
P.O. Box 45219-00100  
Nairobi, Kenya
2. Kenya Commercial Bank  
Moi Avenue Branch  
P.O. Box 48400 - 00100  
Nairobi, Kenya
3. Cooperative Bank of Kenya  
Nairobi Business Centre  
P.O. Box 19555-00202  
Nairobi, Kenya
4. Equity Bank  
Community Branch  
P.O. Box 75104-00100  
Nairobi, Kenya
5. Barclays Bank of Kenya  
Wetlands branch  
P.O Box 14403-00800  
Nairobi, Kenya

**(g) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084

GOP 00100  
Nairobi, Kenya






**(h) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

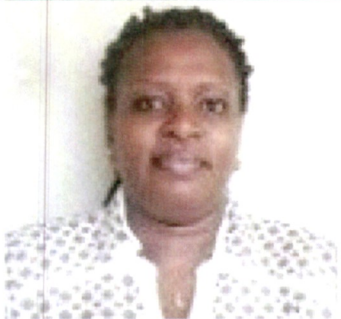




**Lawyers**


1. Prof. Albert Mumma & Company Advocates  
5<sup>th</sup> avenue office suites  
5<sup>th</sup> floor suite no. 1  
5<sup>th</sup> Ngong Avenue  
P.O Box 10481 – 00100  
Nairobi, Kenya
2. Garane &Associations Advocates  
P.O Box 20617-00100  
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0205100194/2631541  
Info@garane advocates.com

II. THE BOARD OF DIRECTORS



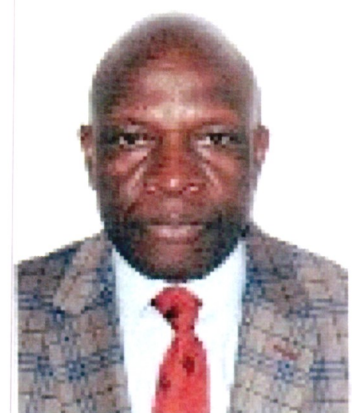
1		<p>Hon. Peter L.N. Kiilu, EBS</p> <p>Board Chairman        Water Resources Management        Authority</p> <p>Career Administrator and Civil servant of        many years' experience</p>
2		<p>Hon. Lawrence Nginyo Kariuki</p> <p>Director</p>
3		<p>Hon Saulo Wanambisi Busolo</p> <p>Director and Chairperson Technical        Committee</p>
4		<p>Mr. Francis Mboya Mutua-</p> <p>Director</p> <p>A lawyer and advocate of the high court of        Kenya with over 20 years of experience. He        specializes in civil commercial litigation.</p> <p>Chairperson finance &amp; support services        committee</p>
5		<p>Dr. Yahya Ali Borrow</p> <p>Director</p> <p>A social scientist with a passion for        community development</p>

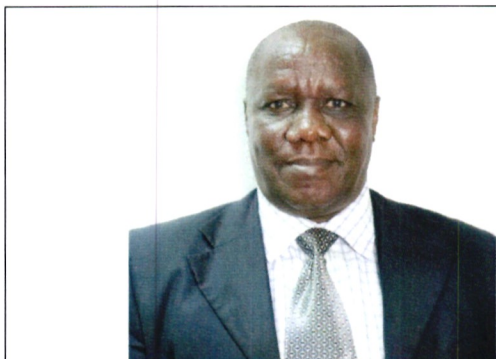
**Water Resources Authority  
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		Has a vast experience in community mobilization and support.
6		Ms. Sylvia Chidodo Leli  A Social scientist with more than 10years experience in the Public Sector.  Chairperson Resource Mobilization Committee
7		Mr. Moses K. Kanagi  P. S. Representative, National Treasury  An Economist with over 20 years' experience in Public Sector
8		Mr. Jeremiah Munai P.S. Representative, State Department of Environment and Natural Resources. Ministry of Environment and Natural Resources  An Economist and experienced public servant of many years
9		Ms. Gladys Wekesa Director P.S. Representative State Department of Water  A career Researcher and experienced public servant in Water Sector
10		Ms. Agnes Nailantei Shonko  Director and Chairperson Audit committee

11		<p>Mr. David Gichuhi Representative</p> <p>Inspector General of State Corporations</p> <p>Career Administrator specifically bringing in oversight roles of Inspector General</p>
----	---	--

**III. MANAGEMENT TEAM**

	<p>Mohamed M. Shurie</p> <p>Chief Executive Officer and Secretary To The Board.</p> <p>BSC Phy/Math, BSC Geology, MBA Executive, with over 25 years experience in the public service</p>
	<p>Protus W. Salasya</p> <p>Ag. Finance and Administration Manager.</p> <p>BBAM (Finance) with experience of over 25 years in the public service</p>
	<p>Francis J. Edalia</p> <p>Technical Coordination Manager.</p> <p>BSC Hydrology and experience of over 28 years in the public service</p>



Eng. Boniface M. Mwaniki

Resource Mobilization and Donor Coordination  
Manager

BSC. Agri-Engineering and MA in Project Planning  
and Management with over 25 years of experience in  
public service

#### **IV. CHAIRMAN'S STATEMENT**

##### **Foreword**

It is with great pleasure that I present Water Resources Authority's financial Report and Financial Statement for the year ending 30<sup>th</sup> June, 2017.

The Authority had a good performance despite the many challenges that came our way. We recorded an operating surplus in our results for the current period compared to the previous period when a deficit was posted. This was achieved despite limited budgetary allocation from the Government.

##### **Corporate Performance**

During the period; Water Resources Authority was able to make the following achievements;

- a) Commenced implementation of seven (7no.) capital projects and programmes, namely; Athi Restoration Programme, Drilling of Exploratory Boreholes in Turkana, Marsabit, Garissa, Wajir and Mandera Counties, Implementation of Sub-Catchment Management Plans (SCMPs), Construction/Rehabilitation of Water Monitoring Stations, Water Abstraction and Pollution Surveys, Kikuyu Springs Groundwater Conservation and Lamu Groundwater Conservation
- b) Undertook a review and evaluation of the status of implementation of the Strategic Plan for the period 2012-2017.
- c) Recognitions of authority's performance in implementation of presidential commitments and circulars which fed into president's state of the nation address
- d) The Authority also enhanced revenue collection by adopting internet and mobile banking through Mpesa platform this came along with a developed ICT policy which the Authority has implemented to enhance in the sharing of information.

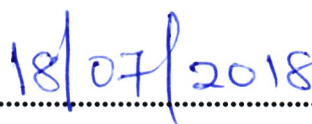
We are carrying out our mandate as set out in the Water Act 2002 and I am pleased to report that we are on track towards achieving the targets we set out for this financial year.

##### **Appreciation**

I would like to extend my appreciation to the management, staff and our various partners for their dedicated service and execution of the Water Resources Authority's strategies towards achieving its Mandate, Vision and Mission.



.....  
**Mr. Francis Mboya Mutua**  
**Director, Board of Directors**



.....  
**Date**  
**Nairobi**

## **V. REPORT OF THE CHIEF EXECUTIVE OFFICER**

The Constitution of Kenya has in its Bill of Rights conferred the right of every Kenyan to a clean and healthy environment, with the resultant expectations which have increased consciousness of the population of these rights. The Authority, as the principal instrument of Government in the implementation of policies relating to water resources management, has faced increased demands to ensure proper catchment conservation and management of the water resources in the country.

The Authority has continued to undertake this mandate and achieved remarkable results despite a number of challenges faced.

### **Revenue**

The Authority put in place measures to ensure financial sustainability in its operations. The allocations received from the exchequer have been low over the years. This has put pressure on the Authority also to improve on revenue collection to sustain its operations which is still not enough.

During the period ended 30<sup>th</sup> June 2017 the Authority was able to collect cumulatively KES 682M as internally generated funds (AIA). The Management intends to intensify efforts and improve on the level of these revenue collections in future in order to reduce the current financing gap.

### **Expenses**

The Authority's expenses were cumulatively KES 1.4b of which staff costs salaries and other remunerations still remains the major cost component accounting for 70% of the total expenses.

### **Innovation**

The Authority believes in continuous innovation in improving service delivery to its stakeholders. The Authority has embraced the use of Information Communication Technology (ICT) in the provision of services. As of end of the quarter under review, the Authority had configured FTP server to enable online submission of databases for surface water, ground water, water quality and climate data (i.e. data on precipitation, temperature and humidity)

### **Education and awareness creation**

One of the core functions of the Authority is to educate the population and create environmental awareness in the country. This is done by engaging several stakeholders in diverse sectors of the economy, undertaking awareness activities, and meeting the general public. The following activities were undertaken:-

- Hosted Athi Catchment forum which involved stakeholders of the region to create awareness on the need to conserve Athi Catchment Area
- Initiated the gazettement process of Lamu groundwater entailing review of land ownership entitlements with a view to conserve Lamu sand dunes catchments entailing review of land ownership entitlements with a view to conserve Lamu sand dunes catchment
- Held an Athi River interagency workshop to raise awareness amongst stakeholders about the current status of Athi river basin

### **Partnerships**

Through the period under review the Authority had the following development partners continue supporting its mandate:

- JICA worked with the Authority on flood management and mitigation activities
- IWRAP project and Mamase in Naivasha and Kericho SROs respectively assisting WRUAs to implement their Sub Catchment Management Plans
- World Bank funding Kenya Water Security and Climate Resilience project
- GIZ worked with the Authority on matters pertaining institutional development

The board also submitted over 20 proposals to development partner's to fund development activities.

