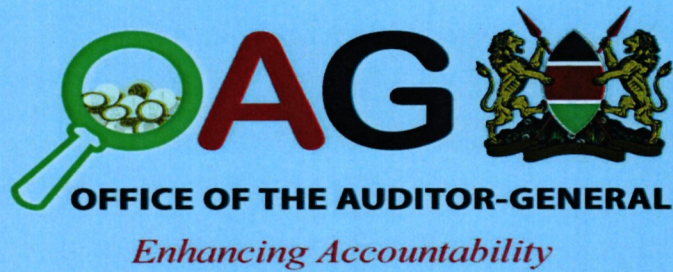


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY PADOOC I AID	
DATE:	15 FEB 2023
TABLED BY:	Deputy Majority Leader
CLERK-AT-THE-TABLE:	F. Muriuki
	D&Y West

**REPORT**

**OF**

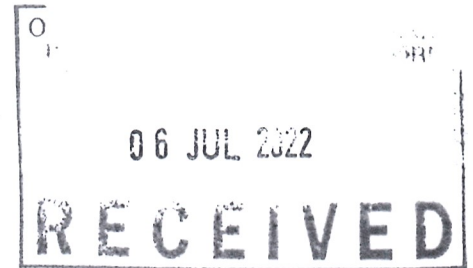
**THE AUDITOR-GENERAL**

**ON**

**KENYA WATER TOWERS AGENCY**

**FOR THE YEAR ENDED  
30 JUNE, 2021**

*Revised Template 30<sup>th</sup> June 2021*



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**KENYA WATER TOWERS AGENCY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDING**  
**30<sup>TH</sup>JUNE 2021**

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

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

---

**Table of Contents**

**Page**

- 1. KEY ENTITY INFORMATION AND MANAGEMENT ..... 2
- 2. THE BOARD OF DIRECTORS/COUNCIL ..... 6
- 3. MANAGEMENT TEAM ..... 11
- 4. REPORT OF THE DIRECTOR GENERAL ..... 16
- 5. CORPORATE GOVERNANCE STATEMENT ..... 17
- 6. MANAGEMENT DISCUSSION AND ANALYSIS ..... 19
- 7. STATEMENT OF DIRECTORS' RESPONSIBILITIES ..... 24
- 8. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021 ..... 26
- 14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 ..... 27
- 15 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021 ..... 28
- 16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021 ..... 29
- 17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021 ..... 30
- 18. NOTES TO THE FINANCIAL STATEMENTS ..... 31

## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

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

#### **(a) WHO WE ARE**

The Kenya Water Towers Agency is a State Corporation under the Ministry of Environment and Forestry. It was established in 2012 vide Kenya Gazette Supplement, Legal Notice No. 27/2012 on 20<sup>th</sup> April, 2012.

#### **(b) OUR VISION**

A Global leader in Sustainable Management of Water Towers.

#### **(c) OUR MISSION**

To sustainably manage Water Towers and their Ecosystems through coordination and conservation for socio-economic development.

#### **(d) OUR MANDATE**

To co-ordinate and oversee the protection, rehabilitation, conservation, and sustainable management of Water Towers.

#### **(e) CORE VALUES**

We shall be guided by the following core values, which provide an integrated focus towards enhancing provision of acceptable quality service. They are summarized in an acronym DEPITS.

- Diligence
- Equity
- Professionalism
- Integrity
- Teamwork
- Sustainability

#### **(f) STRATEGIC OBJECTIVES**

- To coordinate water towers ecosystem health and resilience.
- To coordinate and oversee securing of catchment lands, wetlands and critical biodiversity hotspots within the water towers ecosystems.
- To acquire appropriate infrastructure to support sustainable management of water towers.
- To promote sustainable livelihood support programmes within the water towers.
- To establish strategic partnerships and linkages for sustainable management of water towers.
- To undertake institutional strengthening for effective service delivery.

### **(b) Key Management**

The Board of Directors is responsible for offering stewardship, strategic direction and oversight over the operations of the Agency. The Director General is responsible for the execution and communication of the Board's strategies, decisions and policies.

The day to day management of Kenya Water Towers Agency is entrusted to the Director General and is assisted by a management team of four (4) Directors, Head of Finance and Accounts, Head of Internal Audit, Head of Supply Chain Management, Head of Human Resource and Corporation Secretary.

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag Director General	Prof. Julius Gordon Tanui PhD, MBS
2.	Director Governance & Coordination	Mr Thomas W Mumu
3.	Director Ecosystems Assessment Planning and Audit	Dr. Winfred M Musila, PhD
4.	Ag Director Partnerships, Business development and Community Livelihood	Ms Susan Boit
5.	Director Corporate Services	Mrs Bahati K Mwita, EBS,OGW
6.	Head of Internal Audit	Mr SimiyuWalucho
7.	Head of Human Resource and Administration	Ms. Jane MuthoniMbae
8.	Manager, Finance and Accounts	Mr. Samson SaitotiSirere
9.	Head of Supply Chain Management	Mr Michael Gachie
10.	Corporation Secretary	Ms Yvonne Achitsa

**(d) Fiduciary Oversight Arrangements**

**BOARD OF DIRECTORS**

1. Chairman
2. Cabinet Secretary – National Treasury
3. Principal Secretary- Ministry of Environment and Forestry
4. Principal Secretary - Ministry of Water and Sanitation.
5. Principal Secretary – Ministry of Energy
6. Five (5) independent directors
7. Director General

The Board of Directors is responsible for formulating the Agency’s vision, realization of its mission and achievement of strategic objectives in line with the approved strategic plan.

**Board Committees**

The Board has Four (4) Committees with specific delegated authorities. These are the Board Audit Committee, the Board Finance and Resource Mobilization Committee, Human Resource and Corporate Affairs and Technical Committee. The respective Chairpersons present their reports to the Board at each scheduled meeting. The composition of each committee is shown below;

**FINANCE AND RESOURCE MOBILIZATION**

1. Chairperson (Principal Secretary - Ministry of Environment and Forestry)
2. Three (3) - Independent Directors
3. Cabinet Secretary- National Treasury

The main function of the Finance and Resource Mobilization Committee is review and oversee the creation of accurate, complete, timely and meaningful financial statements for presentation to the

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

---

Board for approval and oversee the Agency's financial management including the quarterly and annual plans, budgets, work plans and reports.

**AUDIT COMMITTEE**

1. Chairperson – Independent Director
2. One (1) Independent Director
3. Principal Secretary – Ministry of Water and Sanitation
4. Cabinet Secretary\_ National Treasury

The Audit committee has the responsibilities of ensuring existence of requisite financial reporting processes, strong systems of internal controls, risk management and efficient operational activities carried out under existing Government laws and regulations for the Agency to achieve its objectives.

**TECHNICAL & STRATEGY COMMITTEE**

1. Chairperson - Independent
2. One (1) Independent
3. Principal Secretary - Ministry of Environment and Forestry
4. Principal Secretary – Ministry of Energy
5. Principal Secretary- Ministry of Water and Sanitation

The technical Committee responsible for ensuring; policy oversight, operational and legal compliance, advising the Board on proposed subsidiary legislation, effective management of water towers, effective organizational structures for water towers areas as well as approvals of technical policies, strategies and system

**HUMAN RESOURCE AND CORPORATE AFFAIRS COMMITTEE**

1. Chairperson - Independent
2. Two (2) - Independent
3. Principal Secretary – Ministry of Water and Sanitation.
4. Principal Secretary- Ministry of Energy

The Human resource and Corporate Affairs Committee is responsible for overseeing HR processes and policies including recruitment and retention, training, learning and development and making recommendations to the Board for approval

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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**(e) Entity Headquarters**

**Entity Headquarters**

Post Office Box 42903 – 00100,  
General Post Office,  
N.H.I.F Building 15<sup>th</sup> Floor,  
Ragati Road, Upper hill,  
Nairobi - Kenya.

