

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*PAPER LAID*

*By the leader  
of majority party  
Hon-Aden Duale  
on Tuesday*

*26/9/2017*



PARLIAMENT  
OF KENYA  
LIBRARY

TABLE OFFICE  
S/No.....  
26 SEP 2017  
Sign.....  
PAPER LAID

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
WATER RESOURCES MANAGEMENT  
AUTHORITY**

**FOR THE YEAR  
ENDED 30 JUNE 2016**





---

**Water Resources Management Authority**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2016**

---

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



# Water Resources Management Authority

## Table of Content

Page

I. KEY ENTITY INFORMATION AND MANAGEMENT .....	ii
II. THE BOARD OF DIRECTORS .....	v
III. MANAGEMENT TEAM.....	viii
IV. CHAIRMAN'S STATEMENT .....	ix
V. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	x
VI. CORPORATE GOVERNANCE STATEMENT.....	xiii
VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT .....	xviii
VIII. REPORT OF THE DIRECTORS.....	xix
IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xx
X. REPORT OF THE INDEPENDENT AUDITORS ON THE WATER REOURCES MANAGEMENT AUTHORITY .....	xxii
XI. STATEMENT OF FINANCIAL PERFORMANCE.....	1
XII. STATEMENT OF FINANCIAL POSITION.....	2
XIII. STATEMENT OF CHANGES IN NET ASSETS.....	3
XIV. STATEMENT OF CASH FLOWS .....	4
XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
XVI. NOTES TO THE FINANCIAL STATEMENTS .....	6
XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	22



# Water Resources Management Authority

## I. KEY ENTITY 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. Water Resources Management Authority (Water Resources Management Authority/Authority) is a State Corporation created by the Water Act number 8 of 2002. It was launched in July 2005- under the current Ministry of Environment, Water and Natural Resources. 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 Management Authority is represented by the Cabinet Secretary for Environment Water and Natural Resources, who is responsible for the general policy and strategic direction of the Authority.

### (b) Principal Activity

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 player in Water Resources Regulation and Management

### (c) 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

Water Resources Management Authority 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 with 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



# Water Resources Management Authority

## (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive officer	Eng. Philip J. Olum Hsc.
2.	Finance and Administration Manager	James O. Ambuso
3.	Technical Coordination Manager	Eng. Joseph M. Kinyua

## (e) Entity Headquarters

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

## (f) Entity Contacts

Tel. 2732291, 2729048/48  
Fax. 2729950  
E-mail: [wrma@wrma.or.ke](mailto:wrma@wrma.or.ke)  
Website: [www.wrma.or.ke](http://www.wrma.or.ke)

## (g) Entity 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



# Water Resources Management Authority

## **(h) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

## **(i) Principal Legal Adviser**

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

## **Lawyers**





Rachier & Amollo Advocates  
Mayfair center 5<sup>th</sup> floor  
Ralphe bunche rd  
P.o box 55645-00200  
Nairobi

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



# Water Resources Management Authority






## 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>Eng. Philip J. Olum Hsc.</p> <p>CEO Water Resources Management Authority and Secretary To The Board.</p>
3		<p>Hon. Boaz Kaino</p> <p>Director and Chairperson Finance and Support services committee</p>
4		<p>Hon. Lawrence Nginyo Kariuki</p> <p>Director</p>









# Water Resources Management Authority

5		<p>Hon Saulo Wanambisi Busolo</p> <p>Director and Chairperson Technical committee</p>
6		<p>Mr. Francis Mboya Mutua-</p> <p>Director</p>
7		<p>Dr. Yahya Ali Borrow</p> <p>Director</p>
8		<p>Ms. Sylvia Chidodo Leli</p> <p>A Social scientist with more than 10years experience in the Public sector.</p> <p>Chairperson Resource Mobilisation committee</p>
9		<p>Mr. Moses K. Kanagi</p> <p>P. S. Representative, National Treasury</p> <p>An Economist with over 20years experience in Public Sector</p>






## Water Resources Management Authority

10		<p>Mr. Jeremiah Munai P.S. Representative, State Department of Environment and Natural Resources. Ministry of Environment and Natural Resources</p> <p>An economist and experienced public servant of many years</p>
11		<p>Ms. Gladys Wekesa Director P.S. Representative State Department of Water</p> <p>A career researcher and experienced public servant in Water Sector</p>
12		<p>Ms. Agnes Nailantei Shonko</p> <p>Director and Chairperson Audit committee</p>
13		<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>



# Water Resources Management Authority

## III. MANAGEMENT TEAM

 A portrait of Eng. Philip J. Olum, a middle-aged man with glasses, wearing a dark suit, white shirt, and striped tie.	<p>Eng. Philip J. Olum, HSC</p> <p>CEO Water Resources Management Authority AND Secretary To The Board.</p> <p>A registered engineer holding undergraduate and postgraduate qualifications with over 30 years' experience in the Water Sector</p>
 A portrait of James Ambuso, a man with glasses, wearing a dark suit, white shirt, and light-colored tie, sitting in a black office chair.	<p>James Ambuso</p> <p>Finance and Administration Manager.</p> <p>Holder of MBA in Strategic Management from Moi University and Bachelors in Accounting and Finance. He is a member of Institute of Certified Public Accountants of Kenya, Certified Public Secretaries of Kenya and full member of Kenya Institute of Management</p>
 A portrait of Eng. Joseph M. Kinyua, a man with glasses, wearing a dark suit, white shirt, and blue tie.	<p>Eng. Joseph M. Kinyua</p> <p>Technical Coordination Manager, Water Resources Management Authority.</p> <p>A registered engineer ,Bsc Civil Engineering</p>



# Water Resources Management Authority

## IV. CHAIRMAN'S STATEMENT

### Foreword

It is with great pleasure that I present Water Resources Management Authority's Annual Report and Financial Statement for the financial year ending 30 June 2016.