### **Employee relations**

The Human Resource compliment in Water Resources Authority continues to play a critical role in the achievement of the organizational goals as stipulated in the Strategic Plan.

The Authority believes in the best skills for best performance. It has therefore continuously improved staff development. During the period under review a number of staffs were trained on groundwater database amongst other courses.

### **Commitment to quality**

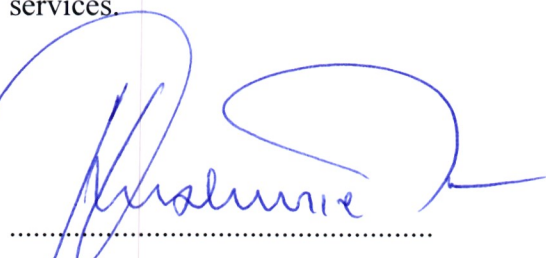
During the period under review the Authority maintained its ISO 9001:2008 certification. The Authority is committed to implementing the Quality Management System to ensure a clean, healthy, secure and sustainably managed environment for all by: Complying with the requirements of ISO 9001: 2008 Quality Management Systems, and ensuring that the quality policy is communicated effectively and understood within the organization and periodically reviewed for continued suitability. We are committed to the continual improvement of Quality Management System (QMS) processes and are in the process of transiting to ISO 9001:2015. The top management has already been sensitized on this while the surveillance audit for the period was undertaken during this financial year.

### **Conclusion**

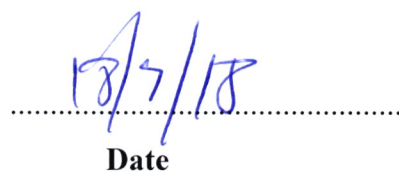
**Water Resources Authority  
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For the year ended June 30, 2017**

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I wish to take this opportunity to thank the Chairman and the Governing Board for their support throughout this period. I am also grateful to our parent Ministry of Water and Irrigation, our development partners and to all our stakeholders for their unwavering trust, support and partnership towards the execution of the Authority's mandate. And to the staff and management, I am indeed honoured to be a part of the Water Resources Authority team, the challenges which were with us especially salaries and, non-remittance of staff deductions have been resolved. I believe that with your continued support and commitment, we shall be able to deliver our services more efficiently and effectively to impact more people in respect to water resources and environmental management services.



.....  
**Mohamed M. Shurie**  
**Chief Executive Officer.**



.....  
**Date**

## **VI. CORPORATE GOVERNANCE STATEMENT**

### **Establishment and composition of the board:**

The Governing Board of the Water Resources Authority established under the Water Act 2002 is made up of seven members appointed by name and a Chairperson. The Board membership also comprises a representative of y the Cabinet Secretary for the Ministry of Water and Irrigation as well as representatives of the Principal Secretary, Ministry of Water and Irrigation, Ministry of Environment and Natural Resources, The National Treasury and the State Corporations (Inspectorate General). The Chief Executive Officer is an *ex officio* member of the Board.

In considering nominations for appointment to the Board, Professional qualification, gender and diversity of experience is taken into consideration. The Board exercises leadership, enterprise, integrity and judgement in managing the Authority.

The Directors are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues.

The day-to-day running of the operations of the Authority is delegated to the Chief Executive Officer but the Board of Management is responsible for establishing and maintaining the Authority's system of internal controls for the realization of the Authority's mandate.

All members of the Board are taken through a comprehensive induction programme and adequately trained on their roles through various corporate governance trainings. The Directors are professional, committed and guided by the mission, vision and core values of the Authority in the execution of their duties. At the end of each financial year, the Board, its Committees, individual directors and the Chief Executive Officer are evaluated by an independent body against targets agreed to at the beginning of the year.

### **Board Committees:**

The Board is assisted in its work by Board Committees attending to specific matters. The Committees report to and remain accountable to the Board for all their activities. The Board Committees' main function is to reinforce the wholeness of the Board's responsibility.

The Board has four standing committees which meet at least once per quarter and work under the terms of reference set by the Governing Board. The membership of all the Committees is reviewed on a regular basis by the Board.

#### **Finance and Support Services Committee**

The primary responsibility of Finance and Support Services Committee is to provide advice to the Board on Water Resources Authority's financial and human resource management, performance and their financial implications.

The Committee reviews quarterly financial, human resource and procurement reports and recommends to the Board ways of raising and utilizing the Authority's funds and human resources and the establishment of systems and procedures for efficient financial management.

The Committee advises the Board on Water Resources Authority's human resource policies and guidelines which include the scheme of establishment and career progression and terms and conditions of service for the staff of the Authority.

#### **Audit Committee**

The scope of this Committee includes risk management, as well as compliance with the regulatory requirements. The Audit Committee broadly oversees Water Resources Authority's standards of integrity and behaviour, reporting of financial information and internal control systems.

#### **Resource Mobilisation Committee**

Resource Mobilisation Committee is charged with the responsibility of providing strategic directions as to funding of Water Resources Authority's activities and advice to the Board on Water Resources Authority's revenue and fund raising, activities and forecasting the same in line with Water Resources Authority's statutory mandate.

#### **Technical committee**

This Committee reviews and makes recommendations to the Board on compliance and enforcement policies. The Committee also advises on legislative issues and other measures for the management of the water resources management and their implementation.

### **The Role of the Governing Board**

As guided by the State Corporations Act, Cap 446 and other relevant laws of Kenya, the Board's role is to provide effective leadership and control, in terms of approving the Water Resources Authority's strategy and ensuring best practice of corporate governance.

The Board retains full and effective control over the Authority by monitoring the implementation of Board plans and strategies, review of management accounts and major capital expenditure. It reviews processes for the identification and management of risks as well as those concerning compliance with key regulatory and legal areas.

The Board also reviews the Water Resources Authority's succession plans for the management team and endorses top executive appointments, organisational changes and remuneration matters. It is concerned with key elements of the governance processes which sustain the operations of the Authority, performance reporting processes as well as other disclosure requirements.

On a quarterly basis, the Board considers reports from each Board Committee. The Board meets at least once a quarter and the calendar of meetings is prepared annually in advance.

### **Evaluation**

The performance of the Board is a fundamental component of the Water Resources Authority's success. A corporate governance evaluation of performance for the period 2015/2016 was undertaken in June 2017 in order to have a formal and rigorous review of the entire Board as a collective unit and that of individual directors. The purpose of the evaluation was to acknowledge strengths and achievements and to recognize areas that needed improvement to enhance effectiveness and efficiency. The evaluation inspired Directors to improve in the application of their roles and responsibilities and to ensure that they are on track. The results of the evaluation were useful in putting in place a plan of action to improve effectiveness of each director and that of the Board as a collective unit.

### **Director's remuneration**

In accordance with guidelines provided in the State Corporations Act, the Directors are paid taxable sitting allowance for every meeting attended, as well as travel and accommodation allowance while on the Authority's duty. The Chairman is also paid a monthly honorarium and mileage expenses. During the period the directors total remuneration amounted to Kes 26 million and constituted mainly board and committee meeting allowances.

### **Statement of Compliance**

The Board of Directors confirms that Water Resources Authority has throughout the period ending 30<sup>th</sup> June 2017 complied with the Statutory and Regulatory requirements and that the Authority has been managed in accordance with the principles of Corporate Governance.

### **Internal control and risk management:**

#### **Internal Control**

The Directors are responsible for reviewing the effectiveness of the Authority's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

#### **Standing Instructions**

The Authority has a Code of Ethics and Service Charter that is applicable to all employees. These are two of a number of Standing Instructions to employees of the Authority designed to enhance internal control. The Authority has also designed a set of standing instructions to be followed in the management of various functions in the organization.

#### **Organization Structure**

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the Authority can meet its future management requirements.

#### **Strategic Plan**

The business of the Authority is determined by the Strategic Plan. The Strategic Plan sets out the objectives of the Authority, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly and annual basis. The current Strategic Plan expired in June 2017 and the process of developing a new one is under way.

### **Internal Control Framework**

The Authority continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an on-going basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the Authority, is approved by the Audit Committee.

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action.

### **Risk Management**

The Authority has a structure and process to help identify, assess and manage risks. The process was in place for the period up to the time this report was approved. The Management team reviews all the risks in the Authority and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the Audit Committee to assist the Board in the management of risk.

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives and policies are detailed below:

- (i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

**Management Team**

The management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently., among others. The action plans for the

year include the Annual Work Plan, Annual Budget Estimates, Annual Procurement Plan, Annual Performance Contract, among others.

## **VII. MANAGEMENT DISCUSSION AND ANALYSIS**

The Authority's principal mandate is to work as the Lead Agency in the management of water resources in the whole country.

### **KEY PROJECTS**

During the period; Water Resources Authority has been able to undertake the following projects in line with its mandate;

#### **a) Athi River Restoration Programme**

In a bid to rehabilitate, restore and sustainably manage water resources within the Athi River basin, which includes Nairobi River and its tributaries, WRA developed the Athi River Restoration Programme (ARRP) which is a capital project planned to be implemented in five years at an estimated cost of Kenya Shillings 2.5 billion.