**Entity Contacts**

Telephone: (254) 020 2711437  
E-mail: [info@kwta.go.ke](mailto:info@kwta.go.ke).

**Entity Bankers**

National Bank of Kenya  
Hill Plaza Branch  
P.O. Box 45219-00100  
The: +254(0)202722211  
E-mail: [hill@nationalbank.co.ke](mailto:hill@nationalbank.co.ke)  
Website: [www.nationalbank.co.ke](http://www.nationalbank.co.ke)

Kenya Commercial Bank  
Capital Hill Branch  
P.O. Box 69695-00400  
Tel: +254-20-2737103/2720208/2720207  
Fax: +254-20-2737107  
E-mail: [capitalhill@kcb.co.ke](mailto:capitalhill@kcb.co.ke)  
Website:  
[www.kcbbankgroup.com](http://www.kcbbankgroup.com)

**Independent Auditors**

Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084 – 00100,  
GPO, Nairobi.  
Tel: +254-20-2227383,  
Fax: +254-20-311482  
E-mail: [cag@kenao.go.ke](mailto:cag@kenao.go.ke),  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)

**Principal Legal Adviser**

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

## 2. THE BOARD OF DIRECTORS



Dr. Julius Makau Malombe  
Chairman of the Board

Dr. Julius M. Malombe was appointed as Chairperson of the Board of the Kenya Water Towers Agency on 3rd May 2019. He is a Financial Economist and an accomplished public policy analyst with expertise in research, public & financial sector reforms, urban & municipal finance, infrastructure bonds, strategic planning and management, institutional rationalization and restructuring, corporate governance, environment, housing, urban and metropolitan development, local government, devolution and related socio-economic policy and reform initiatives.

Dr. Malombe is a holder of a PhD degree, Master of Business Administration (MBA) degree and a Diploma in Business Administration all from the University of Birmingham, UK. He also holds a MSc degree in Construction Management and Economics from the University of Aston (UK) as well as a Bachelor of Arts degree in Building Economics (Hons.) from the University of Nairobi.

Dr. Malombe has over 30 years public and private sector work experience in housing, urban development and devolved governments and has served in the Boards of Shelter Afrique, National Housing Corporation, Local Authority Transfer Fund (LATF), Nyeri Water & Sewerage Company Ltd and the Nairobi Oversight Board, among others. He has also participated either as chairman or member of a number of taskforces and committees tasked to rationalize and/or collect and collate public views on national policies and legislation including: National Housing Policy, Urban Development Policy, Kenya Vision 2030, Devolved Government Legislation and Policy, Policy and legislation on National Values and Principles of Governance, Corporate Governance in State Corporations and Housing Incentives.

He has served as a Post-Doctoral Research Fellow & Consultant for the National Economic and Social Council in Kenya from 2007-2011. Since November 2000, Dr. Malombe has served as a Resource Person/Part-time Lecturer, Finance Specialization, Doctoral Studies Programme, School of Business, University of Nairobi. He has also taught urban public finance, local economic development, financial risk management, global financial markets course units for the Masters in Urban Management (MUM) & the Masters in Commerce (MCOM) degree programmes at the University of Nairobi and Strathmore University, respectively. He has also served as Vice Chair of the Council of Governors Finance, Planning and Economic Affairs and Information and Communication Committee.

Dr. Malombe served as the Governor for the County of Kitui from 2013 to 2017. During his tenure as Governor, Dr. Malombe served as the Chairman of the Council of Governors Committee on Lands, Housing, Physical Planning and Urban Development and was also Chairman of the Lower Eastern Governors Forum and the South Eastern Kenya Economic Block (SEKEB).

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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Prof. Julius G. Tanui, PhD, EBS  
Ag. Director General

Prof. Tanui has over twenty years' experience in Environmental Geo-information and Sustainable Development. He holds a PhD from Nelson Mandela Metropolitan University, South Africa, whose research was "Towards Community Environmental Education using current Institutional Resources, GIS and Remote sensing, and local knowledge: A case of the Nandi Hills and Nandi Forests, Western Kenya."




He has worked at the Kenya Institute of Surveying and Mapping - Teaching in the field of Thematic Cartography and Computer Mapping, Geographic Information System (GIS) and Geography, as a Senior Lecturer and Associate Professor of Moi University offering lectures in the area of Environmental Education, Environmental Planning Research, Geographical Information Systems (G.I.S) Environmental Information System (E.I.S), Environmental Modelling and System Analysis.

He has also served as Moi University Director, International Programmes & Linkages, Moi University Development Unit (MUDU) Project Leader-Centre of Excellence in Education Research Methodologies in East and South Africa (CERM-ESA) which include; Oldenburg University – Germany, Nelson Mandela Metropolitan University South Africa, Uganda Management Institute, Dar-es-salaam University and Moi University. He has published twenty-three refereed articles in acclaimed Journals with a bias on Environment and Conservation of Forests and Water Catchment areas, presented papers in professional conferences, undertaken various researches, and supervised doctorate, master's and bachelor's degree students undergoing research.




He coordinated the writing of a project proposal that attracted DAAD funding of over 3.5 Billion Euros which established the Centre of Excellence in Education and Research Methods at Moi University in collaboration with Nelson Mandela Metropolitan University-South Africa, Oldenburg University-Germany, Dares Salaam University-Tanzania and Uganda Institute of Management, Uganda. As Director of International Programmes, he established collaborations between Moi University with other universities like University of Haifa and Hebrew University of Jerusalem both in Israel, University of Tennessee at Chattanooga and Alexandria University Egypt.

He joined the Agency on 1st November, 2016 as Director for Partnerships, Business Development & Community Livelihoods and subsequently as acting Director General from January, 2018 to date. He has a passion for sustainable management of water towers as an enabler of the Big Four National Development Agenda. He has spearheaded successful resource mobilization towards conservation of water towers. He is also a recipient of the Head of State commendation as Elder of Burning Spear (EBS) and Moran of the Burning Spear (MBS) on account of his innovation of Heuristic Model in Natural Resource Management, Peace Initiatives in the Diocese of Eldoret with the Late Bishop Cornelius K. Korir and distinguished service at Kenya Water Towers Agency.




*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

 <p>Mr Robert Mutuma (HSC)</p>	<p>Mr Robert Mutuma works with Total Kenya Ltd. He was re-appointed to the Board in 1st May, 2019. He holds a Diploma in Environmental Studies from the Technical University of Kenya. He is a passionate environmentalist and advisor of the Total Eco Challenge Programme. He also carried out research on indigenous knowledge systems and published a paper on indigenous knowledge in fruit trees in Kenya. He is a recipient of the Head of State Commendation for his outstanding contribution on environmental conservation in Kenya.</p>
 <p>Mr Peter Leitoro OGW,ndc(K)</p>	<p>Mr. Peter Leitoro represents the Principal Secretary, Ministry of Environment and Forestry. He joined the Board on 3rd March 2015. He holds a diploma in Wildlife Conservation and Management, Diploma in International Studies, Masters in Security and Risk Management. He also holds a Masters of Business Administration degree in Strategic Management.          He has wide experience in law enforcement, conservation, financial and managerial skills</p>
 <p>Ms Esther Wangombe</p>	<p>Ms. Esther Wang'ombe represents the Principal Secretary, Ministry of Energy and Petroleum. She joined the Board on 10th May 2013. She holds a Bachelor's of Science in Forestry from Moi University and Masters in Environmental Sciences from Kenyatta University. She also acquired a Post Graduate Diploma in Forestry for Rural Development from (ITC, Netherlands). Ms. Wang'ombe has vast experience in the Public Sector and she currently holds the position of Deputy Director, Renewable Energy in the Ministry of Energy and Petroleum.</p>

