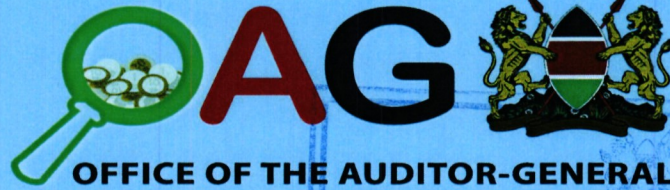


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY

DATE: 01 MAR 2022

DAY: TUE

TABLED BY: LOM

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REPORT

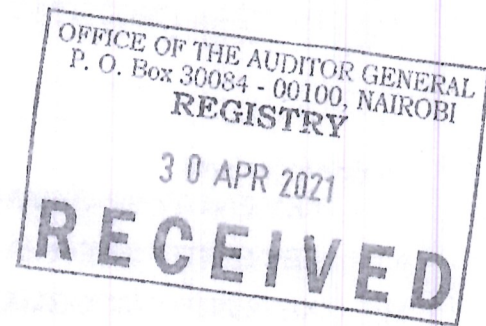
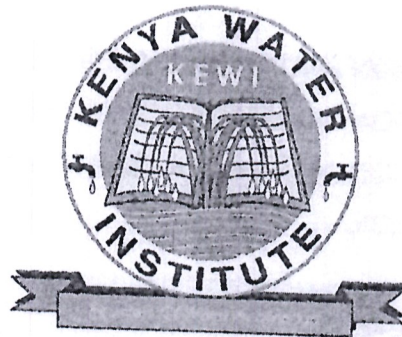
OF

THE AUDITOR-GENERAL

ON

KENYA WATER INSTITUTE

**FOR THE YEAR ENDED
30 JUNE, 2020**



KENYA WATER INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020

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

KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Kenya Water Institute (KEWI) is a Semi-Autonomous Government Agency (SAGA) established through the Kenya Water Institute Act 2001 Revised Edition 2012. The Institute is currently under the Ministry of Water and Sanitation & Irrigation. The Institute is a body corporate with perpetual succession and a common seal. Its governance, control and administration are vested in the Governing Council. The Institute has four campuses, namely, Nairobi, Kitui, Kisumu and Chiakariga in Nairobi, Kitui, Kisumu and Tharaka Nithi Counties respectively

b) Principal Activities

The mandate of KEWI is as follows:

- i. To provide directly or in collaboration with other institutions of higher learning, services in human resource development, consultancy, research and development in the water sector on a commercial basis to the public sector, state corporations, local authorities, the private sector and all other persons (local or foreign) who may request for such services from the institute;
- ii. To provide training programmes, seminars and workshops and produce publications aimed at maintaining standards in the water sector;
- iii. To provide a forum for effective collaboration between the public and private sectors and other interested parties for the development of the water sector; and
- iv. To conduct examinations and award diplomas, certificates and other awards to successful candidates.

Vision

A world class centre of excellence in training, research and consultancy in water, sanitation, irrigation and related sectors.

Mission

To offer competency-based training, research, consultancy and outreach services in water, sanitation, irrigation and related sectors for sustainable development

KENYA WATER INSTITUTE
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II. **KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**
c) **Key Management**

Kenya Water Institute's day to day management is under the following key organs:

1. The Governing Council
2. Director
3. Senior Management
4. The Academic Board

d) **Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director	CPA. Kennedy O. Riaga
2.	Deputy Director Academic Affairs	Mr. David K. Ngetich
3.	Deputy Director Research/Ag. Deputy Director Management Services/Head of Finance	Mr. Paul N. Muthama
4.	Senior Supply Chain Management Officer	Mr. James Mutio
5.	Audit and Risk Manager	Mr. James Kande

e) **Fiduciary Oversight Arrangements**

KEWI's oversight responsibility is vested in the;

- 1) Governing Council which had 9 members
- 2) Academic, Research and Development Committee which had 5 members
- 3) Finance and Resource mobilization Committee which had 4 members
- 4) Audit and Risk Committee which had 4 members
- 5) Human resource Committee which had 4 members
- 6) Independent internal audit function

Execution of the mandate during 2019/2020 FY, inter alia

As the board was constituted at the beginning of the financial year, induction meetings were held alongside formation of the committees as well as full board and committee meetings.