Water Resources Authority (WRA) in conjunction with the Ministry of Water and Irrigation developed the Athi River Restoration Programme in 2015 with the aim of rehabilitating, restoring and sustainably managing water resources within the Athi River basin. This programme led to the creation of the Nairobi River Basin Rehabilitation & Restoration Programme as pilot project for the ARRP.

The Athi River Restoration Programme (ARRP) currently being undertaken by WRA, and the Ministry of Water and Irrigation as a capital Project.

#### **b) Lamu Ground Water Conservation**

The fresh water reserves in Lamu are under threat. Since the declaration of Lamu town as a heritage site, it has attracted a lot of interest from foreigners who are much aware of the developmental potential of the island than the locals. Increased establishment and development of the beach resorts, together with rampant population has also reduced the catchment size hence effective fresh water recharge.

Lamu groundwater conservation is currently being undertaken by WRA, and the Ministry of Water and Irrigation as a capital Project

The encroachment of the water catchment area and the threatened sand dunes in Amu led to a public outcry from environmental groups and other stakeholders in Lamu such as the Council of Elders, Lamu Kaa Chonjo group and others.

This caught the attention of WRA and the National Museums of Kenya, in recognition of the mandate of the two institutions as stipulated in the Water Act 2002 and National Museums and Heritage Act 2006. An alliance was forged to conserve and protect the Sand dunes by signing of an MOU to collaborate in the Gazettement and thus the conservation and protection of the Lamu Water catchment Area .

c) Kikuyu springs groundwater conservation

One of the key functions of WRA is to “Improve the Protection of Water Resources within the country”. It is based on this core function that WRA identifies and conserves the groundwater resources which are under threat and among them is the Kikuyu Springs Aquifer, which is a significant public water source in the northwest Nairobi area and hence vital for the capital city’s water supply

Kikuyu springs groundwater conservation is a project currently being undertaken by WRA, and the Ministry of Water and Irrigation as a capital Project

d) Drill of Exploratory B/H for Turkana, Marsabit, Garissa, Wajir

e) Implementation of SCMPs

f) Construction of Rehab of WRM Stations

g) Water Abstraction and Pollution Control Surveys

**Achievements;**

1. Cost cutting

The management has been able to undertake cost reductions by focusing on only necessary and essential expenses that will ensure the achievement of WRA mandate

2. Revenue rapid results initiative

During the period management realised drop in internally generated revenues, this is attributable to increase dry spell during the period and also most of the major abstractors had cleared out there arrears e.g. Kengen and during a management meeting held on 9<sup>th</sup> to 10<sup>th</sup> June 2017, it was resolved that a revenue rapid results initiative be undertaken with each region and sub region given targets to collect.

3. Compliance to statutory requirements

For the last period, all statutory obligations were complied with. All statutory deductions from staff and vendors dues accrued during the period were remitted on a timely basis.

**Major risks facing the organization**

- Operational risk- staff turnover and retirement of staff change of technology leading to data loss and lack of insurance of ICT equipment
- Finance risk- this has been due to limited resources/ funding from our parent ministry of water and irrigations
- Credit risks –political interference i.e. governors encroaching our mandate

**Material arrears in statutory Requirements**

The Authority has an outstanding amount of Kshs 824,321,782 from KRA as PAYE, VAT and Kshs 400,798,011 as pension contribution

These arrears are still outstanding and we have engaged our parent ministry to help the Authority in settling the outstanding bills as stated above.



## VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Social and environmental responsibilities are an integral part of the Authority's practices. The Authority partners/collaborates with key stakeholders in integrated water resource management activities to deliver its mandate to the public.

We have over the years strived to mainstream environmental conservation in the development of the country so as to ensure the sustainable development of the country. In order to attain this, we have mainstreamed environmental sustainability in the performance contracts of all government institutions. Water Resources Authority works with the communities in the area of catchment protection by undertaking community based livelihoods projects through the WRUAs and also provision of support to alternative livelihood to communities inhabiting catchment areas. This is done largely at the Authority's cost.

WRA undertook to facilitate WRA livelihood activities through tree nursery establishment provision of tree seedlings especially bamboo for catchment conservation. Training on agroforestry in Kakamega. Riparian marking and pegging in Lamu. This year World Water day celebrations 2017 where held in Mecheo Secondary School in Nyamira county, where WRA participated fully by donating and facilitating the installation of a water tank to the school and area residents in Nyamira county in a bid to sensitize the public on ways to reduce waste water through rain water harvesting and storage.



WRA Chairman Hon. Peter Kiilu, WRA CEO Mohammed Shurie and Top Management officially inspecting and commissioning the tank donated to Mecheo Secondary School during the 2017 WWD

## **IX. REPORT OF THE DIRECTORS**

The Directors submit their report together with the financial statements for the year ended 30<sup>th</sup>, June 2017 which shows the state of Water Resources Authority.

### **Principal activities**

The principal activities of the Authority are to regulate and manage water resources in collaboration with Stakeholders for sustainable development.

### **Results**

The results of the Authority for the year ending June 30<sup>th</sup>, 2017 are set out on page 15 and the reported deficit was Kes 99m compared to last year's financial performance of a deficit of KES 265 million. This positive improvement is attributable to the decrease in recurrent expenditures by over 200m due to stringent controls put in place as well as enhanced Government recurrent grants released to the Authority.

### **Directors**

The members of the Board of Directors who served during the period and to the date of this report are set out on in earlier sections of the report.

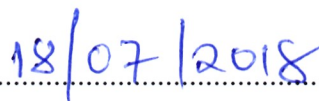
### **Auditors**

The Auditor-General, Kenya National Audit Office, is responsible for the statutory audit of the Authority's books of account in accordance the Public Audit Act, 2015. The Auditor General continues in office in accordance with the Public Audit Act, 2015.

For and On behalf of Board of Directors



**MR. FRANCIS MBOYA MUTUA  
DIRECTOR**



**Date  
NAIROBI**

## **X .STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ending 30<sup>th</sup> June, 2017

This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the period ended June 30, 2017, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

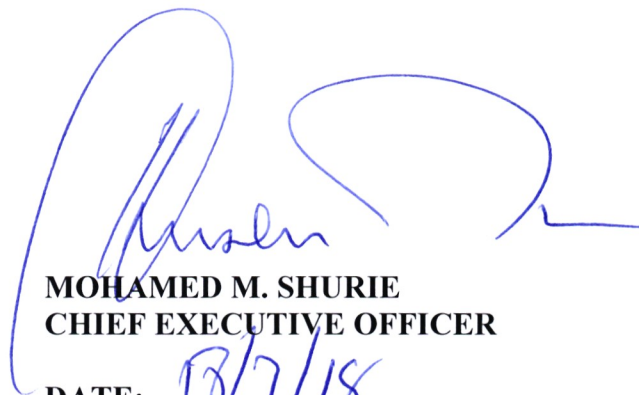
**Approval of the financial statements**

The Authority's financial statements were reviewed by the Chief Executive Officer and chairman of board of management and signed on..... .



**MR. FRANCIS MBOYA MUTUA  
DIRECTOR**

DATE: 18/07/2018.....



**MOHAMED M. SHURIE  
CHIEF EXECUTIVE OFFICER**

DATE: 18/7/18.....

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### **REPORT OF THE AUDITOR-GENERAL ON WATER RESOURCES MANAGEMENT AUTHORITY (WARMA) FOR THE YEAR ENDED 30 JUNE 2017**

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#### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of Water Resources Management Authority (WARMA) set out on pages 1 to 44, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Water Resources Management Authority as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2016 and the State Corporations Act, Cap 446.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### **Basis for Qualified Opinion**

##### **1. Property, Plant and Equipment**

As reported previously, property, plant and equipment balance of Kshs.382,383,733 as at 30 June 2018 excludes twelve (12) parcels of land of undetermined value across the country on which the Authority has put up various developments including buildings but for which it does not possess legal ownership documents such as title deeds. Further, the Authority has not maintained an appropriate fixed assets register with details of the assets including a description of the asset, date of acquisition and cost, tag number, class and category of the asset.

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*Report of the Auditor-General on the Financial Statements of Water Resources Management Authority (WARMA) for the year ended 30 June 2017*

In view of the forgoing, it has not been possible to confirm the cost, existence, ownership, valuation and security of the non-current assets reflected in the financial statements of Kshs.382,383,733 as at 30 June 2018.

## 2. Un-receipted Customer Deposits

Included in the payables figure of Kshs.1,442,609,838 is an amount of Kshs.6,781,702 which are indicated as Un-receipted customer deposits. These are not actual payables. Further, it was explained that these were revenue money deposited in the revenue accounts of Water Resources Management Authority. However, the receipt details of the persons or companies depositing the money and the purpose for the money deposited were not shown in the bank records making it not possible for the Authority to receipt the money in the cash book and revenue accounts. In addition, the schedule showing these deposits was not provided for audit review.

In the circumstance, it has not been able to confirm the existence, accuracy and completeness of the customer's deposits of Kshs.6,781,702 as at 30 June 2017.