The Authority had a fair performance despite the many challenges that came our way and despite minimal budget financing from the Government.

### Corporate Performance

During the period; Water Resources Management Authority has been able to make the following achievements;

- a) Rehabilitation and Installation of RGS stations
- b) Completed review of the 6 CMS

We carry out our mandate as set out in the Water Act 2002. I am pleased to report that we achieved most of the targets we set for the 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 Management Authority's strategies towards achieving its Mandate, Vision and Mission.

A handwritten signature in blue ink, appearing to read 'Peter L.N. Kiilu', is written over a horizontal dotted line.

**Hon. Peter L.N. Kiilu, EBS**  
**Chairman, Board of Directors**

**Date**  
**Nairobi**



# Water Resources Management Authority

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Government has laid critical emphasis on the management of the environment. The Constitution of Kenya has in its Bill of Rights the right of every Kenyan to a clean and healthy environment, with resultant expectations increased consciousness of the population of these rights. There has never been a time when demand for the better management of the environment has been higher. The Authority, as the principal instrument of Government in the implementation of all policies relating to the environment, has faced increased demands to ensure proper environmental management in the country.

The Authority continued to undertake this mandate and achieved remarkable results despite myriad of challenges it faced.

### **Revenue**

The Authority put in place measures to ensure financial sustainability in its operations. The allocations received from the exchequer have continued to decline over the years. This has put pressure on the Authority to collect its own revenues so as to sustain its operations.

The Authority was however able to bill KES 914 million as Appropriation in Aid from various licences and water user charges. This was achieved as a result of the efforts members of staff put. The Authority intends to improve on these efforts in the coming financial years.

The development partners disbursed KES 144 million. These development partners included the WKCDD and MTAP Project. The Authority intends to deepen the partnerships and broaden the base of development partners it engages with.

### **Expenses**

The Authority's expenses were KES 1.6 billion. Staff costs still remain the major cost component accounting for 56% of 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. In the financial year under review, the Authority undertook automation of the billing process. It is intended that the remaining processes will be automated in the coming financial years.



# Water Resources Management Authority

## **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:-

Participation in ASK Shows and international trade fairs and educating the public on Water use, catchment protection and pollution control amongst other areas of interest

- Hosting and participation in World water Day and World Wetlands Day amongst
- Annual catchment forum
- Released performance and water allocation situation reports

## **Partnerships**

During the year, the Authority had the following development partners supporting its mandate:

- World Wildlife Fund- WWF, IWRAP project
- United Nations Environment Programme (UNEP)
- GIZ

We are striving to bring more development partners on board.

## **Employee relations**

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

The Authority has invested heavily in the human resource and especially Capacity Building/Development of Human Resource Capital. The Authority believes in the best skills for best performance. It has continuously improved staff development. During the year staff was trained in many areas like corporate governance for both Board of Management and senior management, and several courses for the management and other members of staff. The Authority also organized many workshops for the staff especially for preventive for HIV/ Aids at work place, gender mainstreaming and alcohol and drug abuse prevention.

## **Commitment to quality**



## Water Resources Management Authority

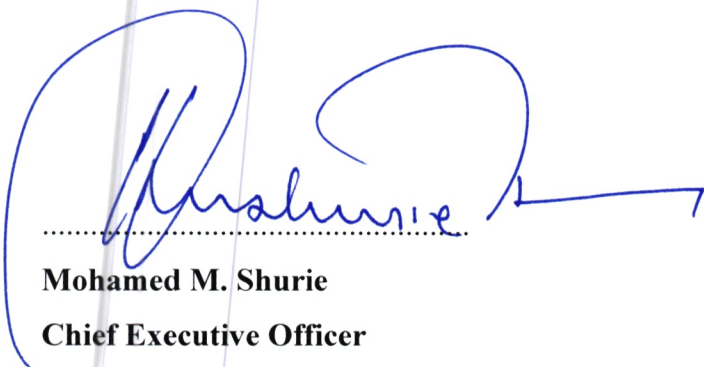
During the financial year, the Authority retained its ISO 9001:2008 certification. The Authority is committed to implementing a Quality Management System to ensure a clean, healthy, secure and sustainably managed environment for all by:

Complying with the requirements of ISO 9001: 2008 Quality Management Systems, customer requirements, statutory and regulatory requirements; Ensuring that quality objectives are established, implemented and monitored at all levels of the Authority; Ensuring that the quality policy is communicated effectively and understood within the organization and periodically viewed for continued suitability.

We are committed to the continual improvement of Quality Management System (QMS) processes and services and compliance with the requirements of ISO 9001:2008 international standards to achieve customer satisfaction. The Authority is committed to quality, timeliness, relevance to mandate, cost effectiveness and completion rate in the implementation of its projects.

### Conclusion

I wish to take this opportunity to thank the Chairman and the Board of Management for their support throughout the year, I am grateful to our development partners and to all our stakeholders for their unwavering trust, support and partnership. To the staff and management, I am honoured to be a part of the Water Resources Management Authority team. I believe that with your continued support and commitment, we shall deliver our services more efficiently and effectively impact more people with environmental management services in the coming years. We believe that the future of environmental management is indeed bright in this country.



.....

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

.....

**Date**  
**Nairobi**



# Water Resources Management Authority

## VI. CORPORATE GOVERNANCE STATEMENT

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

The Board of Management of the Water Resources Management Authority (Water Resources Management Authority) is established under the Water Act 2002. It is made up of eight independent non-executive directors who consist of a Chairperson appointed by the President. The other members of the Board are the Principal Secretary, Ministry of water and Irrigation, Ministry of Environment and Natural Resources, the Chief Executive Officer, The National Treasury and the State Corporations (Inspectorate General).

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 of Management 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.





# Water Resources Management Authority

The Board has four standing committees which meet at least once per quarter and work under the terms of reference set by the 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 Management 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 Management 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 Management 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 Management Authority's activities and advice to the Board on Water Resources Management Authority's revenue and fund raising, activities and forecasting the same in line with Water Resources Management 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.