Meetings

Both full board and committee meetings were held during the reporting period.

Membership of the Audit and Risk Committee

- a. Chairman-From Non-Governmental Organization
- b. Representative -From Universities
- c. Alternate to PS. the National Treasury
- d. Alternate to PS. Ministry of Devolution
- e. Secretary-Head of Internal Audit

III. **KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**

f) **Entity Headquarters**

Kenya Water Institute
Nairobi South C
Ole Shapara Avenue
P.O. Box 60013 – 00200
Nairobi, KENYA.

g) **Entity Contacts**

Tel: 254-20-6003893/6003905/6007433/25
CELL No: 0722-207757
Fax No: 254-20-6006718
Email: inquiries@kewi.or.ke
info@kewi.or.ke
Website: www.kewi.or.ke

h) **Entity Bankers**

Kenya Commercial Bank of Kenya
Moi Avenue
P.O. Box 30081
GPO 00100
Nairobi, Kenya



i) **Independent Auditors**

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

j) **Principal Legal Adviser**

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

IV. THE GOVERNING COUNCIL

GOVERNING COUNCIL MEMBER	PROFILE
<p>Chairperson KEWI Governing Council</p>	<p>During the reporting period, the Institute didn't have Chairperson to the Governing Council in place.</p>
 <p>CPA Isabella Kogei Rep. Principal Secretary The National Treasury</p>	<p>CPA. Isabella Kogei was born in 1983 and is a Principal Finance Officer in charge of Parliamentary business at The National Treasury. She is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She holds a Master of Science (Finance) and Bachelor of Commerce (Accounting) Degrees of Kenyatta University.</p> <p>CPA Isabella Kogei has a vast experience in Finance and Accounting both in the Public and Private Sectors. She has worked in Senior roles in finance and administration and contributed a lot towards Resource Planning, Financial Report and Management at Strategic level.</p> <p>CPA Isabella Kogei is the Alternate of the Principal Secretary, The National Treasury and exercises fiduciary oversight role in the Governing Council. She is a member of the Audit and Risk and Finance and Resource Mobilization Committees.</p>
 <p>Ms. Caroline Mugwe Rep. Principal Secretary Ministry of Water & Sanitation and Irrigation</p>	<p>Ms. Caroline Mugwe holds a Masters Degree in Business Administration - Human Resource Management option (Kenyatta University) and a first degree in Bachelors of Commerce - Business Administration option, (University of Nairobi). Has also completed CPS (K), among other local and international experiences.</p> <p>Ms Mugwe is a Certified Public Secretaries and also member, institute of Human Resource Management and member, mediators association. She is highly experienced in Administration, Human Resource Management, Business Development, and Institutional Capacity Building, as well as short term Private Consultancy Services for a wide range of clients in Kenya and beyond. Currently she is the Director - Human Resource Management and Development (HRM & D) in the Ministry of Water, Sanitation and Irrigation, heading the HR Division.</p>

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Ms. Lesley Khayadi
**Rep. Principal Secretary,
Ministry of Devolution and
Planning**

She is the Alternate of the Principal Secretary, Ministry of Water & Sanitation and Irrigation. She is a member of Human Resource and Finance and Resource Mobilization Committees.

Ms. Lesley Khayadi was born on 10th October 1972. Is a holder of a Master's degree in Public Policy and Administration from Kenyatta university and a Bachelor of Arts from University of Nairobi.

She has 14 years of experience working in Local Economic Development, governance, public finance and service provision. Her current position is Assistant Director Devolution in the Ministry of Devolution and Semi Arid Areas. Previously she has served as a municipal council town in Ruiru, Mwingi, Vihiga, Bungoma, Webuye and Malaba, and Sub-County Administrator County Government of Kiambu.

Ms. Lesley Khayadi is the Alternate of the Principal Secretary, Ministry of Devolution and Semi Arid Areas. She is a member of the Audit and Risk and the Academic, Research and Development Committees.