## 3. Cash and Cash Equivalents - Long Outstanding Reconciling Items

The statement of financial position reflects a cash and cash equivalents balance of Kshs.322,058,710 as at 30 June 2017. However, the following accounts have long outstanding reconciling items which have been outstanding for a period of more than 6 months as follows;

Details	Branch	Account Number	Current year Final Figure Kshs.	Remarks
KCB-Revenue	Machakos	1106233980	4,057,689	Long outstanding receipts in account not in bank statement amounting to Kshs.624,602.26
KCB Revenue	Kisumu	1104037513	5,694,841	Long outstanding receipts in account not in bank statement amounting to Kshs.4,732,256.70
KCB-Revenue	Kakamega	1101923040	2,468,910	Long outstanding receipts in account not in bank statement amounting to Kshs.774,546
KCB Revenue	Nanyuki	1103187198	4,138,483	Payment in account not in bank statement amounting to Kshs.31,922.5 and Long outstanding receipts in account not in bank statement amounting to Kshs.1,164,694.35

Under the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.322,058,710 As at 30 June 2017 could not be ascertained.

### 3. Uncollected Debtors

During the year under review, the Authority had receivables from exchange transactions of Kshs.2,453,308,956 (Note 17), out of these debtors, Kshs.2,095,551,277 has been outstanding for a period of over nine months and whose recoverability is doubtful. However, the provision for bad debts of Kshs.245,330,896 appears inadequate for the growing debt portfolio. Further, the debt collection policy has not been adhered to. Even though the Authority has explained the efforts being made to recover the debts, including signing MOUs with the debtors and court process, the amount outstanding is very huge compared to the operations of the Authority and failure to recover the amount will significantly affect that financial operations of the Authority.

Consequently, the recoverability and accuracy of the receivables from exchange transactions of Kshs.2,207,962,378 as at 30 June 2017 could not be confirmed.

### 4. Non Remittance of Third Party Deductions

Included in the trade and other payables from exchange transactions balance of Kshs.1,205,309,422 as at 30 June 2017, is an amount of Kshs.1,081,085,841 which is owed to three Institutions as follows;

Name	Amount Kshs.
WRA Pension	401,813,316
Ukulima Sacco	51,573,038
Paymaster General- Comm. of Domestic Taxes	627,699,487

These are part of statutory deductions that were made from salaries of employees for remittance to the relevant institutions but were not remitted. The amounts have remained outstanding beyond the stipulated period.

In letter ref. WD/3/3/1405(13) of 27 April 2017, the Principal Secretary undertook to remit Kshs.10 million to Kenya Revenue Authority (KRA) every month until the outstanding balance was cleared. However, no evidence of remission of the amount was made available for audit review. Further, the Authority risk penalties and interest on the unremitted amount of Kshs.1,081,085,841.

In consequence, it has not been possible to confirm the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.1,205,309,422 as at 30 June 2017.

## **5. Un-Serviced Long Term Loan**

Records maintained at the Water Resources Management Authority indicate that the Authority received a loan totaling Kshs.362,612,300 from the Government arising from a credit granted by the World Bank(IDA) earmarked as Long Term Loan payments to IDA/WORLD BANK for Natural Resources Management Project with various effective dates of repayments starting on 30 March 2017. However, although the repayment fell due the Authority did not make any repayment totaling Kshs.18,130,614 (principal amount) and Kshs.14,708,461 (interest).This has since had a growing penalty of Kshs.5,046,355. Further, the Management of the Authority explained that it does not have finances to repay the outstanding loan.

In the circumstances, it has not been possible to confirm that, the Authority will be able to repay the outstanding loan balance of Kshs.367,658,654 as at 30 June 2017, when it falls due.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Water Resources Management Authority in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I determine that there were no other Key Audit Matters to communicate in my report.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**02 October 2018**

**XII. STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2017**

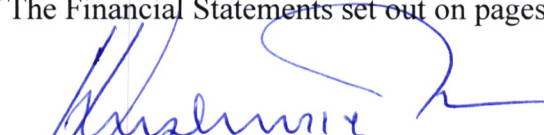
	Note	2016-2017	2015-2016
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Public Contribution and Donations	5	586,820,036	291,716,667
Licenses and Permits	6	48,262,514	38,567,015
Transfer from other Government	7	40,971,721	144,908,101
<b>Revenue from exchange transactions</b>			
Sale of water and electricity	8	658,111,729	914,351,532
Other incomes	9	24,883,813	18,753,858
<b>Total revenue</b>		<b>1,359,049,813</b>	<b>1,408,297,173</b>
<b>Expenses</b>			
Employee costs	10	904,489,421	918,128,372
General expenses	12	293,551,971	366,932,225
Water Resources Management Expense	13	149,493,934	256,863,317
Board Expense	11	26,980,736	29,824,506
Depreciations and Amortization Expense	14&15	78,588,413	101,664,190
Finance cost		5,046,354	
<b>Total expenses</b>		<b>1,458,150,829</b>	<b>1,673,412,911</b>
<b>Surplus /(deficit ) for the period</b>		<b>(99,101,016)</b>	<b>(265,115,739)</b>

The notes set out on pages 7 to 44 forms an integral part of these Financial Statements


**XII. STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2017**

		2016-2017	2015-2016
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	322,058,710	48,113,590
Receivables from exchange transactions	17	2,207,962,378	2,151,404,925
Receivables from non-exchange transactions	18	24,073,664	6,728,142
<b>Total Current Assets</b>		<b>2,554,094,752</b>	<b>2,206,246,657</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	14	382,383,733	427,498,682
Intangible assets-software	15	32,037,427	38,410,626
<b>Total Non-Current Assets</b>		<b>414,421,160</b>	<b>465,909,309</b>
<b>Total Assets</b>		<b>2,968,515,912</b>	<b>2,672,155,966</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Customer deposits- Unreceipted	19	6,781,702	26,000,425
Trade and other payables from exchange transactions	20	1,205,309,422	1,046,046,744
Deferred income	25	230,518,714	
<b>Total Current Liabilities</b>		<b>1,442,609,838</b>	<b>1,072,047,169</b>
<b>Non-current liabilities</b>			
Long Term Loan	21	367,658,654	362,612,300
<b>Total Liabilities</b>		<b>1,810,268,492</b>	<b>1,434,659,468</b>
<b>General Fund</b>			
Capital Funds	2	123,717,772	98,608,067
Revenue Reserves	23	1,034,529,648	1,138,888,431
<b>Total General Funds</b>		<b>1,158,247,648</b>	<b>1,237,496,498</b>
<b>Total Liabilities and General Funds</b>		<b>2,968,515,912</b>	<b>2,672,155,966</b>

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

  
 Chief Executive Officer  
 Mohamed M. Shurie

  
 Head of Finance  
 Javan Cheruiyot  
 ICPAK Member Number:

  
 Director, Governing Board  
 Francis Mutua Mboya

Date.....18/7/18.....

Date.....18/7/18.....

Date.....18/7/2018.....

**XIII. STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Capital Funds</b>	<b>Revenue Reserves</b>	<b>TOTAL</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Balance 01.07.2015</b>	<b>98,608,067</b>	<b>1,404,004,170</b>	<b>1,502,612,337</b>
Adjustments in Reserves	-	-	-
Surplus for the year	-	(265,115,739)	(265,115,739)
<b>Balances 30.06.2016</b>	<b>98,608,067</b>	<b>1,138,888,431</b>	<b>1,237,496,498</b>
Balance 01.07.2016	98,608,067	1,138,888,431	1,237,496,498
Adjustments in Reserves	25,109,705	(5,257,767)	19,851,938
Surplus for the period/Deficit	-	(99,101,016)	(99,101,016)
<b>Balance as at 30 JUNE 2017</b>	<b>123,717,772</b>	<b>1,034,529,648</b>	<b>1,158,247,420</b>

**Water Resources Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

**XIV. STATEMENT OF CASH FLOWS**  
**AS AT 30 JUNE 2017**

		<b>2016-2017</b>	<b>2015-2016</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	5	586,820,036	291,716,667
Licenses and permits	6	48,262,514	38,567,015
Transfer from other government	7	40,971,721	144,908,101
Sale of water and Electricity	8	658,111,729	914,351,532
Other Income	9	24,883,813	18,753,858
<b>Total Receipts</b>		<b>1,359,049,813</b>	<b>1,408,297,172</b>
<b>Payments</b>			
Employee Costs	10	904,489,421	918,128,372
General Expenses	12	293,551,971	366,932,225
Water Resources Management Expenses	13	149,493,934	256,863,317
Board Expenses	11	26,980,736	29,824,506
		<b>1,374,516,061</b>	<b>1,571,748,420</b>
<b>Net cash flows from operating activities</b>		<b>(15,466,249)</b>	<b>(163,451,248)</b>
<b>Net Cash generated from/(used in) Operating Activities</b>		<b>(15,466,249)</b>	<b>(163,451,248)</b>
<b>Cash flows from investing activities</b>			
(Increase)/Decrease in Debtors	17	(56,557,453)	(171,434,233)
Increase in deposits and prepayments	18	(17,345,522)	29,069,055
(Increase)/Decrease in Provisions	-		
Increase/Decrease in Payables	20	159,262,678	335,756,101
Increase/Decrease in Payables- Deferred income	25	230,518,714	
Purchase of PPE and intangible assets	14&15	(27,100,265)	(39,065,789)
Increase in un receipted customer deposits	19	(19,218,723)	4,736,696
Proceed from sale of PPE		0	
<b>Net cash flows used in investing activities</b>		<b>269,559,429</b>	<b>159,061,829</b>
<b>Cash flows from financing activities</b>			
Repayment of Long Term Borrowing			
Adjustments in reserves		19,851,938	
Proceeds from Long Term Borrowing			
Decrease in Provision for bad debts			
Other proceeds-MTAP Funds and AWF Funds			
<b>Net cash flows used in financing activities</b>		<b>19,851,938</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>273,945,119</b>	<b>(4,389,419)</b>
Cash and cash equivalents at 1 JULY		48,113,591	52,503,009
<b>Cash and cash equivalents at 30 JUNE 2017</b>	16	<b>322,058,710</b>	<b>48,113,591</b>