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

 <p>Mr. David Bosuben</p>	<p>Mr. David Bosuben is the alternate Director to PS Ministry of Water, Sanitation and Irrigation. He has over 30 years in the Water Resources sub-sector. He holds a Master of Science degree from UNESCO IHE Delft Institute, the Netherlands in Water Management with specialization in transboundary water resources conflict management; he also has a Postgraduate Diploma in Shared Water Resources from Cairo University, Arab Republic of Egypt and a Bachelor of Science degree from University of Nairobi.</p> <p>He has special interests in watershed hydrology and in particular how that relates to water flows and how the same can be safely harnessed to support socioeconomic development for basin communities in the face of climate change and other anthropogenic influence.</p> <p>He comes to the Kenya Water Towers Agency Board with a wealth of experience in water resources management and development including hands on experience in policy development and implementation.</p>
 <p>Ms. Wambui Muriithi</p>	<p>Ms. Wambui Muriithi was appointed to the Board of Kenya Water Towers Agency on 6th September 2018. She holds a Master of Science Degree in Entrepreneurship from Jomo Kenyatta University of Agriculture &amp; Technology and a Bachelor of Education degree from Moi University. Ms. Wambui is currently pursuing a Master of Science Degree in Commerce specializing in Investment and Economics as well as a finance course leading to a Certified Financial Modelling and Valuation Analyst (FMVA) certification. She is a professional member of Management Consultants Association of Kenya (MCAK00015) and an Associate Member of the Kenya Institute of Management (43001).</p> <p>Ms Wambui is a passionate and result-driven leader with over 17 years accumulated experience in corporate development and sustainable value creation in both private and public sectors. She has extensive experience and an active history of strategic leadership, designing and delivering strategic plans. In addition, she has experience in value creation, business modelling, capital raising, organizational reforms &amp; change management, business development and strategic partnership engagements.</p>
 <p>Ms. Edna Atisa</p>	<p>Ms. Edna Atisa was appointed to the Board of Kenya Water Towers Agency in March, 2019 as an alternate member representing the Cabinet Secretary for the National Treasury. Ms. Atisa holds a Master's Degree in Economics, Bachelor of Arts in Economics and Postgraduate Diploma in Education all from the University of Nairobi. She is an economist with vast experience in economic policy formulation and implementation and is a member of the Economics Society of Kenya.</p>

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

 <p>Mr. Timothy ole Naeku</p>	<p>Mr. Timothy Tipila Ole Naeku was appointed to the Board of the Agency on 3rd May 2019. He holds a Master’s Degree in Law and a Bachelor of Law Degree both from the University of Nairobi. In addition, he has a Post-Graduate Diploma in Law from the Kenya School of Law.</p> <p>Mr Naeku is an accomplished Advocate of the High Court of Kenya with over 14 years’ experience practicing law in Nairobi. He is an active member of the Law Society of Kenya and has particular passion in enhancing the rule of law in community service. Mr Naeku currently serves as a legal advisor to a non-charitable trust in Narok County.</p>
 <p>Ms. Hibo Bishar</p>	<p>Ms. Hibo Bishar was appointed to the Board of the Kenya Water Towers Agency on 3rd May 2019. She holds a Bachelor’s Degree in Environmental Science from the Islamic University of Uganda and a Master of Science Degree in Climate Change Adaptation from the University of Nairobi. Ms Bishar is a climate change adaptation expert and a programs development consultant with over 8 years’ experience working with International Non-Governmental Organisations in Kenya. She is currently the Executive Director of DaHi Solutions, a consulting firm she founded in 2017 to provide technical expertise to private and public agencies on climate change, social programs and institutional development.</p>
 <p>Ms. Wandia Maina</p>	<p>Ms. Wandia Maina was appointed to the Board of the Kenya Water Towers Agency on 3rd May 2019. She holds a Master’s Degree in Counselling Psychology from Daystar University and Bachelor of Arts Degree in Sociology and Economics from the Catholic University of Eastern Africa. Ms Wandia is a career Psychologist and is currently the co-clinical director at Intrapersonal Health Services. As a certified professional mediator and regular resource person for the Law Society of Kenya and FIDA (K), Ms Wandia has over 12 years’ experience in the provision of psychotherapy services to individuals, families and organizations. Interested in the advancement of the holistic development of the individual, she combines her practice in psychology with the love for the outdoors through organising and leading hiking expeditions to various mountains within and outside Kenya.</p>

### 3. MANAGEMENT TEAM



Prof. Julius Gordon Tanui  
PhD, EBS  
Ag Director General

Prof. Tanui has over twenty years' experience in Environmental Geo-information and Sustainable Development. He holds a PhD from Nelson Mandela Metropolitan University, South Africa, whose research was "Towards Community Environmental Education using current Institutional Resources, GIS and Remote sensing, and local knowledge: A case of the Nandi Hills and Nandi Forests, Western Kenya."

He has worked at the Kenya Institute of Surveying and Mapping - Teaching in the field of Thematic Cartography and Computer Mapping, Geographic Information System (GIS) and Geography, as a Senior Lecturer and Associate Professor of Moi University offering lectures in the area of Environmental Education, Environmental Planning Research, Geographical Information Systems (G.I.S) Environmental Information System (E.I.S), Environmental Modelling and System Analysis.

He has also served as Moi University Director, International Programmes & Linkages, Moi University Development Unit (MUDU) Project Leader-Centre of Excellence in Education Research Methodologies in East and South Africa (CERM-ESA) which include; Oldenburg University – Germany, Nelson Mandela Metropolitan University South Africa, Uganda Management Institute, Dar-es-salaam University and Moi University. He has published twenty-three refereed articles in acclaimed Journals with a bias on Environment and Conservation of Forests and Water Catchment areas, presented papers in professional conferences, undertaken various researches, and supervised doctorate, master's and bachelor's degree students undergoing research.

He coordinated the writing of a project proposal that attracted DAAD funding of over 3.5 Billion Euros which established the Centre of Excellence in Education and Research Methods at Moi University in collaboration with Nelson Mandela Metropolitan University-South Africa, Oldenburg University-Germany, Dares Salaam University-Tanzania and Uganda Institute of Management, Uganda. As Director of International Programmes, he established collaborations between Moi University with other universities like University of Haifa and Hebrew University of Jerusalem both in Israel, University of Tennessee at Chattanooga and Alexandria University Egypt.

He joined the Agency on 1st November, 2016 as Director for Partnerships, Business Development & Community Livelihoods and subsequently as acting Director General from January, 2018 to date. He has a passion for sustainable management of water towers as an enabler of the Big Four National Development Agenda. He has spearheaded successful resource mobilization towards conservation of water towers. He is also a recipient of the Head of State commendation as Elder of Burning Spear (EBS) and Moran of the Burning Spear (MBS) on account of his innovation of Heuristic Model in Natural Resource Management, Peace Initiatives in the Diocese of Eldoret with the Late Bishop Cornelius K. Korir and distinguished service at Kenya Water Towers Agency.