Ms. Nancy Mugure Waweru
**Representative of public
Universities**

Nancy Mugure was born in 1988. She holds a MSc. degree in Environmental Engineering from SUST, China, and BSc Civil Engineering from UoN. She is an Associate member of Association of Business Executives, United Kingdom (ABE-UK) and a trained Project Management Professional (PMP®). She is a member of Engineers Board of Kenya (EBK) and currently undertaking PhD in Civil Engineering at UoN. She is profoundly knowledgeable and analytic in the Built environment as a civil engineer and Project Management professional, where she offers consultancy services. Has remarkable commitment in teaching, research, service and other scholarly activities. She is a published scholar and presently a tutorial fellow at the University of Nairobi (UoN).

Ms. Nancy Mugure Waweru is the Chairperson of the Academic, Research and Development Committee and a member of the Audit and Risk Committee.






Mr. Peter Kahara
**Representative of private of
community based water and**


Mr. Peter Kahara was born in 1969 and holds a Master's degree in economics (UoN), Bachelor's of Arts in Economics and Diploma in Teaching and Training from City and Guilds – UK.

Mr. Kahara is an expert in Financial Management, Monitoring and Evaluation of Projects and Programmes, Strategic Planning and Development and Participatory Approaches to Training and Development. He has worked in UK for ABANTU as acting Regional Programmes Manager. Mr. Kahara has also worked in the Ministry of Water and Sanitation and also the Ministry of Planning as an Economist. He has experience working at Government, Private and Voluntary sectors at Senior Management levels.

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<p>sanitation programmes</p>	<p>He is an independent member of KEWI Governing Council and is the Chairman of the Finance and Resource Mobilization Committee</p>
 <p>Mr. Wilson Kipkazi Representative of local Non Governmental organization involved in activities related to the water sector</p>	<p>Mr. Wilson Kipkazi was born in 1965 and holds BA (Hons) Community Development, Graduate Diploma Community Development and Certificate in Resource Mobilization and Fund raising techniques.</p> <p>Mr. Kipkazi has served the country in a number of capacities including Chairman of the NGO Council, Director KCC, Chairman Kenya Bankers Saving and Credit Cooperative Society. He has also served as a Director Kenya National Chambers of Commerce and Industry.</p> <p>Mr. Wilson Kipkazi is an independent member of KEWI Governing Council. He is the Chairman of the Audit and Risk Committee.</p>
 <p>Eng. Peter Odhiambo Wanday Representative of Professional Bodies</p>	<p>Eng. Peter Odhiambo Wanday was born in 1964 and holds BSc (Civil Engineering), University of Nairobi, Registered Consulting Engineer (Engineers Board of Kenya), Licensed Qualified Water Resource Professional (Engineer), Corporate Member (Institution of Engineers of Kenya) and is the Chairman, Association of Consulting Engineers of Kenya.</p> <p>Eng. Wanday has extensive experience spanning 31 years in the design, documentation, supervision, and contract administration of various infrastructural projects. Eng. Wanday has worked on infrastructure projects in several counties around East, Central and southern Africa.</p> <p>Eng. Peter Odhiambo Wanday is the Chairman of the Human Resource Committee and a member of the Finance and Resource Mobilization Committee and Academic, Research and Development Committee</p>
 <p>Mr. Eric Cherop Koima Representative of registered</p>	<p>Mr. Eric Cherop Koima was born on 21st July 1967 and holds a B.ED from Kampala International University, Diploma in Education Management, Diplo ma in Special Education and Certificate in Primary Teacher Education PTE.</p> <p>He has 20 years of teaching and education management experience and is an independent member of KEWI Governing Council was born.</p> <p>Mr. Koima is a member of the Human Resource and Finance and Resource Mobilization Committees</p>