Water Resources Authority  
Reports and Financial Statements  
For the year ended June 30, 2017

V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 30 JUNE 2017

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Public contributions and donations	933,000,000	0	933,000,000	586,820,036	346,179,964
					25M not received. and 211M being deferred income and an amount 9.3M has been transferred to capital fund
Licenses and permits	51,700,000	0	51,700,000	48,262,514	3,437,486
Transfer from other Governments	62,059,600	0	62,059,600	40,971,721	21,087,879
<b>Revenue from exchange transactions</b>					
Sale of Water and electricity	1,106,841,040	0	1,106,841,040	658,111,729	448,729,311
					Low revenue collection due to prolonged dry spell
Other Income	22,850,000	0	22,850,000	24,883,813	(2,033,813)
<b>Total income</b>	<b>2,176,450,640</b>		<b>2,176,450,640</b>	<b>1,359,049,813</b>	<b>471,220,813</b>
<b>Expenses</b>					
Employee Costs	911,848,540	0	911,848,540	904,489,421	7,359,119
					some staff retired and others resigned during the year.
General Expenses	587,512,500	0	587,512,500	293,551,971	293,960,529
					Controlled

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Water Resources Management Expenses	186,180,000	0	186,180,000	149,493,934	36,686,066	spending.
Board Expenses	29,260,000		29,260,000	26,980,736	2,279,264	
Depreciation and Amortization Expenses				78,588,413	(78,588,413)	
Finance Cost				5,046,534	(5,046,354)	
<b>Total recurrent costs and Expenses</b>	<b>1,714,801,040</b>	<b>286,530,950</b>	<b>1,714,801,040</b>	<b>1,458,150,829</b>	<b>256,650,211</b>	
<b>Operating Surplus /(Deficit)</b>	<b>461,649,600</b>	<b>325,040,090</b>	<b>461,649,600</b>	<b>(99,101,016)</b>	<b>214,570,652</b>	

# WATER RESOURCES AUTHORITY

## Reports and Financial Statements

For the year ended June 30, 2017

### XVI. NOTES TO THE FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

Water Resources Authority is established by and derives its authority and accountability from section 11 of the Water Act 2016. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to regulate and manage water resources in collaboration with Stakeholders for sustainable development.

#### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

#### 3. ADOPTION OF NEW AND REVISED STANDARDS

##### i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
<b>IPSAS 33:</b> First time adoption of Accrual Basis IPSAS	<b>(Effective for annual periods beginning on or January 1, 2017)</b> In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. The entity adopted IPSAS in the year ended 30 June 2015 and therefore provisions of first time adoption of accrual basis does not apply to the entity.
<b>IPSAS 34:</b> Separate Financial Statements	The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
<b>IPSAS 35:</b> Consolidated	The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply

**WATER RESOURCES AUTHORITY****Reports and Financial Statements****For the year ended June 30, 2017**

<b>Standard</b>	<b>Impact</b>
Financial Statements	
<b>IPSAS 36:</b> Investments in Associates and Joint Ventures	The entity does not have investments in associates or joint ventures
<b>IPSAS 37:</b> Joint Arrangements	The entity does not have an interest in a joint arrangement and therefore the standard does not apply
<b>IPSAS 38:</b> Disclosure of Interests in Other Entities	The entity does not have an interests in other entities and therefore the standard does not apply

**i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**ii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2017.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees (Permits and Licences)**

**Water Permits**

Revenue from water permit fees is recognized when billed. The entity recognizes revenues from Water permit fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

**ii) Revenue from exchange transactions**

**Sale of Water**

Revenue from water use charges is recognized when billed based on the assessed net units of water abstracted. Revenue from water use charges is recognized when the significant risks and rewards of ownership have been transferred to the user, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

## **WATER RESOURCES AUTHORITY**

### **Reports and Financial Statements**

**For the year ended June 30, 2017**

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#### **b) Budget information**

The original budget for FY 2016-2017 was approved by the National Assembly in June 2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations were added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded additional appropriations of Kshs.300 million on the FY 2016-2017 budget following the governing board's approval.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XV of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**c) Taxes**

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the authority operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

All property, plant and equipment are initially recorded at cost and thereafter stated at historical cost less depreciation. Depreciation is calculated on straight line basis to write down the cost of each asset to its residual value over its estimated useful life using the following per annum rates:

Buildings	10.0%
Water Supply Infrastructure	2.5%
Office Equipment	12.5%
Computers & IT Equipment	33.3%
Motor Vehicles	25.0%
Furniture and Fittings	12.5%

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**g) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**h) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The authority determines the classification of its financial assets at initial recognition.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

***Impairment of financial assets***

The authority assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

*Loans and borrowing*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**i) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**j) Provisions**

Provisions are recognized when the authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

The authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

***Contingent assets***

The authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**k) Nature and purpose of reserves**

The authority creates and maintains reserves in terms of revenue reserves.

**l) Changes in accounting policies and estimates**

The authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**m) Employee benefits**

**Retirement benefit plans**

The authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the authority pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and

## **WATER RESOURCES AUTHORITY**

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prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

#### **n) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

#### **o) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

#### **p) Related parties**

The authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

#### **q) Service concession arrangements**

The entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**s) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Provisions for bad and doubtful debts are at the following rates:

Period Outstanding	Percentage
241 - 360 days (8-12 months)	10%
Over 1 Year	50%

**u) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

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**5. Public contributions and donations**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Development Grants	189,145,316	200,000,000
Recurrent Grants	397,674,720	91,716,667
	<b>586,820,036</b>	<b>291,716,667</b>

This is revenue received from GOK for recurrent and development activities

**6. Licences and Permits**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Application & Authorization Fee	28,039,188	16,401,700
G/Water Permit Fee	14,937,152	15,953,932
S/Water Permit Fee	5,286,174	6,211,383
	<b>48,262,514</b>	<b>38,567,015</b>

**7. Transfers from other governments**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
GTZ Funds	1,492,908	3,197,301
KWSCRIP Funds	26,101,253	0
WKCDD & FM Funds	0	43,480,000
AWF Funds	0	8,681,986
Other Donor Funds	10,838,340	20,658,370
MTAP	0	47,520,000
WSTF	2,539,220	21,370,444
	<b>40,971,721</b>	<b>144,908,101</b>

These are funds received from development partners and GOK counterpart funds for financing development programmes.

**WATER RESOURCES AUTHORITY****Reports and Financial Statements****For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)****8. Sale of water and electricity**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
S/Water use charges	577,671,092	794,108,436
G/Water use charges	58,284,900	96,136,426
Laboratory Service charges	15,612,040	17,485,700
Waste Disposal Charges	6,543,696	6,620,970
	<b>658,111,729</b>	<b>914,351,532</b>

**Water user charges**

This represents revenue realized from internally generated funds, largely for water abstraction fees and water use charges.

**9. Other Incomes**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Interest Income	592,092	638,757
Penalties	17,560,339	16,914,671
Tender Fees	1,000	4,000
Data Sales	1,146,380	557,250
Other Incomes, WDC doc sales	2,384,002	639,180
Insurance claim for Vehicle w/o	3,200,000	0
<b>Other Incomes</b>	<b>24,883,813</b>	<b>18,753,858</b>

This revenue from A-in-A; Internally Generated Funds largely from sale of data and other miscellaneous receipts.

**10. Employee costs**

	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
Basic Salaries	569,511,618	584,189,442
House Allowances	139,408,367	138,174,700
Other Allowances	29,710,340	35,980,083
Gratuity & Pension Contribution	86,412,797	82,793,127
Leave Allowance	16,573,272	15,293,333
Commuter Allowance	53,230,000	54,088,700
Honoraria	5,257,000	989,000
Transfer Allowances	4,386,027	6,619,987
	<b>904,489,421</b>	<b>918,128,372</b>

Key management remuneration amounted to Kes 8.8 Million making it 0.01% of total employee cost.