- Nyambene Hills Water Tower, Muthira Riparian, Karumo training institute and Chuka University
- b) Validated three (3) Ecosystem Conservation Plans (ECPs) for Mwangea, Mbooni and Maasai pending dissemination.
  - c) Draft Ecosystem Conservation Plan for Kipipiri developed.
  - d) Community resource assessment (CRA) was undertaken for Kasigau hills water tower and draft Ecosystem Conservation Plan (ECP).
  - e) Developed data collection tools for PES buyers, intermediaries and stewards in collaboration with the TWC.
  - f) Feasibility study for three sites namely; Kasigau Carbon project, Meru-TIST PES project and Naivasha water project conducted
  - g) Draft TEV for Mt. Kulal and Loital Hills Total Economic Valuation developed
  - h) Finalization of nine (9) status reports for Loita Hills, South Mau, Mau Narok, Mathews Range, Nandi Hills, Mt. Marsabit, Mt. Kulal, Mt. Kipipiri, Mbooni and Maasai Mau
  - i) Mapped of critical catchment areas in Loita and Mbooni Hills undertaken and status report developed.
  - j) Mapped all streams and springs in Ngong hills and established their status
  - k) The development of criteria for water towers identification and catalogue is still in progress with the consultant
  - l) Finalized the status report for Kasigau Hills and Western Mau
  - m) Assessed and developed status report for Huri Hills water towers
  - n) Mapped ecologically sensitive areas in Mau and produced report for resettlement of communities.
  - o) Data collection tools finalized and ready to inaugurate into the mobile application

#### **Community Livelihood Improvement Programme (CLIP)**

In addressing the vulnerability of water towers, a situation informed by the growing demand for their resources, KWTA is implementing CLIP intervention with an aim of easing the pressure on these ecosystems. Cognizant of the Big Four Agenda, the project through; establishment of nature based enterprise including bamboo initiative as an alternative livelihood will address and improve food & nutrition security, affordable housing, industrialization, manufacturing and agro-processing. Bio-prospecting activities will contribute towards universal health care

Objective: is to provide alternative livelihood solutions for communities and creation of economic buffers for socio economic development within water towers ecosystems.

#### **Key Achievements**

Community Livelihood Improvement Interventions and Investment towards Climate Change adaptation within Water Towers Ecosystems Promoted

- Procured 100 hives for a community group in Gwasii Hills Water Tower to support establishment of an apiary
- The Agency has also conducted capacity building for various community group enterprises supported with the beehives that is Olposimoru-CFA, Kooi Beehive Keepers Self Help Group, Tulimani Block Beekeepers Self Help Group, Kiptinga-CFA, North Mbooni Liquid Gold Bee Farmers Self Help Group, Nyambene-CFA, Nzeveni Beekeepers Cooperative Society, Ogiek Bee Keepers Cooperative Society, and Samburu Bee Keepers Cooperative Society. The Capacity Building was conducted in partnership with E4Impact Foundation and ASHOKA under ARESSOK project sponsored by the French Embassy in Kenya.
- Conducted capacity building for the Samburu Beekeepers cooperative society groups on

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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- management of Apiaries, Group formation and dynamics and financial management.
  - Installed a Solar system in Masol Secondary School (North Rift Region) and a Water harvesting structure in Gatab Primary School (Northern Region) as part of the upscaling the model schools
  - Supported a group by the name Zikanze Self Group in Coast region, Kilifi County in adoption of renewable energy through briquette making machine.
  - The Agency has developed a draft Environmental Education Guide/Manual.
- Bamboo Investment and Commercialization Promoted
- The Agency procured 2000 seedlings for Kibirong Wetland for rehabilitation of 8 ha of the wetland
  - The Agency through World Wide Fund raised 5000 seedlings for stock enhancement on 10 Ha in Kaptagat.
  - The Agency is finalizing the procurement for the establishment of Community-Based bamboo nurseries in Kitui and Mua

#### Entity's compliance with statutory requirements

The Agency is fully compliant with Statutory requirement in remitting all statutory deduction and taxes. It also pays all its bills on a timely basis. The Agency is therefore not exposed to any contingent liabilities.

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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**7. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 requires an Accounting Officer for a National Government owned Entity to prepare the Annual Financial Statements for the financial year in respect of the entity.

In preparing Financial Statements for a National Government Entity, the Accounting Officer shall ensure that the report:

- (a) Contains information on the financial and non-financial performance of the entity; and
- (b) Is in a form that complies with the standards prescribed and published by the Public Sector Accounting Standards Board of Kenya from time to time.

In addition, not later than Three Months after the end of each financial year, the Accounting Officer shall submit the entity's Financial Statements to the Auditor General and a copy of statement to the Controller of Budgets, the National Treasury and the Commission on Revenue Allocation.

In the case of an entity that is a state corporation, the Accounting Officer for the corporation shall submit the Annual Report to the Cabinet Secretary responsible for the corporation who shall, upon approving it, forward a copy to the Cabinet Secretary.

Approval of the Annual financial statements

The Agency's Annual financial statements have been prepared in accordance with Section 83 of the PFM Act and were approved by the Board on \_\_\_\_\_ 2021 and signed on its behalf by:

Dr. Julius M Malombe  
Board Chairman  
Kenya Water Towers Agency

Prof. Julius G. Tanui, PhD, EBS  
Ag. Director General  
Kenya Water Towers Agency

CPA Saitoti Sirere (M/No: 8419)  
Head of Finance and Accounts  
Kenya Water Towers Agency

Signature: 

Signature: 

Signature: 

Date: 04.02.2022  
20.06.22

Date: 04.02.2022  
20.06.22

Date: 04.02.2022  
20.06.22

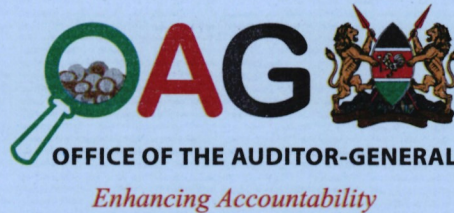
*Forwarded*

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA WATER TOWERS AGENCY FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Water Towers Agency set out on pages 26 to 57 which comprise the statement of financial position as at 30 June, 2021, 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 effect of 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 the Kenya Water Towers Agency as at 30 June, 2021, and o 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 Public Finance Management Act, 2012 and Legal Notice No. 27/2012.

### **Basis for Qualified Opinion**

#### **1. Unapproved Allowances to Joint Enforcement Unit**

The statement of financial performance reflects administrative expenses totalling Kshs.89,673,425 which, as disclosed in Note 12 to the financial statements, includes an amount of Kshs.59,178,760 being payments made to Joint Enforcement Unit (JEU). The JEU was formed in 2008 between the Kenya Wildlife Service and the defunct Provincial Administration for the conservation of the Mau Forest Complex. The Agency has been making payments to more than 210 officers on average patrolling the Mau Forest Complex at a monthly rate of Kshs.17,000 per officer. However, no approval to support the payments was provided for audit review. Although Management has written to Salaries and Remuneration Commission (SRC) seeking guidance on payment of the field allowances, no response has been received to-date.

In the circumstances, the accuracy and regularity of expenditure of Kshs.59,278,760 to the Joint Enforcement Unit could not be confirmed.

#### **2. Unsupported Imprests**

The statement of financial position reflects imprest balance of Kshs.4,550,800 under assets which was however not supported by an imprest register and a disclosure Note to the financial statements as required of the reporting template prescribed by Public Sector Accounting Standards Board.

In the circumstances, the accuracy and completeness of the imprest balance of Kshs.4,550,800 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Water Towers Agency Management in accordance with ISSAI 130 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 that the audit evidence I have 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Failure to Operationalize of Water Towers Conservancy Fund**

The Agency maintained a conservation fund account with a balance Kshs.32,539,971 as at 30 June, 2021. However, the officer administering the Fund did not prepare and submit for audit financial statements as required by Section 11(e) of the Government Financial Management (Water Towers Conservation Funds) Regulations, 2010. The Agency has not operationalized the Water Towers Conservation Fund since the Committee, initially appointed to run the Fund, vacated the office after the lapse of their mandate.