**KENYA WATER INSTITUTE
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water users associations	
Corporate Secretary	<p>KEWI is in the process of hiring the corporate secretary. Mean while the Director is the one discharging the duties of that office.</p>
 <p>CPA. Kennedy O. Riaga Ag. Director/CEO Kenya Water Institute & Secretary to the KEWI Governing</p>	<p>CPA Kennedy Ochieng Riaga was born in 1968. He holds a BA in Economics and Business Studies, Certified Public Accountant of Kenya, Certified Information Systems Analyst and currently pursuing MBA programme (Finance).</p> <p>He has 14 years experience in education and teaching and worked in the Mwalimu National Sacco as a Senior Accountant for 8 years.</p> <p>He joined Kenya Water Institute in 2012 as a Senior Accountant he has since risen through the ranks to Deputy Director Management Services. He is currently the Ag. Director/CEO of the Institute.</p>

KENYA WATER INSTITUTE
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2020

V. MANAGEMENT TEAM

	DESIGNATION
 CPA. Kennedy O. Riaga (<i>BA. Economics, CPA(K), CISA</i>)	Ag. Director, Kenya Water Institute
 David K. Ngetich (<i>MPhil. in Geography</i>)	Deputy Director Academic Affairs
 Paul N. Muthama (<i>MSc. Statistics</i>)	Deputy Director Research / Ag. Deputy Director Management Services
 Isaac Agevi (<i>BA. Economics, MBA</i>)	Corporate Affairs Manager

KENYA WATER INSTITUTE
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James Kande (*B.Com. Accounting*), CPA(K)

Audit and Risk Manager

**KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
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VI. CHAIRPERSON'S STATEMENT

VII. REPORT OF THE DIRECTOR

I present the Kenya Water Institute Report and Financial Statements for the FY 2019/2020. During this period, the Institute fared reasonably well as disbursements from the Government were received although sometimes, late. The biggest challenge that was faced by the institute was raising the targeted internally generated funds, which was below the expected by 6%. The shortfall was caused by low uptake of short causes and breakdown of the drilling rig which took more than three month to get the broken parts. Over and above, the Institute had to break towards the end of the 3rd Quarter due to the outbreak of the COVID 19. I am pleased to report that KEWI Management handled these challenges well through strict planning and prudent utilisation of the available resources namely; Human, Systems, Financial and Physical Facilities; this was supported by technical backstopping of the Parent Ministry.

Financial Results:

The Institute during the reporting period experienced a number of challenges majorly insufficient direct GoK budgetary allocations to enable the Institute to equip training and learning facilities which in return would attract more trainers. The outbreak of the COVID 19 too saw the Institute not realize revenue from exchange transactions for the 4th quarter FY 2019/20.

During the reporting year, the Institute received Ksh. 218,753,558 for recurrent budget and Ksh. 84,000,000 for development budget.

The Institute also generated Ksh. 173,358,563 as Appropriation in Aid (AiA) compared to the previous year where Ksh. 170,352,062 was generated. This translates into 2% increase in AiA generation compared to last year's collections. The AiA collections of Ksh. 173,358,563 was below the targeted amount of Ksh. 185M. The shortfall was 6%. The shortfall was necessitated by breakdown of the Rig, the non completion of the WRC on time thus denying the institute revenue and the outbreak of COVID 19 which saw the Institute loose the revenue for part of 3rd quarter and the 4th quarter of the FY fully.

Future Outlook:

Over the years KEWI has been unable to sufficiently enhance its human resources capacity in terms of numbers and am glad to report that additional resources were made available to reduce the shortfall on remuneration vote. However allocation for implementation of programmes and development/improvement of infrastructure which is crucial for effective fulfilment of its mandate of capacity building, training, research and consultancy in the water sector was not addressed as expected.

KEWI plans to complete a number of projects, programmes and activities with an aim of diversifying her revenue streams so as to reduce the financing gap. It had been anticipated that by the close of the 2nd quarter 2016/2017 KEWI would have completed the construction of the Water Resource Centre (WRC) however, this did not happen due to financial challenges, this in turn affected the capacity of the Institute to generate more AiA to support operation and maintenance. However am glad to report that with the allocation provided this financial year, the work is continuing well and it is anticipated that the structure and equipping will be complete by end of 15th November, 2020.