# Water Resources Management Authority

## **The Role of the 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 Management 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 Management Authority's succession plans for the management team and endorses senior 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. The calendar of meetings is prepared annually in advance.

## **Evaluation**

The performance of the Board is a fundamental component of the Water Resources Management Authority's success. A corporate governance evaluation was undertaken 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.



# Water Resources Management Authority

## **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.

## **Statement of Compliance**

The Board of Directors confirms that Water Resources Management Authority has throughout the 2015/2016 financial year complied with the entire Statutory and Regulatory requirement 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



## Water Resources Management Authority

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 basis.

### **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. No significant failings or weaknesses were identified during 2015/16.

### **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. This 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.

### **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. Such policies developed include the Anti-corruption policy, Disability, Gender and HIV mainstreaming, the ICT policy, among others.



# Water Resources Management Authority

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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 Management 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 at the Authority's cost.

We worked closely with the several communities especially the weak and vulnerable. Several days to commemorate world wetland and water events were organized and held with these communities.

Our staff participated in several Corporate social responsibility activities including clean ups in various river basins and counties. We intend to build on and enhance our corporate social responsibility activities in the coming financial years.



# Water Resources Management Authority

## VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of Water Resources Management Authority.

### Principal activities

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

### Results

The results of the entity for the year ended June 30, 2016 are set out on page 15 and the authority's deficit is Kes 381 million and is drop from Last financial year's. This is attributed to drop in funds received from other Governments and donor agencies Like NRM Project.

### Directors

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

### Auditors

The Auditor-General 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

.....  
**HON. PETER L. N. KIILU, EBS**

**Chairman, Board of Directors**

.....  
**Date**

**Nairobi**



# Water Resources Management Authority

## IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 68 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 (period) ended on June 30, 2016. 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 financial year ended June 30, 2016, 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.



# Water Resources Management Authority

## 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..... 2016.

A handwritten signature in blue ink, appearing to read "Kiilu", written over the printed name.

**HON. PETER L. N. KIILU, EBS  
CHAIRMAN**

**DATE:.....**

A large, stylized handwritten signature in blue ink, appearing to read "Shurie", written over the printed name.

**MOHAMED M. SHURIE  
CHIEF EXECUTIVE OFFICER**

**DATE:.....**



# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.oagkenya.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON WATER RESOURCES MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

---

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Water Resources Management Authority set out on pages 1 to 22, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparative budget and actual amount 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.

#### **Management's Responsibility 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.

The 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.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating

---

*Report of the Auditor-General on the Financial Statements of Water Resources Management Authority for the year ended 30 June 2016*

the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Qualified Opinion**

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

As reported in the previous years' reports, property, plant and equipment balance of Kshs.427,498,682 as at 30 June 2016 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.

Consequently, it has not been possible to confirm the completeness, accuracy and ownership property, Plant and Equipment balance of Kshs.427,495,682 as at 30 June 2016.

#### **2. Un-utilized Capital Budget**

As reported in the previous year, the Authority had an approved revised budget of Kshs 100 million down from Kshs.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.

#### **3. Receivables from Exchange Transactions**

The receivables from exchange transaction balance of Kshs.2,151,404,925 (2015:Kshs.1,979,970,692) as at 30 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.

#### **4. Under Funding**

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.

#### **5. Payments for Undelivered Stationary**

The statement of financial performance reflects a figure of Kshs.366,932,225 Office general expenses which include office general stationary of Kshs.13,103,462. From a sample of payments for audit verification, it was noted that stationary worth Kshs.6,305,803 said to have been supplied but was not approved by Acceptance and

Inspection Committees as required by Public Procurement and Disposal Act, 2005. Though counter receipt 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.

## **6. Unauthorized Reallocation of Funds**

The Authority received Kshs.30,000,000 for development and validation of ground water assessment in Wajir County. Three bore holes 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 re allocate. This was contrary to Section 12 of the State Corporations Act Cap 446. The intended 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 June 2016.

## **7. Unremitted Taxes and Statutory Deductions**

Trade and other payables balance of Kshs.1,046,046,744 (2015:Kshs.710,290,643) as at 30 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 clear indication that the Authority is experiencing difficulties in meeting its financial obligations as a 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 June 2016.

## **8. Unpurchased Human Resource Management Software**

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 clear that the Kshs.10,000,000 paid to the supplier three years ago was not proper charge on public funds.

Consequently, the Authority will loss of the Kshs.10,000,000 paid and or the non-use of the Human Resource Information Management System (HRIMS) software

## **9. Over Expenditure and Under Expenditure**

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. The items overspent includes;

No.	Item	Budget Kshs.	Actual Kshs.	Variance Kshs.
1	Traveling and Accommodation	45,254,000	85,361,583	40,107,583
2	Staff Welfare	1,800,000	3,410,017	1,610,017
3	Subscription and membership fees	2,200,000	24,747,323	22,547,323
4	Office rent	13,910,000	18,513,702	4,603,702
5	Computer Stationary	22,810,000	25,295,950	2,485,950
6	Minor Alterations	7,350,000	16,544,782	9,194,782
	<b>Total</b>			<b>80,549,357</b>

Further, the Authority did not spend all the funds Kshs.88,000,000 available under the WRMA-ASAL Medium Team Program as only Kshs.32,763,772 was spent resulting to an under expenditure of Kshs.55,236,278 as at 30 June 2016.

The over expenditure of Kshs.80,547,357 and under expenditure of Kshs.55,236,278 has not been explained as at June 2016.

#### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Water Resources Management Authority as at 30 June 2016, 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 Water Act, 2002 and Rater Resource Management Rules, 2007



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

**Nairobi**

**26 July 2017**



# Water Resources Management Authority

## XI. STATEMENT OF FINANCIAL PERFORMANCE For the year ended 30 June 2015

	Note	2015-2016 KShs	2014-2015 KShs
<b>Revenue from non-exchange transactions</b>			
Public Contributions and Donations	3	291,716,667	578,433,770
Licenses and Permits	4	38,567,015	54,687,385
Transfer from other Governments	5	144,908,101	139,591,960
<b>Revenue from exchange transactions</b>			
Sale of water and Electricity	6	914,351,532	1,104,448,682
Other Income	7	18,753,858	10,935,130
<b>Total income</b>		<b>1,408,297,172</b>	<b>1,888,096,927</b>
<b>COSTS AND EXPENSES:</b>			
Employee Costs	8	918,128,372	799,969,012
General Expenses	9	366,932,225	622,156,823
Water Resources Management Expenses	10	256,863,317	318,369,046
Board Expenses	11	29,824,506	24,679,791
Depreciation and Amortization expense	12	101,664,490	79,428,393
<b>Total recurrent costs and expenses</b>		<b>1,673,412,911</b>	<b>1,844,603,065</b>
<b>OPERATING DEFICIT /SURPLUS</b>		<b>(265,115,739)</b>	<b>43,493,862</b>

The notes set out on pages 1 to 23 form an integral part of the Financial Statements



# Water Resources Management Authority

## XII. STATEMENT OF FINANCIAL POSITION As at 30 June 2016

	Note	2015-2016 KShs	2014-2015 KShs
<b>ASSETS:</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	13	48,113,590	52,503,009
Receivables from Exchange transactions	14	2,151,404,925	1,979,970,692
Receivables From Non Exchange Transactions	15	6,728,142	35,797,197
<b>Total Current Assets</b>		<b>2,206,246,657</b>	<b>2,068,270,898</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	12	427,498,682	491,676,157
Intangible Asset- Software	12b	38,410,626	36,831,854
<b>Total Non-Current Assets</b>		<b>465,909,309</b>	<b>528,508,011</b>
<b>Total Assets</b>		<b>2,672,155,966</b>	<b>2,596,778,909</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Customer deposits- Unreceipted	16	26,000,425	21,263,729
Trade and other Payables from exchange transactions	17	1,046,046,744	710,290,643
<b>Total Current Liabilities</b>		<b>1,072,047,169</b>	<b>731,554,372</b>
<b>Non-Current Liabilities</b>			
Long Term Loan	18	362,612,300	362,612,300
<b>Total Liabilities</b>		<b>1,434,659,468</b>	<b>1,094,166,671</b>
<b>General Fund</b>			
Capital Funds	19	98,608,067	98,608,067
Revenue Reserves	20	1,138,888,431	1,404,004,170
<b>Total General Funds</b>		<b>1,237,496,498</b>	<b>1,502,612,237</b>
<b>Total Liabilities and General Funds</b>		<b>2,672,155,966</b>	<b>2,596,778,909</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
MOHAMED M. SHURIE  
Chief Executive Office

  
HON. PETER L.N. KIHLU EBS  
Chairman of the Board

Date.....

Date.....



# Water Resources Management Authority

## XIII. STATEMENT OF CHANGES IN NET ASSETS For the year ended 30 June 2016

	<b>Capital Funds KShs.</b>	<b>Revenue Reserves KShs.</b>	<b>TOTAL KShs.</b>
Balance 01.07.2014	98,608,067	1,360,510,308	1,459,118,375
Adjustments in reserves			-
Surplus for the Year	-	43,493,862	43,493,862
<b>Balance 30.06.15</b>	<b>98,608,067</b>	<b>1,404,004,170</b>	<b>1,502,612,237</b>
Balance 01.07.2015	98,608,067	1,404,004,170	1,502,612,237
Additions for the year	-		-
Surplus for the Year		(265,115,739)	(265,115,737)
<b>Balance 30.06.16</b>	<b>98,608,067</b>	<b>1,138,888,431</b>	<b>1,237,496,498</b>



# Water Resources Management Authority

## XIV. STATEMENT OF CASH FLOWS

	Note	2016-2015 KShs	2015-2014 KShs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Public Contributions and Donations	3	291,716,667	578,433,770
Licenses and Permits	4	38,567,015	54,687,385
Transfer from other Governments	5	144,908,101	139,591,960
Sale of water and Electricity	6	914,351,532	1,104,448,682
Other Income	7	18,753,858	10,935,130
		<b>1,408,297,172</b>	<b>1,888,096,927</b>
<b>Payments</b>			
Employee Costs	8	918,128,372	799,969,012
General Expenses	9	366,932,225	622,156,823
Water Resources Management Expenses	10	256,863,317	318,369,046
Board Expenses	11	29,824,506	24,679,791
		<b>1,571,748,420</b>	<b>1,765,174,671</b>
<b>NET CASH FLOW OPERATING ACTIVITIES</b>		<b>(163,451,248)</b>	<b>122,922,256</b>
<b>Net cash generated from/(used in) Operating Activities</b>		<b>(163,451,248)</b>	<b>122,922,256</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase)/Decrease in Debtors	14	(171,434,233)	(327,947,156)
Increase in deposits and prepayments	15	29,069,055	4,956,759
(Increase)/Decrease in Provisions			
Increase/Decrease in payables	17	335,756,101	244,608,859
Purchase of PPE and intangible assets	12	(39,065,789)	(32,129,834)
Increase in un receipted customer deposits	16	4,736,696	(17,037,247)
<b>Net cash generated from/(used in) Investing Activities</b>		<b>159,061,829</b>	<b>(127,548,619)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Long Term Borrowing			
Adjustment In reserves			
Proceeds from Long Term Borrowing			
decrease in Provision for debts bad			
Other Proceeds – M tap funds and AWF funds			
<b>Net cash generated from/(used in) Financing Activities</b>		<b>-</b>	<b>-</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(4,389,419)</b>	<b>(58,335,157)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>52,503,009</b>	<b>57,129,370</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>48,113,590</b>	<b>52,503,009</b>