**WATER RESOURCES AUTHORITY****Reports and Financial Statements****For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)****11. Board Expenses**

Description	2016-2017	2015-2016
	KShs	KShs
Chairman's Honoraria	971,000	421,000
Board Workshops and Seminars	1,876,536	3,125,460
Board Travel and Accommodation	15,914,174	18,000,065
Other allowances	8,219,026	8,277,982
	<b>26,980,736</b>	<b>29,824,506</b>

**12. General Expenses**

	2016-2017	2015-2016
	Kshs	Kshs
Staff Training Expenses	19,406,104	36,454,704
Medical Expenses	529,950	3,401,460
Motor Vehicle Expenses	20,057,612.	25,347,954
Travelling and Accommodation	40,802,952	85,361,583
Conferences and Meetings	227,800	505,848
Telephone & Internet costs	21,870,429	13,547,006
Postal & Courier Services	1,477,477	2,084,641
Official Entertainment	225,911	592,682
Staff Welfare Expenses	1,346,367	3,410,017
Hospitality Costs-Purchase of Coffin	305,825	1,028,979
Catering Expenses	2,048,703	4,395,241
Advertising Expenses	2,564,366	2,452,602
Uniform & Clothing	2,332,282	3,409,750
Insurance Costs	69,539,455	5,210,016
Membership Fees and Subscription to Professional Bodies	15,129,689	24,747,323
Legal Dues & Professional Bodies	35,302,805	5,387,295
Show Expenses	447,275	4,967,536
Office Rent and Rates	20,931,659	18,513,702
Electricity Expenses	2,351,445	2,431,127
Water and Conservancy Expenses	872,230	1,539,830
General Office Expenses	7,547,580	14,937,056
Computer Stationery & Accessories	5,939,168	25,295,950
Office General Stationery	4,548,671	13,103,462
Publishing and Printing	565,932	13,780,556
Library Expenses	457,477	709,110
Maintenance of Furniture and Office Equipment	3,118,094	1,891,959
Maint. Computers, Software, Networking, Plant & Machinery	1,072,020	5,155,607
Maintenance of Buildings and Stations	391,058	3,568,555
Minor Alterations & Maintenance works	919,190	16,544,783
Bank Charges & Commissions	1,415,875	2,212,592

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**For the year ended June 30, 2017**

Laboratory & Reagents Supplies	3,120,010	5,895,050
First Aid Kit Supplies	0	0
Audit Fees	402,400	0
Provision for bad debts	6,284,161	19,048,248
	<b>293,551,972</b>	<b>366,932,225</b>

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**13. Water Resource Management Expenses**

	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Gender Sensitive and Human Resource Development	28,800	73,400
Workshop and Seminars	11,586,270	42,821,449
Publicity& Information Dissemination	5,770,100	9,377,178
Regulatory functions	11,331,853	12,106,352
Water abstraction system expenses	14,700,680	14,303,845
CAACs Expenses	0	0
WRUA's Establishment and Support	12,093,761	25,935,029
Catchment Management Strategy	2,930,855	1,276,350
Catchment monitoring plan-technical equipment	0	0
Catchment monitoring plan-other activities	12,230,371	7,139,595
Catchment monitoring, Protection,& other water resources mgt measures	47,344,210	41,569,353
Feasibility study and project design	49,000	49,394,261
Preventive Water Resources Mgt. Measures	185,060	1,720,800
Water Quality Laboratory capacity enhancement	961,813	3,477,650
Roof Catchment Structures	1,600,465	33,000
Project Planning and Supervision	458,200	5,551,280
Rehabilitation of Water Monitoring Stations	2,706,888	1,457,375
Livelihood Based Investments	0	40,626,400
KWSCRIP activities	25,515,608	
	<b>149,493,934</b>	<b>256,863,316</b>

**WATER RESOURCES AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**14. Property, plant and equipment**  
**FY2016/17**

Cost	Buildings		Motor vehicles		Furniture and fittings		Computers		Water Supply Infrastructure		Capital Work in progress		Total	
	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%
At 1 July 2016	393,706,080	10%	212,571,319	25%	283,783,713	12.5%	95,077,993	33%	18,477,774	2.5%	0	0%	1,003,616,879	
Additions	0		0		9,084,780		16,024,925		0		0		25,109,705	
Disposals	0		(6,246,900)		0		0		0		0		(6,246,900)	
Transfers/adjustments	0		0		0		0		0		0		0	
<b>At 30<sup>th</sup> June 2017</b>	<b>393,706,080</b>		<b>206,324,419</b>		<b>292,868,493</b>		<b>95,318,493</b>		<b>18,477,774</b>		<b>0</b>		<b>1,022,479,684</b>	
<b>Depreciation and impairment</b>														
At 1 July 2016	110,735,181		196,590,381		187,063,271		80,394,806		1,334,557		0		576,118,197	
Depreciation														
Charge for the Year	21,332,647		12,748,325		24,850,755		10,750,166		542,761		0		70,224,654	
Disposals	0		(6,246,900)		0		0		0		0		(6,246,900)	
<b>At 30<sup>th</sup> June 2017</b>	<b>132,067,828</b>		<b>203,091,806</b>		<b>211,914,027</b>		<b>91,144,972</b>		<b>1,877,318</b>		<b>0</b>		<b>640,095,950</b>	
<b>Net book values</b>														
At 30 <sup>th</sup> June 2017	261,638,252		3,232,614		80,954,466		19,957,946		16,600,456		0		382,383,733	
At 30 <sup>th</sup> June 2016	282,970,899		15,980,939		96,720,441		14,683,186		17,143,217		0		427,498,682	

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FY 2015/16							
	Buildings	Motor vehicles	Furniture and fittings	Computers	Water Supply Infrastructure	Capital Work in progress	Total
Cost As at 1st July 2015	393,706,080.0	207,003,319	272,516,364	88,175,043	11,705,894		973,106,700
adjustment's							
Additions 2015/16	0	5,568,000	11,267,349	6,902,950	6,771,880	0	30,510,179
Disposals							
As at 30 June 2016	393,706,080	212,571,319	283,783,713	95,077,993	18,477,774	0	1,003,616,879
Depreciation							
As at 1st July 2015	70,539,188	176,857,999	158,779,406	74,180,980	1,072,969		481,430,543
Adjustments							
Charge for the year	40,195,993	19,732,382	28,283,865	6,197,826	261,588	0	94,687,654
Disposals							
As at 30 June 2016	110,735,181	196,590,381	187,063,271	80,394,806	1,334,557	0	576,118,196
Net Book Value at 30 June 2016	282,970,899	15,980,939	92,590,412	14,683,186	17,143,217	0	427,498,682
Net Book Value at 30 June 2015	323,166,892	30,145,320	113,736,957	13,994,062	10,632,925		491,676,157

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**15. Intangible assets-software**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>KShs</b>	<b>KShs</b>
<b>Cost</b>		
<b>As at 1<sup>st</sup> July</b>	95,637,035	87,081,425
<b>Additions</b>	<b>1,990,560</b>	<b>8,555,610</b>
As at 30 <sup>th</sup> June	97,627,595	95,637,035
Additions—internal development		
<b>At end of the year</b>		
<b>Amortization and impairment</b>		
<b>As at 1<sup>st</sup> July</b>	57,226,409	50,249,571
<b>Amortization charge for the year</b>	<b>8,363,760</b>	<b>6,976,838</b>
Impairment loss		
<b>As at 30<sup>th</sup> June</b>	<b>65,590,168</b>	<b>57,226,409</b>
<b>Net Book Value at 30<sup>th</sup> June</b>	<b>32,037,427</b>	<b>38,410,626</b>
<b>Net Book Value at 30<sup>th</sup> June</b>	<b>38,410,626</b>	<b>57,547,451</b>

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**16. Cash and Cash Equivalents**

This comprises of both cash held in hand and at bank.

**a) Bank Balance**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
KCB- Athi Catchment Area-Mombasa	20,113	1,938
KCB-SIDA Bank A/C-HQ Nairobi	20,752	1,897,192
Barclays-MTAP	7,112,335	35,970,684
National Bank of Kenya-HQ Nairobi	29,835,575	-
KCB-Athi Catchment Area-Machakos-General	390,372	114,630
Equity-MTAP	1,349	1,349
KCB- Athi Catchment Area- Nairobi Sub Region-KWSP	2,622,015	161,072
KCB- Athi Catchment Area-Kibwezi Sub Region-KWSP	25,672	1,139
KCB- Athi Catchment Area-Kiambu Sub Region –KWSP	245,346	-
KCB- Athi Catchment Area-Loitoktok Sub Region-KWSP	33,337	53,500
KCB- Athi Catchment Area-Machakos-Revenue	3,340,470	-
KCB-Tana Catchment Area-Embu-General	446,835	1,446,130
KCB-Tana River Catchment Area-Embu-KWSP	264	264
KCB-Tana Catchment Area-Meru Sub Region-KWSP	258,404	1,240
KCB-Tana Catchment Area-Kerugoya Sub Region-KWSP	51,882	-
KCB-Tana Catchment Area- Kitui Sub Region-KWSP	310,344	897
KCB-Tana Catchment Area-Murang'a Sub Region-KWSP	240,048	0
KCB-Tana Catchment Area-Garissa Sub Region-KWSP	14,180	921
COOP-Tana Catchment Area –Embu Region-NRM	1,568	1,568
KCB-Ewaso Nyiro Catchment Area-Nanyuki-General	1,586,914	295,699
KCB-Ewaso Nyiro Catchment Area-Nanyuki-KWSP	5,425	5,425
Equity-MTAP Regional	3,444	3,444
KCB-Ewaso Nyiro Catchment Area-Nanyuki Sub Region-KWSP	331,186	-
KCB-Ewaso Nyiro Catchment Area-Mandera Sub Region-KWSP	55,989	13
KCB-Ewaso Nyiro Catchment Area-Marsabit Sub Region-KWSP	1,780	5,825
KCB-Ewaso Nyiro Catchment Area-Nyahururu Sub Region-KWSP	241,339	1,827
KCB-Ewaso Nyiro Catchment Area-Isiolo Sub Region-KWSP	31,295	473
Equity-MTAP Isiolo	4,073	4,073
NBK-Rift Valley Catchment Area-Nakuru-General	1,117,674	19,133
KCB-Rift Valley Catchment Area-Nakuru-KWSP	1,055	2,320
KCB-Rift Valley Catchment Area-Baringo Sub Region-KWSP	2,694	14,964
KCB-Rift Valley Catchment Area-Kapenguria Sub Region-KWSP	12,964	2,519
KCB-Rift Valley Catchment Area-Narok Sub Region-KWSP	43,315	87,809
KCB-Rift Valley Catchment Area-Lodwar Sub Region-KWSP	43,689	-
KCB-Rift Valley Catchment Area-Naivasha Sub Region-KWSP	2,073	19,548
KCB-Lake Victoria North Catchment Area-Kakamega-General	1,088,699	680,542
KCB-Lake Victoria North Catchment Area-Kakamega-KSWP	14,396	20,126
KCB-Lake Victoria North Catchment Area-Siaya SubRegionKWSP	51,293	2,311
KCB-Lake Victoria North Catchment Area-Eldoret Sub-Region KWSP	4,745	-
KCB-Lake Victoria North Catchment Area-Kitale Sub Region KWSP	1543	450
KCB-Lake Victoria North Catchment Area-Kakamega-WKCDD/FM	0	3,388,071