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Other programmes aimed at enhancing service delivery include the establishment of e-learning infrastructure, curriculum review and development, development of training and learning facilities in Kisumu, Kitui and Chiakariga campuses, and the initiation of programmes in other counties as stated in the KEWI's Strategic Plan 2016-2020.

It is envisaged that these projects and programmes will strengthen KEWI's revenue streams thus reducing her over reliance on the exchequer.

Acknowledgement:

I would like to thank the Government through the Ministry of Water and Sanitation & Irrigation for the continued financial and technical support to KEWI. My heartfelt gratitude goes to the Cabinet Secretary, Ministry of Water and Sanitation & Irrigation and the Principal Secretary for their tireless support. I would like to thank the Governing Council for their leadership and direction. I also appreciate the contribution made by our development partners and other stakeholders in order to improve KEWI. To the management team, employees, students and guardians: I appreciate your cooperation and ideas, which have led to improved performance in service delivery during the year.

It is my sincere hope that you will all continue supporting KEWI in the coming years as she endeavours to deliver training, research, consultancy and outreach service in the water sector.



Kennedy O. Riaga.

Ag. Director, Kenya Water Institute

31st August, 2020

VIII. CORPORATE GOVERNANCE STATEMENT

The Institute's governance, control and administration are vested in the Governing Council, whose members are nominated by the Cabinet Secretary in charge of Water and Sanitation & Irrigation and is composed of Government representatives from key Ministries and independent members drawn from different but relevant professional fields. The Governing Council is responsible for ensuring that Kenya Water Institute embraces and upholds good corporate governance and practices. The Council is accountable to Government through the Ministry of Water and Sanitation & Irrigation and is responsible for ensuring that the Institute complies with the highest standards of corporate governance and business ethics. One of its critical activities is to ensure the Institute conducts or delivers service to all with integrity and in accordance with generally accepted corporate practice and principles.

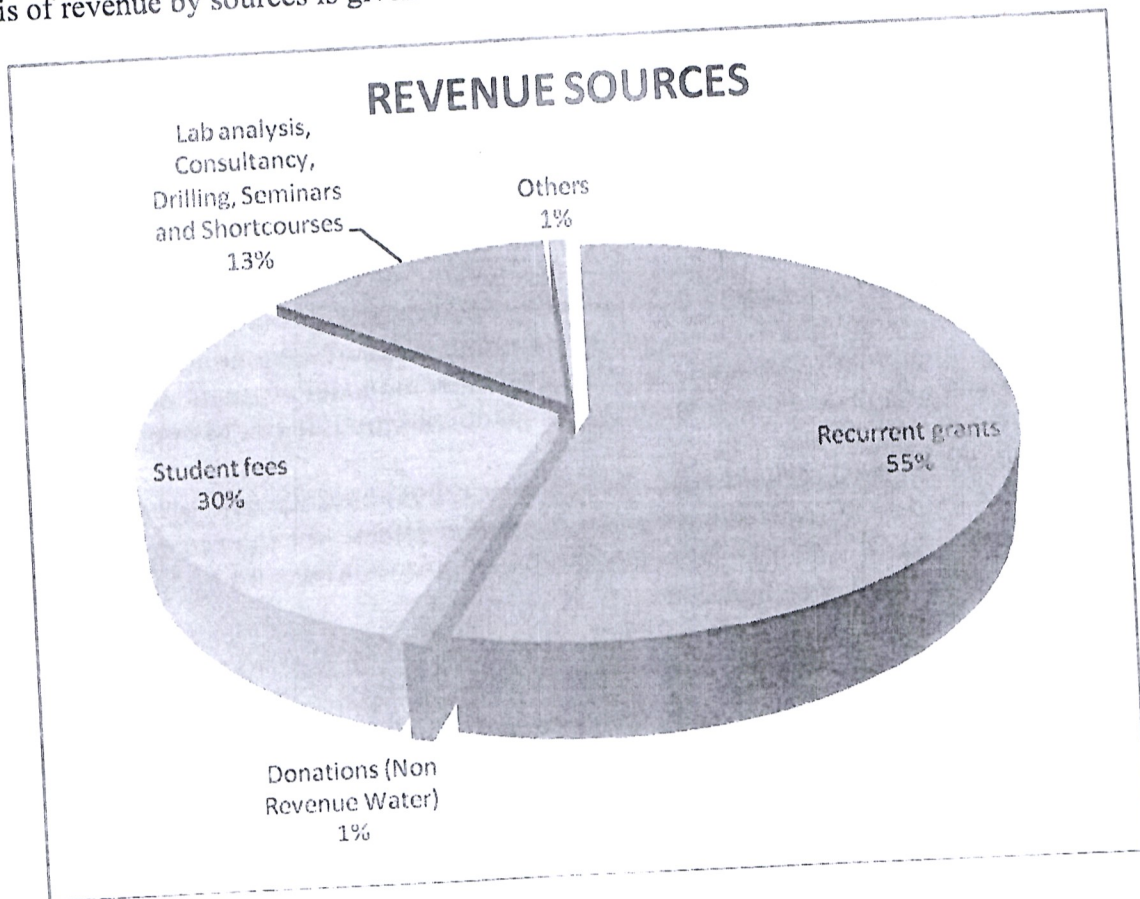
The Chairperson, Governing Council served for close to six Months during the reporting year while the rest of the board members served for the whole year. The Governing Council ensured that corporate governance and good business ethics were practised at all times during the reporting period. This enabled the Management to deliver on the Institute's strategic objectives and maintain effective control of the financial, operational and compliance issues.