In the circumstances, the purposes for which the Fund was envisaged could not be realized.

#### **2. Payment of Lunch Allowances**

The statement of financial performance for the year ended 30 June, 2021 reflects Kshs.89,673,425 as administration expenses which in turn includes a balance of Kshs.1,691,200 office partitioning out of which, an amount of Kshs.1,170,000 was paid as lunch allowances. Review of the payment vouchers and supporting documents established that a Committee was appointed by Management to facilitate and oversee office partitioning. However, the allowances payable to the Committee were determined by Management without consultation with the Public Service Commission and the Cabinet Secretary for finance as required by Regulation 123 (1) of the Public Finance Management (National Government) Regulations, 2015. Further, recommendations by the Salaries and Remuneration Commission (SRC) for payment of the allowances was not provided for audit verification.

In the circumstances, the value for money for the payment of Kshs.1,170,000 could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and the Board of Directors**

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Agency's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Agency or to cease operations.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Agency's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with

relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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. 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 and weakness 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 Agency'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 Agency 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 Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.

  
CPA Nancy Oathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**28 July, 2022**

Kenya Water Towers Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2021.

8. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE  
2021

	Notes	2020-2021	2019-2020
Revenue from non-exchange transactions		Ksh	Ksh
Public contributions and donations – GOK Grants	6	673,200,000	702,200,001.00
Transfers from other governments – EU Project	6		
Finance income – Interest from Banks	7a	8,487,877	9,205,977.49
<b>Total revenue</b>		<b>681,687,877</b>	<b>711,405,978</b>
Expenses			
Employee costs	8	252,292,118	242,937,386
Board Expenses	9	10,837,400	20,129,632
Depreciation and amortization expense	10	17,105,232	29,414,377
Repairs and maintenance	11	9,641,654	10,596,090
Administrative Expenses	12	89,673,425	105,801,727
Grants and subsidies – Development Expenditure	13	173,125,395	300,586,103
General Operational expenses	14	136,140,719	123,568,679
Finance costs	15	1,886,982	2,623,123
<b>Total expenses</b>		<b>690,702,925</b>	<b>835,657,116</b>
<b>Surplus/( deficit) for the period/year</b>		<b>-9,015,048</b>	<b>-124,251,138</b>

The notes set out on pages 32 to 56 form an integral part of these Financial Statements.

The Financial Statements set out on pages 25 to 30 were signed on behalf of the Board of Directors by:

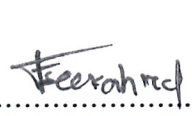
Dr. Julius M Malombe  
Board Chairman  
Kenya Water Towers Agency

Prof. Julius G. Tanui, PhD, EBS  
Ag. Director General  
Kenya Water Towers Agency

CPA Saitoti Sirere (M/No: 8419)  
Head of Finance and Accounts  
Kenya Water Towers Agency

Signature: 

Signature: 

Signature: 

Date: *04.02.2022*  
*20.06.22*

Date: *04.02.2022*  
*20.06.22*

Date: *04.02.2022*  
*20.06.22*

Kenya Water Towers Agency  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

**14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

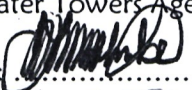
	Notes	2020-2021	2019-2020
		kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	16	190,338,331	207,919,490
Receivables from exchange transactions - Prepayments	17	18,166,471	20,203,028
Receivables from non-exchange transactions	18	330,000	
Inventories	19	7,094,459	16,449,900
Imprest		4,550,800	12,213,310
<b>Sub-total</b>		<b>220,480,061</b>	<b>256,785,728</b>
Non-current assets			
Property, plant and equipment	20	80,551,669	95,156,621
Intangible assets	21	812,487	1,212,667
<b>Sub-total</b>		<b>81,364,156</b>	<b>96,369,288</b>
<b>Total assets</b>		<b>301,844,218</b>	<b>353,155,017</b>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	180,958,895	236,255,338
Deferred income	23		
Employee benefit obligation – Gratuity	24	22,338,376	36,115,873
<b>Sub-total</b>		<b>203,297,271</b>	<b>272,371,211</b>
Non-current liabilities			
Non-current employee benefit obligation - Gratuity	25		
<b>Total liabilities</b>		<b>203,297,271</b>	<b>272,371,211</b>
<b>Net assets</b>		<b>98,546,947</b>	<b>80,783,805</b>
Reserves		107,561,995	205,034,943
Accumulated surplus/(Deficit)		-9,015,048	-124,251,138
<b>Total net assets and liabilities</b>		<b>98,546,947</b>	<b>80,783,805</b>

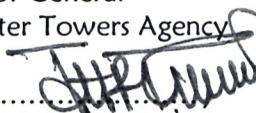
The Financial Statements set out on pages 25 to 34 were signed on behalf of the Board of Directors by:

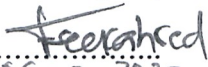
Dr. Julius M Malombe  
 Board Chairman  
 Kenya Water Towers Agency

Prof. Julius G. Tanui, PhD, EBS  
 Ag. Director General  
 Kenya Water Towers Agency

CPA Saitoti Sirere (M/No: 8419)  
 Head of Finance and Accounts  
 Kenya Water Towers Agency

Signature:   
 Date: 04.02.2021  
 20-06-22

Signature:   
 Date: 04.02.2021  
 20-06-22

Signature:   
 Date: 04.02.2021  
 20-06-22

Kenya Water Towers Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2021.

15 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	notes	Revaluation reserve	Fair value adjustment reserve	Revenue Reserves	Capital/Development Grants/Fund	Total
As at June 30, 2020		6,903,579	-	79,346,819	(5,466,593)	80,783,805
As at July 1, 2021		6,903,579	-	79,346,819	(5,466,593)	80,783,805
Revaluation gain		-	-	-	-	-
Transfer of excess depreciation on revaluation		(-)	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-
Prior Year Adjustments				26,789,240		26,789,240
Surplus/ deficit for the year		-	-	(9,015,048)	-	(9,015,048)
Capital/Development grants received during the year		-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	(-)	-
As at June 30, 2021		6,903,579	-	97,109,960.80	(5,466,593)-	98,546,945

Kenya Water Towers Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2021.

16. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2021

	Notes	2020-2021 Kshs	2019-2020 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Net Operating Surplus for the year		-9,015,048	(124,251,138)
Adjustments for:			
Depreciation & amortization of Plant, Property and Equipment	21 (b)	17,105,232	29,414,377
<b>Net Cash flow generated from operating activities before changes in working capital</b>		<b>8,090,184</b>	<b>(94,836,761)</b>
<b>Changes in Working Capital</b>			
Increase/Decrease in Trade and Receivable	34	(330,000)	496,668
Increase/Decrease in Trade and other payables	35	(55,271,493)	(68,700,576)
Increase/Decrease in Inventory		9,355,441	(1,172,241)
Increase/Decrease in Prepayments		2,036,557	2,436,065
Increase/Decrease in Gratuity Payable	36	(13,813,497)	2,917,110
Increase/Decrease in Imprest	37	7,662,510	(12,213,310)
<b>Net cash flows from/(used in) operating activities</b>		<b>(50,360,482)</b>	<b>(76,236,285)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	38	(2,100,100)	(3,879,361)
Proceeds from sale of property, plant and Equipment			
Decrease/(Increase) in non-current receivables			-
<b>Net cash flows from/(used in) investing activities</b>		<b>(2,100,100)</b>	<b>(3,879,361)</b>
<b>Cash flows from financing activities</b>			
Prior Year Adjustments		26,789,240	16,093,168
Increase in capital funds			-
<b>Net cash flows from/(used in) financing activities</b>			<b>16,093,168</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(17,581,159)</b>	<b>(158,859,239)</b>
Cash and cash equivalents at 1 JULY	16 (a)	207,919,490	366,778,729
<b>Cash and cash equivalents at 30 JUNE</b>	<b>16 (a)</b>	<b>190,338,331</b>	<b>207,919,490</b>

The Financial Statements set out on pages 25 to 28 were signed on behalf of the Board of Directors by:

Dr. Julius M Malombe  
Board Chairman  
Kenya Water Towers Agency

Signature: .....