# Water Resources Management Authority

## XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30TH JUNE 2016

	Original Budget	Adjustments	Final budget	Actual on Comparable basis	Performance Difference
	2015/2016 Kshs.	2015/2016 Kshs.	2015/2016 Kshs.	2015/2016 Kshs.	2015/2016 Kshs.
<b>Revenue from non-exchange transactions</b>					
Public Contributions and Donations	1,450,000,000		1,450,000,000	291,716,667	1,208,283,334
Licenses and Permits	42,700,000		42,700,000	38,567,015	(38,567,015)
Transfer from other Governments	635,045,000		635,045,000	144,908,101	469,091,899
<b>Revenue from exchange transactions</b>					
Sale of water and Electricity	851,757,400		851,757,400	914,351,532	(152,053,932)
Other Income	13,115,100		13,115,100	18,753,858	31,246,142
<b>Total income</b>	<b>2,992,617,500</b>		<b>2,992,617,500</b>	<b>1,408,297,172</b>	<b>426,036,995</b>
<b>COSTS AND EXPENSES:</b>					
Employee Costs	878,359,400		878,359,400	918,128,372	(39,768,972)
General Expenses	1,044,406,900		1,044,406,900	366,932,225	677,474,675
Water Resources Management Expenses	1,033,991,200		1,033,991,200	256,863,317	777,127,883
Board Expenses	35,860,000		35,860,000	29,824,506	6,035,494
Depreciation and Amortisation expense				101,664,491	(101,664,491)
<b>Total recurrent costs and expenses</b>	<b>2,992,617,500</b>	-	<b>2,992,617,500</b>	<b>1,673,412,909</b>	<b>1,319,204,589</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(265,115,739)</b>	<b>(893,167,594)</b>



# Water Resources Management Authority

## XVI. NOTES TO THE FINANCIAL STATEMENTS

### 1. Statement of compliance and basis of preparation – IPSAS 1

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 and all values are rounded to the nearest cents. 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.

### 2. Summary of significant accounting policies

#### a) Revenue recognition

##### i) Revenue from non-exchange transactions – IPSAS 23

#### 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 – IPSAS 9

Revenues from exchange transactions are recognised at the fair value of the consideration received of receivable.

#### b) Budget information – IPSAS 24



## Water Resources Management Authority

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

### **d) Property, plant and equipment – IPSAS 17**

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.

### **e) Intangible assets – IPSAS 31**

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.

### **g) Provisions – IPSAS 19**

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.



## Water Resources Management Authority

Debtors and other receivables are stated at nominal value, less provision for amounts considered to be irrecoverable.

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%

### **Contingent liabilities**

The Authority recognizes 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. Sources of contingent liabilities are mainly legal litigations.

### **h) Changes in accounting policies and estimates – IPSAS 3**

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.

### **i) Employee benefits – IPSAS 25**

#### **Retirement benefit plans**

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a 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 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. The Authority contributes to a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The assets of this scheme are held in a separate trustee administered fund. The company's contributions to the defined contribution retirement benefit scheme are charged to the income statement in the year to which they relate. The scheme is funded by contributions from both the employees and employer. Benefits are paid to retiring staff in accordance with the scheme rules.



## Water Resources Management Authority

### **j) 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 the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held on call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included within borrowings in current liabilities.

### **k) Comparative figures**

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

### **l) Subsequent events – IPSAS 14**

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, 2016.

### **m) Significant judgments and estimates**

In the process of applying the Authority's accounting policies, management has made estimates and assumptions that affect the Authority. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future revenue flows that are believed to be reasonable under the circumstances. The key areas of judgment in applying the Authority's accounting policies are dealt with below:

#### **Critical judgments in applying the Authority's accounting policies**

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### **Fair values of financial instruments**

The Authority uses judgment to select a variety of methods and make assumptions that are mainly based on both historical costs and market conditions existing at each balance sheet date.



# Water Resources Management Authority

## **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

### ***Property and equipment***

Critical estimates are made by the Authority in determining depreciation rates of property and equipment.

### ***Useful lives and residual values***

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

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%

Gain/ (Loss) on disposal is recognized in the statement of comprehensive income.

### ***Intangible assets***

Critical estimates are made by the Authority in determining amortization rates of intangible assets. Currently the amortization rates for the software and other intangible asset is at 33.3%.



# Water Resources Management Authority

### 3. Public Contributions and Donations

	2015/2016	2014/2015
GOK Development Grants	200,000,000	300,000,000
GOK Recurrent Grants	91,716,667	278,433,770
	<b>291,716,667</b>	<b>578,433,770</b>

### 4. Licenses and Permits

	2015/2016 KShs.	2014/2015 KShs.
Application & Authorization fee	16,401,700	21,960,307
G/ Water Permit Fee	15,953,932	21,674,200
S/ Water Permit Fee	6,211,383	11,052,878
	<b>38,567,015</b>	<b>54,687,385</b>

### 5 Transfers from other Governments

These are funds received from development partners for financing development programmers. The funds received from the Development Partners (Donors) during the period were as indicated below. A detail MTAP II report is annexed in Note 21.