Under the KEWI Act, the responsibility of appointing and removal of the Governing Council members and the Chairperson is vested in the Cabinet Secretary in charge of Water and Sanitation & Irrigation. While the process of appointment, roles, functions, remuneration and evaluation of the board is guided by Mwongozo. The institute has been observing the guidelines provided in Mwongozo strictly.

The Chairperson who was appointment in February 2019 has already been inducted by State Corporation Advisory Committee and internally by Management. For the rest of the board members who were appointed on 22nd June 2019, plans have been made for them to be inducted by SCAC and by Management during the reporting period.

IX. MANAGEMENT DISCUSSION AND ANALYSIS

Traditionally, the Institute has relied on grants from the Government to support its activities. Student fees contributed 30% of the total revenue generated during the year ended 30th June, 2020. This was second to the Government Grants which stood at 55%. The Management has taken cognizance of the fact that these two sources cannot sustain the operation of the Institution. The inflow of grants has continued to dwindle while the Institute has continued to expand both in terms of the students' intake and geographical coverage. Most of the students come from economically disadvantaged families hence increasing school fee to support them is not tenable. This has to high rate of fee defaulters. Analysis of revenue by sources is given below:



In order to deliver her mandate within the aforementioned macro-economic environment, the Management has embarked on programmes aimed at raising revenue through commercial engagements. This include up scaling the drilling services, constructing an ultra- modern complex for conference facilities, engaging the industry to tailor made their training needs and offer short courses and grant proposal writing and consultancy in the industry.

This will reverse the worrying trend where the Institute's financial performance has been on deficits

X. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

KEWI defines Corporate Social Responsibility as the business strategy that defines the values underpinning the Institute's mission and the choices made each day by its staff as they engage with society. We believe in maximizing benefit of the resources bestowed to us, being accountable in whatever we do and responsive to stakeholders. Our Corporate Social Responsibility (CSR) encompasses the economic, environmental and social aspects of our business.

Under our economic view of CSR, we ensure costing of our products like charging college fee, drilling of boreholes and offering consultancy in the water sector is set at a point that does not exclude the less privileged. It will also be noted that, KEWI takes sharing of water knowledge as a moral obligation as such creating an environment that allows wide spread of the same to its key operations. This in essence has become the foundation of KEWI's programming which is rooted in corporate social responsibility principle.

Environment - KEWI being a training and research Institution for the water sector, sustainable management of the water resource is the backbone of the Institute, our training programmes on water resource management is specifically designed to enable the trainees acquire the knowledge of managing the water resources sustainably.