Date: .....

Prof. Julius G. Tanui, PhD, EBS  
Ag. Director General  
Kenya Water Towers Agency

Signature: .....

Date: .....

CPA Saitoti Sirere (M/No: 8419)  
Head of Finance and Accounts  
Kenya Water Towers Agency

Signature: .....

Date: .....

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

	Original budget	Adjustments	Final Revised budget	Actual on comparable basis	Performance difference
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Public contributions and donations	497,700,000		497,700,000	497,700,000	
Government grants and subsidies	261,000,000	(85,500,000)	175,500,000	175,500,000	
Finance Income – Interest	3,200,000	955,010	4,155,010	8,487,877	(4,332,867)
Additional Government Grants					
<b>Total income</b>	<b>761,900,000</b>	<b>(84,544,990)</b>	<b>677,355,010</b>	<b>681,687,877</b>	<b>(4,332,867)</b>
Expenses					
Compensation of employees	309,851,334		309,851,334	252,292,118	57,559,216
Goods and services	164,755,666		165,145,896	238,501,456	(73,355,560)
Finance cost	800,000		1,000,000	1,886,982	(886,982)
Rent paid	25,493,000		26,357,780	24,896,973	1,460,807
Other payments (Asset and Stock) Prepayment, Advances)	-	-	-	30,141,730	(30,141,730)
Prepayments and Advances					
Grants and subsidies paid	261,000,000	175,500,000	175,000,000	173,125,395	1,874,605
<b>Total expenditure</b>	<b>761,900,000</b>	<b>175,500,000</b>	<b>677,355,010</b>	<b>720,844,655</b>	<b>(43,489,645)</b>
<b>Surplus for the period</b>		<b>(260,044,990)</b>		<b>(39,156,778)</b>	<b>39,156,778</b>

## **18. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

The Kenya Water Towers Agency is a State Corporation under the Ministry of Environment and Forestry. It was established in 2012 vide Kenya Gazette Supplement, Legal Notice No. 27/2012 on 20<sup>th</sup> April, 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to co-ordinate and oversee the protection, rehabilitation, conservation, and sustainable management of Water Towers

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kenya Water Towers Agency.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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

**3. Adoption of New and Revised Standards**

- i.* New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for re-valued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.  (Entity to state the impact of the amendments to the financial statements)</p>

Kenya Water Towers Agency  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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

- ii.* New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>(State the impact of the standard to the entity if relevant)</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> </ul>

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. (State the impact of the standard to the entity if relevant)
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>(State the impact of the standard to the entity if relevant)</p>

*iii.* **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) **Revenue recognition**

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

**Fees, taxes and fines**

The entity recognizes revenues from fees, taxes and fines 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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

#### **Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

#### **ii) Revenue from exchange transactions**

##### **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

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

The original budget for FY 2020-2021 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of nil on the 2020-2021 budget following the governing body's approval.

The entity'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.

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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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 xxx of these financial statements.

**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 Entity 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.

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

**d) 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 costs 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**

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### f) 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:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour 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.

### g) Provisions

Provisions are recognized when the Entity 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 Entity 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.

### h) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

### i) Changes in accounting policies and estimates

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

**j) Employee benefits**

**Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. 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.

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.

**k) 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.

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

**l) Related parties**

The Entity 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.

**m) 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 the Central Bank of Kenya and 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.

**n) Comparative figures**

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

**o) 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, 2021.

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity'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. State all judgements, estimates and assumptions made: e.g.

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**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:

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

Kenya Water Towers Agency  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Other Government Entities

Description	2020-2021	2019-2020
	KShs	KShs
Unconditional grants		
Operational grant	673,200,000	702,200,001
Other grants	-	-
Total Unconditional Grants	-	702,200,001
Conditional grants	-	-
Total government grants and subsidies	673,200,000	702,200,001

*During the year no grant was received.*

Description	2020-2021	2019-2020
	KShs	KShs
Other Income		
Finance Income	8,487,877	9,205,977
Total Other Income	8,487,877	9,205,977

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total transfers 2020/21	Prior year 2019/2020
			KShs	KShs	KShs
State Department of Environment and Forestry	673,200,000	-	-	673,200,000	702,200,001
<b>Total</b>	<b>673,200,000</b>	<b>-</b>	<b>-</b>	<b>673,200,000</b>	<b>702,200,001</b>

*(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending entity Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix xxx)*

Kenya Water Towers Agency  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**7. Finance Income**

Description	2020-2021	2019-2020
	KShs	KShs
Finance Income	8,487,877	9,205,977
<b>Total Finance Income</b>	<b>8,487,877</b>	<b>9,205,977</b>

**8. Employee Cost**

	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	151,104,930	147,950,111
Employer contribution to pension schemes	11,554,965	10,914,275
Special Duty allowances	166,558	1,215,821
Housing benefits and Commuter allowances	59,758,033	59,671,259
Extraneous Allowance	1,252,000	481,000
Gratuity	21,526,109	19,593,855
Employer contribution to N.S.S.F	464,400	460,000
Leave Allowance	2,012,000	1,973,000.00
Responsibility Allowance	2,316,223	778,065
<b>Employee costs</b>	<b>252,292,118</b>	<b>242,937,386</b>

**9. Board/Council Expenses**

Description	2020-2021	2019-2020
	KShs	KShs
Chairman's Honoraria	960,000	960,000
Directors emoluments	9,877,400	19,169,632
<b>Total Board Expenses</b>	<b>10,837,400</b>	<b>20,129,632</b>

**10. Depreciation and Amortization Expense**

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	16,705,052	28,237,376
Intangible assets	400,180	1,177,001
<b>Total depreciation and amortization</b>	<b>17,105,232</b>	<b>29,414,377</b>

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

### 11. Repairs and Maintenance

Description	2020-2021	2019-2020
	KShs	KShs
Vehicles	3,639,760	5,385,999
Computers and accessories	6,001,894	5,210,092
<b>Total repairs and maintenance</b>	<b>9,641,654</b>	<b>10,596,090</b>

### 12. Administrative Expenses

Description	2020-2021	2019-2020
	KShs	KShs
Office Rent	19,156,173	18,583,964
Contracted Professional Services	-	-
Temporary Committees (Joint Enforcement Unit)	59,178,760	50,768,727
Group life and Group Personal Insurance	2,179,073	1,535,051
Audit Fees	330,000	660,000
Insurance - WIBA	1,611,319	649,525
Recruitment	3,145,300	5,888,487
Office Partitioning	1,691,200	23,720,573
Legal Fees	2,381,600	3,995,400
<b>Total administrative expenses</b>	<b>89,673,425</b>	<b>105,801,727</b>