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KCB-Lake Victoria South Catchment Area-Kisumu-KWSP	0	3,874
KCB-Lake Victoria South Catchment Area-Kisumu-AWF Project	0	7,950
KCB-Lake Victoria South Catchment Area-Kisii Sub Region-KWSP	187,950	2,239
KCB-Lake Victoria South Catchment Area-Kisumu Sub Region-KWSP	28,452	54,410
KCB-Lake Victoria South Catchment Area-Kericho Sub Region-KWSP	142,417	-
KCB-Lake Victoria South Catchment Area- Kericho Sub Region-Mamase	384	168,284
KCB-Ewaso Nyiro Catchment Area-Isiolo Sub Region –KWSP	0	473
KCB-General Operations A/C –HQ Nairobi	211,960,367	-
KCB-Revenue A/C –HQ Nairobi	19,400,296	1,380,486
Cooperative Bank –NRM Bank A/C –HQ Nairobi	0	307,628
NBK-Lake Victoria South Catchment Area- Kisumu –General	1,360,107	69,277
KCB-Lake Victoria South Catchment Area-Kisumu-Revenue	5,694,841	1,477,073
KCB-Lake Victoria North Catchment Area-Kakamega-Revenue	2,468,910	-
KCB-Rift Valley Catchment Area-Nakuru-Revenue	8,298,296	296,366
KCB-Rift Valley Catchment Area-Naivasha-IWRAP	2,705	134,704
KCB-Ewaso Nyiro Catchment Area-Nanyuki	4,138,483	
Equity Bank –KWSCRPIU Account	18,558,347	
	<b>321,858,001</b>	<b>48,109,860</b>

**b) Cash Balance**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash in hand- Head Office(petty cash)	200,709	3,730
Cash in hand-Athi River Catchment Area		
Cash in hand-Tana Catchment Area		
Cash in hand-Rift Valley Catchment Area		
Cash in hand-Lake Victoria North Catchment Area		
Cash in hand-Lake Victoria South Catchment Area	200,709	3,730
	<b>322,058,710</b>	<b>48,113,590</b>

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**17. Receivables from Exchange transactions**

This includes amount owed by general customers unpaid for services rendered by the Authority. The outstanding amount was as follows:

Description	2016-2017	2015-2016
	Kshs	Kshs
General Debtors	2,453,291,531	2,390,449,917
Less Provision for bad debts	245,329,153	239,044,992
	<b>2,207,962,378</b>	<b>2,151,404,925</b>

**18. Receivables from Non exchange transactions**

Description	2016-2017	2015-2016
	Kshs	Kshs
Staff Advances	1,217,243	5,983,322
Deposits	744,821	744,821
Prepayments	22,111,600	0
	<b>24,073,664</b>	<b>6,728,142</b>

**19. Customer Deposits- Un-receipted**

Description	2016-2017	2015-2016
	Kshs	Kshs
KCB-Lake Victoria South Catchment Area-Kisumu-Revenue		
KCB-Athi Catchment Area-Machakos –Revenue		6,129,898
KCB-Ewaso Nyiro Catchment Area-Nanyuki-Revenue		1,337,101
KCB-Rift Valley Catchment Area-Nakuru-Revenue		0
KCB-Lake Victoria N. Catchment Area-Kakamega-Revenue		4,425,411
KCB-Tana River Catchment Area-Embu –Revenue	6,781,702	14,108,015
	<b>6,781,702</b>	<b>26,000,425</b>

**NB:** This constitutes the amounts deposited to our KCB Tana revenue collection account and the customers have not submitted the deposit slips hence not yet receipted making the account have a negative balance. Reconciliations of this figures is on-going and will be cleared in the course of the period.

**20. Trade and other payables from exchange transactions**

Description	2016-2017	2015-2016
	Kshs	Kshs
Trade Creditors	1,187,221,926	864,200,731
Other Creditors	0	36,902,222
Accrued Expenses	18,074,817	
Overdrawn Bank accounts	12,679	144,869,838
	<b>1,205,309,422</b>	<b>1,046,046,744</b>

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**21. Long term Loan**

This represents the amount of loan due to the Government arising from a Credit granted by the World Bank (IDA) for the Natural Resources Management Project.

Description	2016-2017	2015-2016
	Kshs	Kshs
IDA/World Bank	362,612,300	362,612,300
Interest/ penalties Payable	5,046,354	
	<b>367,658,654</b>	<b>362,612,300</b>

**22. Capital Funds**

This represents capital funds and assets given to the Authority by development partners, namely GTZ, AWF and SIDA/DANIDA under Water Sector Reform Programme and the Kenya Water and Sanitation Programme respectively. The Capital funds were received as follows:

Description	2016-2017	2015-2016
	Kshs	Kshs
Capital Assets Transfer-GOK	17,760,443	8,435,163
GTZ	4,053,315	4,053,315
Kenya Water and Sanitation Programme	35,349,589	35,349,589
AWF	770,000	770,000
MTAP Fund	50,000,000	50,000,000
KWSCRIP Assets transfer	15,784,425	
	<b>123,717,772</b>	<b>98,608,067</b>

**23. Revenue Reserves**

Description	2016-2017	2015-2016
	Kshs	Kshs
Retained Earnings at 1 <sup>st</sup> July	1,138,888,431	1,404,004,170
Adjustments in Reserves Reclass	-5,257,767	
	-99,101,016	-265,115,739
	<b>1,034,529,648</b>	<b>1,138,888,431</b>

The adjustment in reserves relates to the refunds to Worldbank and SIDA after the end of the WKCDD project and SIDA bridging program respectively. The funds had been factored as income in the FY 2015/16 hence had to be refunded from revenue reserves. SIDA refund amounted to Kshs. 1,869,696 while WKCDD project refund amounted to Kshs 3,388,071.

**24. a Transfers from Ministries, Departments and Agencies**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2015-2016
			KShs	KShs	KShs
Ministry of Water and Irrigation	586,820,036	211,531,585	9,325,280	807,676,901	291,716,667
<b>Total</b>	<b>586,820,036</b>	<b>211,531,585</b>	<b>9,325,280</b>	<b>852,336,154</b>	<b>291,716,667</b>

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**b. Transfers from other governments**

Description	F/Y 2016-2017	DATE RECEIVED	TYPE OF TRANSFER
	<b>KShs</b>		
GTZ Funds	1,492,908	20/7/017	Electronic transfer
KWSCRП Funds	26,101,253		Electronic transfer
WKCDD & FM Funds	0		
AWF Funds	0		
Other Donor Funds	10,838,340	17/8/2017	Electronic transfer
MTAP	0		
WSTF	2,539,220	29/3/017	Electronic transfer
	<b>40,971,721</b>		

**25. Deferred Income**

Description	2016-2017	2015-2016
	<b>KShs</b>	<b>KShs</b>
National government	211,960,367	-
Transfers from other Governments- KWSCRП	18,558,347	-
Public contributions and donations	0	-
<b>Total deferred income</b>	<b>230,518,714</b>	<b>-</b>

The deferred income movement is as follows:

	National government	Transfers from other Governments- KWSCRП	Total
Balance brought forward	0	0	0
Additions	400,676,901	44,659,600	445,336,501
Transfers to Capital fund		0	-
Transfers to income statement	188,716,534	26,101,253	214,817,787
Other transfers		0	-
Balance carried forward	211,960,367	18,558,347	230,518,714