	2015/2016 KShs.	2014/2015 KShs.
GTZ grants	3,197,301	480,000
NRM Funds	0	15,235,100
WKCDD&FM Funds	43,480,000	54,870,000
AWF Funds	8,681,986	4,860,000
Other Donors Funds	20,658,370	63,166,775
MTAP	47,520,000	
WSTF	21,370,444	980,085
	<b>144,908,101</b>	<b>139,591,960</b>

### 6 Sale of water and Electricity

	2015/2016 KShs.	2014/2015 KShs.
S/Water use Charges	794,108,436	818,589,373
G/water use charges	96,136,426	266,217,016
Laboratory Service charges	17,485,700	15,183,406
Waste Disposal Charges	6,620,970	4,458,887
<b>914351529</b>	<b>914,351,532</b>	<b>1,104,448,682</b>



## Water Resources Management Authority

7 Other Income	2015/2016	2014/2015
	KShs.	KShs.
Interest income	638,757	977,555
Penalties	16,914,671	6,706,948
Tender fees	4,000	48,000
Data Sales	557,250	1,324,125
Other Income, WDC doc sales	639,180	1,878,503
<b>Other Income</b>	<b>18,753,858</b>	<b>10,935,130</b>

8 Employee Costs	2014/2015	2014/2015
	KShs.	KShs.
No. of Staff	792	760
Basic Salaries	584,189,442	538,235,005
<b>Leave and Other Allowances</b>		
House allowance	138,174,700	82,154,500
Other Allowances	35,980,083	38,678,451
Gratuity & Pension Contribution	82,793,127	66,595,474
Leave Allowance	15,293,333	13,939,699
Commuter Allowance	54,088,700	47,234,089
Honoraria	989,000	1,358,300
Transfer Allowance	6,619,987	11,773,494
	<b>333,938,930</b>	<b>261,734,007</b>
	<b>918,128,372</b>	<b>799,969,012</b>

In the financial year 2015/16 Water Resources Management Authority's Establishment had 792 staff members

9 General Expenses	2015/2016	2014/2015
	KShs.	KShs.
Staff Training Expenses	36,454,704	44,217,904
Medical Expenses	3,401,460	1,293,418
Motor Vehicle Expenses	25,347,954	31,263,166
Travelling and Accommodation	85,361,583	79,081,313
Conferences and Meetings	505,848	2,685,788
Telephone & Internet Costs	13,547,006	18,645,240
Postal & Courier Services	2,084,642	3,764,471
Official Entertainment	592,682	1,328,922





## Water Resources Management Authority

Staff Welfare Expenses	3,410,017	4,321,157
Hospitality Costs	1,028,979	740,500
Catering Expenses	4,395,241	4,468,313
Advertising Expenses	2,452,602	14,285,295
Uniform & Clothing	3,409,750	3,557,777
Insurance Costs	5,210,016	61,779,868
Management Fees and Subs	24,747,323	27,769,574
Legal Dues & Professional Serv	5,387,295	11,733,335
Show Expenses	4,967,536	3,155,385
Office Rent and Rates	18,513,702	13,764,707
Electricity Expenses	2,431,127	2,905,589
Water and Conservancy Expenses	1,539,830	485,645
General Office Expenses	14,937,056	27,397,736
Computer Stationery	25,295,950	40,948,992
Office General Stationery	13,103,462	54,809,540
Publishing and Printing	13,780,556	25,091,037
Library Expenses	709,110	7,925,385
Maint of Furniture	1,891,959	2,431,300
Maint. Comp, Plant & Machinery	5,155,607	24,592,630
Maintenance of Buildings	3,568,555	14,976,353
Minor Alterations & Maint Works	16,544,783	21,132,316
Bank Charges & Commissions	2,212,592	2,265,842
Laboratory & Reagents Supplies	5,895,050	31,395,796
First Aid Kit Supplies	0	3,956
Audit Fees	0	1,500,000
Provision for bad debts	19,048,248	36,438,573
	<b>366,932,225</b>	<b>622,156,823</b>

### 10 Water Resources Management expenses

	2015/2016	2014/2015
	KShs.	KShs.
Gender Sensitive and HR Dev	73,400	304,500
Workshop and Seminars	42,821,449	63,749,840
Publicity & Information dissemination	9,377,178	7,438,649
Regulatory functions	12,106,352	31,096,303
Water abstraction system expenses	14,303,845	1,101,650
CAACs Expenses	0	5,182,376
WRUAs Establishment and Support	25,935,029	18,515,681
Catchment Management Strategy	1,276,350	30,111,216
Catchment monitoring plan - tech		
Catchment Monitoring Plan	7,139,595	3,146,905
Catchment Monitoring, Protection	41,569,353	110,518,888



## Water Resources Management Authority

Feasibility study and project des	49,394,261	3,452,642
Preventive Water R Mgt. Measures	1,720,800	1,302,230
Water Quality Lab capacity	3,477,650	1,500,295
Roof Catchment Structures	33,000	2,843,575
Project Planning and Supervision	5,551,280	3,261,300
Rehabilitation of Water Monitoring	1,457,375	2,777,980
Livelihood Based Investments	40,626,400	32,065,016

<b>256,863,317</b>	<b>318,369,046</b>
--------------------	--------------------

### 11 Board Expenses

	<b>2015/2016</b>	<b>2014/2015</b>
	<b>KShs.</b>	<b>KShs.</b>
Chairman's Honoraria	421,000	960,000
Board Workshops and Seminars	3,125,460	1,514,215
Board Travel and Accommodation	18,000,065	19,161,444
Board Sitting Allowances	8,277,981	3,044,132