### 13. Grants and Subsidies

Description	2020-2021	2019-2020
	KShs	KShs
Audit of Rehabilitation Activities	3,187,200	1,760,300
Assessments of Critical water Catchment	6,565,800	9,790,900
Ecosystems Management Plan	7,845,400	14,595,770
Establishment of Bamboo Enterprise	6,030,500	16,954,896
Implementation of CLIP interventions in Water Towers - CDAPS	3,919,800	7,664,816
Rehabilitation through tree planting (Bamboo Nurseries)	3,482,200	17,791,278
Mapping Critical Catchments, Wetlands and Biodiversity Hotspots		5,052,111
Multilateral Engagements and Strategic Plan	4,128,700	18,855,100
Monitoring and Evaluation	10,343,300	12,646,300
Monitoring Framework	2,428,200	2,800,693
Communication, Corporate Branding and ICT	10,286,400	11,854,110
Water Towers Conservation Plans (WTCPs)		-
Water Towers Status Report	2,571,963	23,354,148
<b>Total Economic Valuation</b>	<b>3,739,700</b>	<b>4,758,900</b>
Feasibility Studies	1,421,600	
Environmental Awareness Education	257,900	

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

Nature-based enterprises	3,596,120	
Baobab Value chain Development	390,800	
Establishment of Tree Nurseries	4,673,100	
Hay Production		-
Water Systems in Schools		-
Installation of Solar in schools		-
Construction of Biogas in schools (Model School)	1,228,400	24,450,362
Honey Production	2,869,600	9,545,576
Contracted Rehabilitation-Tree planting	3,811,350	
Fencing of Mau Complex	41,739,387	
Policy and Bill	3,015,527	
Environmental Impact Assessment	714,000	2,249,456
Mau Phase II Restoration Programme		40,004,700
Regional Project Planning and Implementation	841,500	11,707,352
Survey and Gazettement of Water Towers	598,596	14,992,706
Water Towers Emergency Fund	1,041,700	986,300
10% National Tree Cover	42,396,653	48,770,330
<b>Total grants and subsidies</b>	<b>173,125,395</b>	<b>300,586,104</b>

#### 14. General Operational Expenses

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Telephone Expenses	6,904,000	5,927,100
Internet Expenses	9,450	1,116,166
HIV and AIDS	-	-
Medical Insurance	27,458,539	29,696,443
Training	11,529,740	13,750,952
Accommodation & Domestic travel	50,865,565	20,286,442
Advertising	1,141,908	7,086,989
Fuel, oil and lubricants	4,350,400	9,435,000
Hospitality supplies & services	3,667,207	3,624,805
Office & General supplies	13,878,029	20,791,297
Insurance – Motor Vehicle	5,777,814	4,203,233
Parking Charges	5,740,800	4,414,410
Regional Office Expenses	4,817,267	3,235,842
<b>Total General Operational Expenses</b>	<b>136,140,718</b>	<b>123,568,679</b>

#### 15. Finance Costs

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Bank Charges	1,886,982	2,623,123
<b>Total finance costs</b>	<b>1,886,982</b>	<b>2,623,123</b>

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Cash and Cash Equivalents

Description	2020-2021	2019-2020
	KShs	KShs
Current account	190,338,331	207,919,490
Total cash and cash equivalents	190,338,331	207,919,490

(a) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2020-2021	2019-2020
		KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank Development	1169617867	110,505,491	95,152,311
Kenya Commercial bank – EU	1206871059	1,001	1,001
National Bank of Kenya - Recurrent	01001094665400	58,561,252	78,545,282
National Bank of Kenya - Gratuity	01001094665401	21,270,587	34,220,896
Sub- total		190,338,331	207,919,490
<b>b) Others(specify)</b>			-
Cash in transit			-
cash in hand			-
Sub- total			-
Grand total		190,338,331	207,919,490

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Receivables from Exchange Transactions - Prepayments

	2020-2021	2019-2020
	KShs	KShs
<b>Current receivables - Prepayments</b>		
Medical Insurance(10 months)	18,166,471	19,989,620
GPA, Group Life and WIBA	-	-
Office Rent	-	213,408
Office Parking ( 1 Month)	-	-
<b>Total current receivables -Prepayments</b>	<b>18,166,471</b>	<b>20,203,028</b>

18. Receivables from Non-Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Staff salary advance	330,000	-
<b>Total current receivables</b>	<b>330,000</b>	<b>-</b>

19. Inventories

Description	2020-2021	2019-2020
	KShs	KShs
Consumable stores	7,094,459	16,449,900
<b>Total inventories at the lower of cost and net realizable value</b>	<b>7,094,459</b>	<b>16,449,900</b>

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

---

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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

**20. Property, Plant and Equipment**

	Motor vehicles 25%	Furniture and fittings 12.5%	Computer 30%	Total
Cost	Shs	Shs	Shs	Shs
As at 1 July 2019	76,668,060	24,988,219	17,858,358	119,514,647
Additions	-	1,595,860	2,293,500	3,889,360
Disposals	(-)	(-)	(-)	(-)
As at 1st July 2020	76,668,060	26,584,079	20,151,858	123,403,997
Additions				
Disposals				
As at 1 <sup>st</sup> July 2020	57,501,045	23,460,552	14,205,025	95,166,621
Additions		337,500	1,762,600	
As at 30 <sup>th</sup> June 2021	57,501,045	23,798,052	15,967,625	97,266,722
Depreciation and impairment				
At 1 July 2019	(51,041,326)	(7,566,414)	(26,764,943)	(85,372,685)
Depreciation FY2019/2020	(19,167,015)	(3,123,527)	(5,946,833)	(28,237,376)
Impairment	-	-	-	-
Depreciation FY2020/2021	(14,375,260)	(625,644)	(1,704,148)	(16,705,052)
Disposals				
Impairment				
As At 30 <sup>th</sup> June 2021	-84,583,601	-11,315,585	-34,415,924	-130,315,113
As at 30 <sup>th</sup> June 2021	43,125,785	23,172,408	14,253,477	80,551,670
Net book values				
As at 30 <sup>th</sup> June 2021	43,125,785	23,172,408	14,253,477	80,551,670
As at 30 <sup>th</sup> June 2020	57,501,045	23,460,552	14,205,025	95,166,621

Kenya Water Towers Agency  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Intangible Assets

Description	2020-2021	2019-2020
	KShs 33.3%	KShs 33.3%
Cost		
At beginning of the year	1,212,667	2,389,668
Additions		-
At end of the year	1,212,667	2,389,668
Additions-internal development		-
At end of the year	1,212,667	2,389,668
Amortization and impairment		
At beginning of the year		-
Amortization	(400,180)	(1,177,001)
At end of the year		-
Impairment loss	(400,180)	-
At end of the year	(400,180)	-
NBV	812,487	1,212,667

21 (b) Summary of Depreciation

	2020-2021	2019-2020
Asset	Depreciation	
Motor Vehicles	14,375,260	19,167,015
Furniture and fittings	625,644	3,123,527
Computer and accessories	1,704,148	5,946,833
Intangible Asset-Softwares	400,180	1,177,001
<b>Total</b>	<b>17,105,232</b>	<b>29,414,376</b>

22. Trade and Other Payables

Description	2020-2021	2019-2020
	KShs	KShs
Trade payables	180,958,895	236,255,338
Other payables		
Total trade and other payables	180,958,895	236,255,338

23. Differed Income

There was no deferred income recognized

24. Current Provisions (Gratuity)

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

Description	Leave provision	Gratuity Provision	Other provision	Total
	KShs	Kshs	KShs	KShs
Balance b/d (1.07.2020)		19,593,856		19,593,856
Additional Provisions		21,687,686		
Provision utilised		(18,979,166)		
Change due to discount and time value for money				
Transfers from non -current provisions				
<b>Total provisions as at 30.6.2021</b>		<b>22,338,376</b>		<b>19,593,856</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**25. Non-Current Provisions (Gratuity)**

Description	Long service leave	Gratuity provisions	Other Provisions	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	16,522,017		16,522,017
Additional Provisions	-			
Provision utilised	(-)	16,522,017		
<b>Balance at the end of the year</b>		-		