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**I. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	The property, plant and equipment balance of Kshs.497,084,270 as at 30 June 2013 excludes value of twelve (12) parcels of land across the country on which the Authority has put up various developments including buildings but for which the Authority does not possess legal ownership documents such as title deeds. Consequently, it was therefore not possible to verify the ownerships of these properties as reflected in the financial statements.	Water Resources Authority cannot claim value of Land where its offices have been built since it is a shared resource under the ministry of Water, Environment and Natural Resources. Land is owned by the Government of Kenya and being part of the Government, Water Resources Authority uses it to discharge its constitutional mandate. The process of asset transfer has been slow due to an embargo by Transition Authority on all public assets transfer.	CEO WRA and PS Ministry of Water and Irrigation	In Progress	
2.	As reported in the year, the Authority had an	We agree with your observation that there	CEO WRA and PS	Ongoing	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>approved revised budget of Kshs 100 million down from Ksh 150 million provided for during the financial year 2013/2014 for the land acquisition. A review of the records provided for audit, however showed that despite this provision, no land was acquired. Management has not provided for audit review progress made in the acquisition of the intended land.</p>	<p>was a budget of Kshs. 150million for purchase of land for Water Resources Authority in 2013/2014. It is also true that the Authority was unable to show evidence to your office for such acquisition.</p> <p>We wish to state that the planned land purchase did not happen as budgeted because approved budget allocation of Ksh 150M was expected to be financed from GOK funding. However only a total of 300m was released by GOK and was utilized on other activities.</p> <p>During the two financial years to date, we have experienced serious underfunding</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		of our development budget. Currently WRA in conjunction with KWSCRIP has initiated land allocation from the Ministry of Water and sanitation			
	The receivables from exchange transaction balance of Kshs. 2,151,404,925 (2015:Kshs. 1,979,970,692) as at 30 <sup>th</sup> June 2016 include debtors of over 270 days whose recoverability is doubtful. The provision of Kshs. 239,044,992 appears inadequate for the growing debt portfolio. As a result, the debt collection policy needs to be enhanced and enforced.	We agree with the observation, the issue of provision for bad and doubtful debts should be enhanced via a sound and realistic policy. The management shall review its debt management policy especially with regards to water use clients. Currently accept our provision figure but we expect to have the new policy to be developed be operational in the next two years.	FAM WRA	In progress	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>During the year under review, the authority had an approved budget of Kshs. 1,050,000,000 and Kshs. 450,000,000 for development and recurrent respectively. However, the actual disbursements were Kshs. 200,000,000 and Kshs. 91,716,667 for development and recurrent respectively. The resultant total underfunding of Kshs.1,208,283,333 have a negative impact on the Authority to discharge its mandate</p>	<p>Your observation on underfunding which is a common feature since inception of the Authority is true. As outlined in your communication, this deficit has adversely affected delivery of key services to Wananchi. We however recognize that the Government has limited resources with competing interests and may not adequately meet our financial needs. Concerted efforts should be made to finance the huge deficit and your recommendation to the Government and Development partners will greatly help us. We have requested for enhanced funding from GOK and our</p>	<p>CEO/ WRA Board and PS</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		parent ministry agreed and has already prepared a cabinet memo to our Cabinet Secretary and the National Treasury for consideration allocation of additional funding to Water Resources Authority.			
	The statement of financial performance reflects a figure of Kshs, 366,932,225 office general expenses which include general office stationery of Kshs.13, 103,462. From a sample of payments for audit verification, it was noted that stationery worth Kshs. 6,305,803 said to have been supplied but was not approved by Acceptance and Inspection Committees	The Governing Board through the Board Audit Committee had commissioned an investigation that identified some payments that were made for goods that were not delivered including stationeries. The Governing Board is currently handling the issue and has so far taken the following actions:-  I. Interdicting the responsible officer and			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>as required by Public Procurement and Disposal Act, 2005. Though counter receipts vouchers (S13) were raised to support the payments for the same transactions, there were no entries in the stores bin cards (S3) or issuance/ distribution (S11). In the circumstance, the propriety of the expenditure of Kshs.6, 305,803 could not be ascertained as a proper charge on the public funds.</p>	<p>commencing disciplinary measures against the persons involved.</p> <p>II. Writing to the Ethics and Anti-Corruption Commission (EACC) requesting for forensic investigation on identified cases of fraud. Already the EACC has opened investigation on some of the issues.</p> <p>III. Suspending any payment to the suppliers involved and stopping any further</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>business with them.</p> <p>IV. Strengthening the system of Internal Control to ensure all loop holes for fraud are sealed.</p>			
	<p>The authority received Kshs. 30,000,000 for development and validation of ground water assessment in Wajir County. Three boreholes were proposed for drilling and Kshs.2, 020,620 was paid to the contractor while the balance was diverted to pay medical insurance and staff salaries without authority to reallocate. This was contrary to section 12 of the State Corporations Act Cap 446. The intended</p>	<p>The issue of Miss-allocation of funds meant for drilling of boreholes in Wajir County is one of the issues of Financial Maladministration that was brought to the attention of the WRA Governing Board through the Board Audit committee and for which the Governing Board is taking action as explained above. Further the current management is strictly ensuring that utilization of funds is</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	project has since stalled. Spending capital (development) funds on recurrent expenditure was irregular. No efforts had been taken to address this anomaly as at 30 <sup>th</sup> June 2016.	as per the approved budget.			
	Trade and other payables balance of Kshs. 1,046,046,744 (2015:Kshs.710, 290,643) as at 30 <sup>th</sup> June 2016 include unremitted salary deductions amounting to Kshs. 1,010,648,211 that have been accumulating over the years. This amount is made up of Kshs.630, 597,900 unremitted PAYE, Kshs. 235,133,654 unremitted pension and Kshs.144, 916,657 unremitted staff deductions. This is a	We agree with you observation on this matter, Non -payment of statutory deductions is also one of the issues of financial maladministration that WRA Governing Board is handling. The authority has taken the following measures:-  <b>I.</b> Negotiating with KRA to be given time to settle the arrears as WRA currently cannot be able to settle the outstanding			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>clear indication that the Authority is experiencing difficulties in meeting its financial obligations as result of inadequate cash flow management. Consequently, the Authority risk penalties and interest on the unremitted amount of Kshs.1, 046,046,744 as at 30<sup>th</sup> June 2016.</p>	<p>arrears due to inadequate funding.</p> <p><b>II.</b> Ensuring full payment of all statutory deductions W.E.F 1<sup>st</sup> July 2016 to ensure no more debt is continuing to accrue.</p> <p><b>III.</b> Making monthly payments of Kshs 2 million per month to help in settling the arrears as WRA sources for more funds to pay all outstanding obligations.</p> <p><b>IV.</b> Seeking for additional funding to help in settling the outstanding</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		obligations.			
	<p>The Authority entered into a contract with a supplier to supply Human Resource Information Management System (HR/MS) software at a contract sum of Kshs.28, 200,000 in December 2014. The Authority paid Kshs. 10,000,000 as initial payment as per the contract. The balance of Kshs. 18,200,000 has never been paid and the software has not been delivered. In the circumstance, it is clear that the Kshs. 10,000,000 paid to the supplier three years ago was not properly charged on public funds. Consequently, the Authority will lose</p>	<p>We agree with your observations, again payment for HRMS is one of the cases of financial irregularities for which WRA Governing Board is taking action as specified in Item 5 Above.</p>	<p>Board/ CEO</p>		

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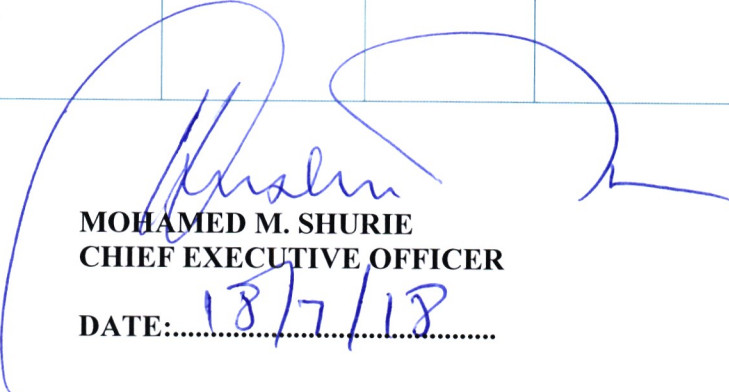
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Kshs. 10,000,000 paid on the non-use of the Human Resource Information System (HRIMS) software.				
	<p>The authority spent Kshs.80, 549,357 over and above the approved budget estimates on six expenditure items without approval as required under section 12 of State Corporations Act Cap 446.</p> <p>Further, the Authority did not spend all the funds Kshs. 88,000,000 available under the WRA-ASAL Medium Team Program as only Kshs. 32,763,722 was spent resulting to an under expenditure of Kshs.55,236,278 as at 30 June 2016.</p> <p>The over expenditure of Kshs.80,547,357 and under expenditure of</p>	<p>WRA Management has undertaken the necessary actions to ensure proper vote book control. Already Management has assigned the role of Maintenance of Vote book to a specific account staff that is competent. Also proper supervision, approval, authentication and examination of the payment details by relevant personnel's is being undertaken to ensure complete and accuracy of the information. With regards to the figures above, it's been found</p>	FAM	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Kshs.55,236,278 has not been explained as at June 2016	out that most travel expenditures were project related but wrongfully charged to travel instead of specific project. Currently project related travel expenditures are not factored into administrative travel expenses. The subscriptions and membership fees actually was wrongfully coded and should reflected as including management consulting fees – Improved institutional capacity budget hence the budget not overspend.			

  
**MR. FRANCIS MBOYA MUTUA**  
**DIRECTOR**

DATE:.....*18/07/2018*.....

  
**MOHAMED M. SHURIE**  
**CHIEF EXECUTIVE OFFICER**

DATE:.....*18/7/18*.....

**WATER RESOURCES AUTHORITY****Reports and Financial Statements**

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**APPENDIX I: PROJECTS IMPLEMENTED BY THE ENTITY****Projects**

Projects implemented by WRA Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	Kenya Water Security And climate Resilience	World Bank	5yrs	3.45 Billion	Yes	Yes
2						

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kenya Water Security And climate Resilience	3.45 Billion	25.515,608		374,754,500	25.515,608	World Bank