<b>29,824,506</b>	<b>24,679,791</b>
-------------------	-------------------



# Water Resources Management Authority

## 12a. Property Plant and Equipment

	<b>Buildings</b>	<b>Furniture &amp; Fittings and Office Equipment</b>	<b>Motor vehicles</b>	<b>Computers, Printers &amp; IT Equipment</b>	<b>Water Supply Infrastructure</b>	<b>Capital Work In Progress</b>	<b>Total</b>
	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>
	<b>10%</b>	<b>12.5%</b>	<b>25%</b>	<b>33%</b>	<b>2.5%</b>		
<b>Cost As at 1st July 2014</b>	<b>393,706,080</b>	<b>272,326,236</b>	<b>207,003,319</b>	<b>87,010,043</b>	<b>11,705,894</b>		<b>971,751,572</b>
<b>adjustment's</b>							
<b>Additions 2014/15</b>		190,128		1,165,000			1,355,128
<b>Disposals</b>							
<b>As at 30 June 2015</b>	<b>393,706,080</b>	<b>272,516,364</b>	<b>207,003,319</b>	<b>88,175,043</b>	<b>11,705,894</b>		<b>973,106,700</b>
<b>Depreciation</b>							
<b>As at 1st July 2014</b>	<b>34,631,755</b>	<b>142,531,231</b>	<b>166,809,559</b>	<b>67,288,382</b>	<b>800,330</b>		<b>412,061,259</b>
<b>Adjustments</b>							
<b>Charge for the year</b>	35,907,433	16,248,175	10,048,440	6,892,598	272,639		69,369,284
<b>Disposals</b>							
<b>As at 30 June 2015</b>	<b>70,539,188</b>	<b>158,779,406</b>	<b>176,857,999</b>	<b>74,180,980</b>	<b>1,072,969</b>		<b>481,430,543</b>
<b>Net Book Value at 30 June 2015</b>	<b>323,166,892</b>	<b>113,736,957</b>	<b>30,145,320</b>	<b>13,994,062</b>	<b>10,632,925</b>		<b>491,676,157</b>
<b>Net Book Value at 30 June 2014</b>	<b>359,074,324</b>	<b>129,795,005</b>	<b>40,193,760</b>	<b>19,721,660</b>	<b>10,905,564</b>		<b>559,690,313</b>



## Water Resources Management Authority

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



# Water Resources Management Authority

## 12b. Intangible Asset

### Intangible Asset -Software 33.3%

<b>Cost</b>	<b>2015/16</b>	<b>2014/15</b>
<b>As at 1st July 2015</b>	87,081,425	56,306,719
<b>Additions</b>	8,555,610.35	30,774,706
<b>As at 30 June 2016</b>	<b>95,637,035</b>	<b>87,081,425</b>
<b>Amortization</b>		
<b>As at 1st July 2015</b>	50,249,571	40,190,462
<b>Adustments</b>		
<b>AmortizationCharge for the year</b>	6,976,838,	10,059,109
<b>Impairment loss</b>		
<b>As at 30 June 2016</b>	57,226,409	50,249,571
<b>Net Book Value at 30 June 2016</b>	<b>38,410,626</b>	<b>36,831,854</b>
<b>Net Book Value at 30 June 2015</b>	<b>57,547,451</b>	<b>16,116,257</b>



# Water Resources Management Authority

## 13. Cash and cash equivalents

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

A Bank balance	2015/2016 KShs.	2014/2015 KShs.
KCB -Athi CA - Mombasa SRO	1,938	
KCB - SIDA Bank A/C - HQ Nairobi	1,897,192	1,903,482
Barclays- MTAP	35,970,684	39,770,083
KCB -Athi CA - Machos-General	114,630	306,623
KCB -Athi CA - Machakos- KWSP	1,349	1,349
KCB -Athi CA - Nairobi SRO	161,072	64,698
KCB -Athi CA - Kibwezi SRO	1,139	3,419
KCB -Athi CA - Kiambu		166,935
KCB -Athi CA - Loitoktok	53,500	4,570
KCB-Athi CA - Machakos Rev		
KCB -Tana CA - Embu- Gen	1,446,130	3,706,342
KCB- Tana River CA – Embu	264	264
KCB-Tana CA - Meru SRO	1,240	
KCB-Tana CA - Kerugoya SRO		1,618
KCB-Tana CA - Kitui SRO	897	1,364
KCB-Tana CA - Murang'a SRO		580
KCB-Tana CA - Garissa SRO	921	153,213
COOP-Tana CA - Embu Region- NRM	1,568	1,568
KCB -Ewaso Nyiro CA- Nanyuki-Gen	295,699	10,236
KCB - Ewaso Nyiro CA- Nanyuki- Equity - MTAP Regional	5,425 3,444	5,425 3,444
KCB - Ewaso Nyiro CA- Nanyuki		316
KCB - Ewaso Nyiro CA- Mandera	13	4,127
KCB - Ewaso Nyiro CA- Marsabit	5,825	5,662
KCB - Ewaso Nyiro CA- Nyahururu	1,827	11,824
KCB - Ewaso Nyiro CA- Isiolo	473	
Equity - MTAP Isiolo	4,073	4,073
NBK - Rift valley CA- Nakuru	19,133	16,763
KCB - Rift Valley CA - Nakuru	2,320	19,926
KCB - Rift Valley CA – Kabarnet	14,964	2,881
KCB - Rift Valley CA - Kapenguria	2,519	29,071
KCB - Rift Valley CA - Narok	87,809	17,654
KCB - Rift Valley CA - Lodwar		525
KCB - Rift Valley CA – Naivasha	19,548	9,235
KCB - LVN CA- Kakamega	680,542	427,501
KCB - LVN CA - Kakamega – KWSP	20,126	30,816
KCB - LVN CA - Siaya	2,311	2,184
KCB - LVN CA - Eldoret		470,996
KCB - LVN CA - Kitale	450	65,446
KCB - LVN CA - Kakamega - WKCDD/FM	3,388,071	3,069,201



## Water Resources Management Authority

KCB - LVS CA - Kisumu	3,874	18,085
KCB - LVS CA - Kisumu - AWF	7,950	17,750
KCB - LVS CA - Kisii Sub Region	2,239	69,361
KCB - LVS CA - Kisumu Sub Region	54,410	56,070
KCB - LVS CA - Kericho		24
KCB - LVS CA – MAMASE Kericho	168,284	
KCB - Ewaso Nyiro CA- Isiolo	473	36,943
KCB - Revenue A/C -HQ Nairobi	1,380,486	802,886
KCB-Tana CA - Embu- KWSP	307,628	317,208
NBK - LVS CA - Kisumu – General	69,277	8,809
KCB - LVS CA – Kisumu revenue	1,477,073	
KCB - Rift Valley CA - Nakuru – Rev	296,366	
KCB - RVCA - Naivasha – IWRAP	134,704	877,173
	<b>48,109,860</b>	<b>52,497,723</b>