Our social aspect of CSR in KEWI places emphasis on Responsibility and Accountability. KEWI take the issue of CSR seriously as evidenced in our daily dealings, for instance when an employee is dealing with customer(s), the Institution expects him/her to behave in an honest and ethical manner. In that regard the issue of corporate social responsibility is quickly moving from a "nice to have" to an "absolutely must have."

As KEWI's mandate is to offer training, research, consultancy and outreach most of our specific CSR activities revolve around the water and natural resources, as will be seen from some of the activities undertaken and mentioned below;

Every year the institute has always undertaken servicing of community boreholes in selected counties. The year under review, KEWI trained selected water users in Kakamega with an aim of equipping them with skill necessary for them to continue servicing the boreholes that KEWI had drilled on behalf of NGAAF. This guaranteed sustainability of the project and providing a source of revenue to those trained. KEWI also on annual basis participates in the Ndakaini marathon, cleaning of the rivers banks and the general surroundings areas we operate in. KEWI was also involved in tree planting activities in Nairobi, Kitui, Chiakariga and Kitui. Most of these activities are made possible through partnerships and collaborations

KEWI has also a mentorship programme, this programme targets school going girls, with an aim of mentoring them to be responsible students. The key focus of the programme is on encouraging girls to take science subjects, this was informed by the hitherto stereotype believe of science subjects/ courses being a preserve of men.

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XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended June 30, 2020 which show the state of the Institute's affairs.

Principal activities

The principal activities of the Institute are to provide Training, Research, Consultancy and Outreach Services

Results

The results of the Institute for the year ended June 30, 2020 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown in the table below.

S/N0.	Name	Organization	Appointment Date	Designation
1	Mrs. Caroline Mugwe	MW&S	28 th June 2018	Member
2	Mrs. Nancy Mugure Waweru	Universities	22 nd June 2019	Member
3	Mr. Wilson Kipkazi	NGO	22 nd June 2019	Member
4	Mr. Peter Kahara	PCBWP	22 nd June 2019	Member
5	Eng. Peter Odhiambo Wanday	Professional body	22 nd June 2019	Member
6	Mr. Eric Cherop Koima	RWUA	22 nd June 2019	Member
7	CPA. Isabella Kogei	Treasury	22 nd June 2019	Member
8	Ms. Lesley Khayadi	Treasury	22 nd June 2019	Member
9	CPA. Kennedy O. Riaga	KEWI	23 rd March 2016	Secretary to the Governing

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Water Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the period ended June 30, 2020.

By Order of the Board


Kennedy Riaga

For: The Corporate Secretary

Kenya Water Institute

Date: 31st August, 2020

XII. STATEMENT OF GOVERNING COUNCIL RESPONSIBILITIES

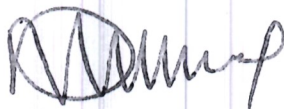
Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, and Kenya Water Institute Act, CAP.372A, Section 1, require the Governing Council to prepare financial statements in respect of Kenya Water Institute, which give a true and fair view of the state of affairs of the Institution at the end of the financial period and the operating results of the Institute for that year. The Governing Council Members are also required to ensure that Kenya Water Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Directors are also responsible for safeguarding the assets of the Institute.

In this regard KEWI Governing Council caused preparation of these financial statements in conformity with the applicable laws and guidelines. The council has also ensured that proper records which disclose reasonable accuracy and financial position of the institution have been provided. The council accepts responsibility of KEWI financial statements and confirm the appropriateness of the accounting policies applied.

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

Approval of the financial statements

The Institute's financial statements were approved by the Board on 29/04/ 2020 and signed on its behalf by:



Peter Kahara
For: Chairperson, KEWI Governing Council

Date: 29/04/2021

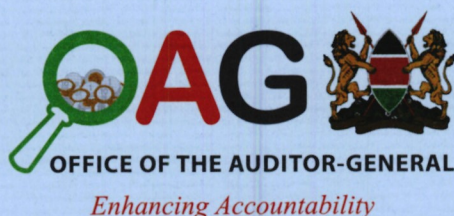


Kennedy O. Riaga.
Ag. Director

Date:

KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
E-mail: 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 INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Water Institute set out on pages 1 to 30, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 Institute as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Water Institute Act, 2001 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Land Without Title Deeds

The statement of financial position reflects Kshs.1,496,628,096 being the net book value for property, plant and equipment. As disclosed under Note 20A to the financial statements, the value included Kshs.1,044,642,000 for land of which Kshs.1,014,642,000 related to three (3) land parcels in different locations where the Institute has campuses. However, as previously reported, although allotment letters for the land parcels were provided, the Institute had not obtained title deeds.