**29 Financial Risk Management**

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 entity'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 entity 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 entity's management based on prior experience and their assessment of the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Financial Risk Management**

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:

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>As at 30 June 2021</b>				
Receivables from exchange transactions	256,199,546	256,199,546	-	-
Receivables from non- exchange transactions	20,203,028	20,203,028	-	-
Receivables from non-exchange transactions-Imprest, Salary Advance	12,232,602	12,232,602		
Bank balances	207,919,490	207,919,490	-	-
<b>Total</b>	<b>496,554,666</b>	<b>496,554,666</b>	<b>-</b>	<b>-</b>
<b>As at 30 June 2020</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30 June 2021</b>				
Trade payables	-	-	180,958,895	180,958,895
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation				
<b>Total</b>			<b>180,958,895</b>	<b>180,958,895</b>
<b>As at 30 June 2020</b>				
Trade payables	-	-	236,255,338	236,255,338
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	36,115,873	36,115,873
<b>Total</b>	-	-	<b>272,371,211</b>	<b>272,371,211</b>

**iii) Market risk**

The entity has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**iv) Capital Risk Management**

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

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	6,903,579	6,903,579
Revenue Reserves	100,658,416	198,131,364
Accumulated Surplus (Deficit)	(9,015,048)	(124,251,138)
<b>Total funds</b>	<b>98,546,947</b>	<b>80,783,805</b>
Less: cash and bank balances	190,338,331	207,919,490
Net debt/(excess cash and cash equivalents)	190,338,331	127,135,685
<b>Gearing</b>	<b>2.2</b>	<b>0.61</b>

**30 Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**Government of Kenya**

The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

**Other related parties include:**

- (i) The National Government;
- (ii) The Parent Ministry;
- (iii) Employees
- (iv) Board of directors

Kenya Water Towers Agency  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

i)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Relates Party Disclosures**

- ii) Key management;
- iii) Board of directors;

	2020-2021	2019-2020
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Grants /Transfers from the Government</b>		
Grants from National Government	673,200,000	702,200,001
Grants from County Government		-
Donations in kind		-
<b>Total</b>	<b>673,200,000</b>	<b>702,200,001</b>
<b>b) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for 117 employees	252,292,118	242,937,386
Payments for goods and services		-
<b>Total</b>		
<b>c) Key management compensation</b>		
Directors' emoluments	10,837,400	20,129,632
Compensation to the CEO		-
Compensation to key management		-
<b>Total</b>	<b>10,837,400</b>	<b>20,129,632</b>

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

**30 Contingent Assets and Contingent Liabilities**

There was no any contingent liability reported under the FY 2020/2021

**31 Events after the Reporting Period**

There were no material adjusting and non- adjusting events after the reporting period.

**32 Ultimate and Holding Entity**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Environment and Forestry. Its ultimate parent is the Government of Kenya

**33 Currency**

The financial statements are presented in Kenya Shillings (Kshs).

**Extra Notes to Cash flow statements**

Note	Items on Cash flow	
34	Receivables (Salary Advances)	
	Salary advances Issued during the year	(900,000.00)
	Salary advances recovered the year	570,000.00
	<b>Increase</b>	<b>(330,000.00)</b>
35	Trade and other payables	
	Payments made during the year	204,504,341.68
	Additional bills during the year	(149,232,848.32)
	<b>Increase</b>	<b>(55,271,493.36 )</b>
36	Gratuity Payable	
	Provision for Gratuity fy2020/21	21,687,685.75
	Gratuity paid out	(35,501,183.05)
	Increase in Gratuity Payable	(13,813,497.30)
37	Imprest	
	Imprest b/f	12,213,310
	Imprest c/f	4,550,800
	<b>Decrease</b>	<b>7,662,510.00</b>
38	Purchase of PPE	
	Purchase Furniture and Fittings	337,500.00
	Purchase of laptops	1,762,600.00
	<b>Total</b>	<b>2,100,100.00</b>

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

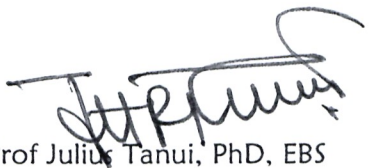
39

**APPENDIX**

**APPENDIX 1: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
AA/KWTA/1/2017-2018/VOL.1(4)	Un-operationalized Water Towers Conversation Fund		Not Resolved	Resolution of the Board



Prof Julius Tanui, PhD, EBS  
 Ag. Chief Executive Officer  
 Kenya Water Towers Agency

04.02.2022  
 20.06.22  
 Date.....

*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

Projects implemented by Kenya Water Towers Agency.

<b>Project title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/duration</b>	<b>Donor commitment</b>	<b>Separate donor reporting required as per the donor agreement (Yes/No)</b>	<b>Consolidated in these financial statements (Yes/No)</b>
1. Mitigation and Management of Soil Loss		GoK		NIL	No	No
2. Community Livelihood Improvement Program (CLIP)		GoK		NIL	No	No

**Status of Projects completion**

	<b>Project</b>	<b>Total project Cost Ksh. Millions</b>	<b>Total expended to date Ksh. Millions</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
1	1106102500:Mitigation and Management of Soil Loss	1,500	505	21%	55	55	GOK
2	1106102900: Community Livelihood Improvement Program (CLIP)	2,000	675	45%	65	65	GOK
3	Innovative Approaches on Sustainable management of Water Towers Programme	1,500	0		0	0	
4	Securing and protection of water towers programme	1,910	0		0	0	

Kenya Water Towers Agency  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

APPENDIX III: INTER-ENTITY TRANSFERS

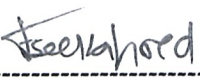
ENTITY NAME:		KENYA WATER TOWERS AGENCY		
Break down of Transfers from Ministry of Environment and Forestry				
FY 2020/2021				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		08/06/2020	124,425,000	FY 2020/2021
		11/25/2020	124,425,000	FY 2020/2021
		01/28/2021	124,425,000	FY 2020/2021
		05/03/2021	124,425,000	FY 2020/2021
		Total	497,700,000	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		08/21/2020	130,500,000	FY 2020/2021
		08/21/2020	10,000,000	FY 2020/2021
		01/28/2020	10,000,000	FY 2020/2021
		05/17/2021	25,000,000	FY 2020/2021
		Total	175,500,000	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	-	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	-	

The above amounts have been communicated to and reconciled with the parent Ministry.

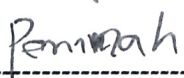
Finance Manager  
 CPA Saitoti Sirere  
 Kenya Water Towers Agency

Head of Accounting Unit  
 CPA Peninah Njuguna  
 Ministry of Environment and Forestry

Sign

  
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Sign

  
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*Kenya Water Towers Agency*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized					Total Transfers during the Year	
					Capital Fund	Deferred Income	Receivables	Others - must be specific			
Ministry of Environment and Forestry											
	08/06/2020	Recurrent	124,425,000	124,425,000	-	-	-	-	-	-	-
	11/25/2020	Recurrent	124,425,000	124,425,000	-	-	-	-	-	-	-
	01/28/2021	Recurrent	124,425,000	124,425,000	-	-	-	-	-	-	-
	05/03/2021	Recurrent	124,425,000	124,425,000	-	-	-	-	-	-	-
	08/21/2020	Development	130,500,000	130,500,000	-	-	-	-	-	-	-
	08/21/2020	Development	10,000,000	10,000,000	-	-	-	-	-	-	-
	01/28/2020	Development	10,000,000	10,000,000	-	-	-	-	-	-	-
	05/17/2021	Development	25,000,000	25,000,000	-	-	-	-	-	-	-
<b>Total</b>			<b>673,200,000</b>	<b>673,200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>