### B Cash balance

Cash in hand - HQ (petty cash)	3730	1,021
Cash in hand - Athi River CA		1,590
Cash in hand - Tana CA		
Cash in hand - Rift valley CA		315
Cash in hand - LVN CA		
Cash in hand - LVS CA		2360
	<b>3730</b>	<b>5,286</b>
<b>Total</b>	<b>48,113,590</b>	<b>52,503,009</b>

### 14 Receivables from Exchange transactions

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

	2015/2016	2014/2015
	KShs.	KShs.
General Debtors	2,390,449,917	2,199,967,436
Less Provision for Bad Debtors	239,044,992	219,996,744
	<b>2,151,404,925</b>	<b>1,979,970,692</b>

### 15 Receivables From Non Exchange Transactions

	2014/2015
	KShs.
Temporary Imprests	6,576,700
Deposits	744,821
Prepayments	28,475,676
	<b>35,797,196</b>



# Water Resources Management Authority

<b>16 Customer deposits- Unreceipted</b>	<b>2015/2016</b>	<b>2014/2015</b>
	<b>KShs.</b>	<b>KShs.</b>
KCB - LVS CA - Kisumu – Revenue		761,025
KCB-Athi CA - Machakos-Revenue	6,129,898	5,219,541
KCB - Ewaso Nyiro CA- Nanyuki- Revenue	1,337,101	1,939,494
KCB - Rift Valley CA - Nakuru – Revenue		2,154,990
KCB - LVN CA - Kakamega – Revenue	4,425,411	2,674,823
KCB- Tana River CA - Embu- Revenue	14,108,015	8,513,854
	<b>26,000,425</b>	<b>21,263,729</b>

NB: This constitutes the amounts deposited to our various revenue collection accounts and the customers have not submitted the deposits slips for receipting

## **17 Trade and other Payables from exchange transactions**

	<b>2015/2016</b>	<b>2014/2015</b>
	<b>KShs.</b>	<b>KShs.</b>
This constitutes amounts due to trade vendors and other payables. Overdrawn bank accounts include payables to vendors where cheques were drawn but not presented for payment		
Trade creditors	864,200,731	676,038,248
Other creditors	36,902,222	34,252,395
Overdrawn Bank accounts	144,943,791	
	<b>1,046,046,744</b>	<b>710,290,643</b>

## **18 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. The Loan shall be due for repayment on 30<sup>th</sup> March 2017 as per loan agreement ( Article III Clause 3.01)

	<b>2015/2016</b>	<b>2014/2015</b>
	<b>KShs.</b>	<b>KShs.</b>
IDA/World Bank	362,612,300	362,612,300
	<b>362,612,300</b>	<b>362,612,301</b>

## **19 Capital Funds**

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

	<b>2015/2016</b>	<b>2014/2015</b>
	<b>KShs.</b>	<b>KShs.</b>
a) Capital Assets Transfer –GOK	8,435,163	8,435,163
b) GTZ	4,053,315	4,053,315
c) Kenya Water and Sanitation Prog (KWSP)	35,349, 589	35,349,589
d) AWF	770,000	770,000
e) MTAP Fund	50,000,000	50,000,000
	<b>98,608,067</b>	<b>98,608,067</b>





## Water Resources Management Authority

20 Revenue Reserves	2015/2016 KShs.	2014/2015 KShs.
Retained earnings at 1st July	1,404,004,170	1,360,510,308
Adjustment in Reserves		
Surplus/(Deficit) Income for Year	-265,115,739	43,493,862
	<b>1,138,888,431</b>	<b>1,404,004,170</b>

The total accumulated surplus income stated above is for the Authority's expansion programmes and is therefore not available for distribution.

### 21. WATER RESOURCES MANAGEMENT AUTHORITY/MEDIUM TERM ASAL PROGRAMME

#### GARISSA/WAJIR WATER STUDIES

#### FINANCIAL STATEMENT FOR THE PERIOD ENDING 30TH JUNE 2016

BUDGET LINE	BUDGET	FUNDS RECEIVED	EXPENDITURE	BUDGET BALANCE	% USAGE
	A	B	F(D+E)	G(A-F)	H(F/A)%
Inventory of existing Water Resources	16,000,000	16,000,000	9,413,442	6,586,558	58.83%
Inventory Data Entry SW and GW	4,000,000	4,000,000	0	4,000,000	0.00%
Sampling and Analysis for WQ during field inventory	4,000,000	4,000,000	863,315	3,136,685	21.58%
Evaluation of inventory and other assessment data	5,000,000	5,000,000	0	5,000,000	0.00%
GIS Maps development	2,000,000	2,000,000	0	2,000,000	0.00%
Water Quality Sampling and Lab analysis	4,000,000	4,000,000	47,400	3,952,600	1.19%
Staff Training	4,000,000	4,000,000	0	4,000,000	0.00%
Vehicle Operations	10,000,000	10,000,000	7,368,828	2,631,172	73.69%
Office Operations	4,000,000	4,000,000	2,777,347	1,222,653	69.43%
Support to WRMA on Office Capacity	5,000,000	5,000,000	388,600	4,611,400	7.77%
<b>SUB TOTAL</b>	<b>58,000,000</b>	<b>58,000,000</b>	<b>20,858,932</b>	<b>37,141,068</b>	<b>35.96%</b>
Consultancy services	30,000,000	30,000,000	11,904,790	18,095,210	39.68%
<b>GRAND TOTAL</b>	<b>88,000,000</b>	<b>88,000,000</b>	<b>32,763,722</b>	<b>55,236,278</b>	<b>37.23%</b>



# Water Resources Management Authority

## XVII. 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)
	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 Management 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 Management 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.	PS Ministry of Water and Irrigation, Chairman Transition Authority	In Progress	End of the financial year

**HON. PETER L. N. KIILU, EBS  
CHAIRMAN**

DATE:.....

**MOHAMED M. SHURIE  
CHIEF EXECUTIVE OFFICER**

DATE:.....