Further, the Management did not maintain a register of assets indicating the details and pertinent information as required under Regulation 143 of Public Finance Management (National Government) Regulations, 2015.

In the circumstances, ownership, accuracy and existence of property, plant and equipment valued at Kshs.1,496,628,096 as at 30 June, 2020 could not be confirmed.

2. Unsupported Trade Receivables

The statement of financial position reflects receivables from exchange transactions of Kshs.106,929,048 which as disclosed under Note 18A to the financial statements, comprised gross trade receivables of Kshs.156,961,887 before adjustment for provisions. However, Kshs.61,772,272 of the balance was not supported with debtors' analysis, invoices, students' nominal rolls and general ledgers.

In the circumstances, the accuracy and validity of the receivables from exchange transactions balance of Kshs.106,929,048 could not be confirmed.

3. Inaccurate Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents of Kshs.36,745,052 which as disclosed at Note 17 to the financial statements comprised cash in hand and bank balances held in two (2) bank accounts at a local bank. However, cashbooks maintained by the Institute reflected cash and bank balances totalling to Kshs.28,974,232 as at 30 June, 2020, resulting into an unreconciled difference of Kshs.7,770,820. Further, the Institute Management did not prepare monthly bank reconciliation statements for the two bank accounts as required under Regulation 90 of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, the accuracy and existence of the reported cash and cash equivalents balance of Kshs.36,745,052 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 Institute 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 which, 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. Uneconomical Borehole Drilling Activities

Note 8 to the financial statements reflects drilling revenue of Kshs.38,453,104 (2019: Nil) relating to water boreholes drilling activities undertaken by the Institute as an income generating activity. However, as disclosed at Note 16 to the financial statements, the Institute incurred drilling expenses amounting to Kshs.23,656,853 (2019: Kshs.29,087,705) resulting into a loss of Kshs.14,796,251 (2019: Kshs.29,087,705).

Considering the current trend, and in the absence of a feasibility assessment, the viability of the business venture could not be confirmed. In addition, the activities could consume resources earmarked for the Institutes' core mandate.

2. Long Outstanding Staff Receivables

Regulation 93(5) of Public Finance Management (National Government) Regulations, 2015 provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station. Regulations 93(6) further provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate. However, included in the staff receivables balance of Kshs.15,040,390 reflected under Note 18B to the financial statements, was Kshs.12,566,231 being imprests issued to the Institute's employees and which had been outstanding for a period exceeding ninety (90) days. The imprests ought to have been surrendered by 30 June, 2020. Further, evidence of the measures Management had put in place to recover the long outstanding imprests was not provided.

In addition, a review of the imprest register revealed that seven (7) staff members were issued with additional imprests totalling Kshs.3,918,745 before accounting for outstanding ones, contrary to Regulation 93(8) of the Public Finance Management (National Government) Regulations, 2015, which prohibits issue of additional imprest to a staff member with outstanding imprests.

Management was therefore, in breach of the law.

3. Delayed Project Completion

The work in progress of Kshs.263,395,793 reflected in the statement of financial position included Kshs.1,966,141 in respect of construction of classrooms at Chiakariga Campus at a contract sum of Kshs.19,903,802. The works commenced on 27 September, 2017 for a period of forty-two (42) weeks which was later extended by a further twenty-four (24) months to March, 2019. However, as at the time of the audit, almost three (3) years later, the classrooms were yet to be completed and the construction had stalled.

In the circumstances, the Institute was yet to obtain value for the money spent on the project. In addition, delayed completion exposed the works done to degradation and posed the risk of cost escalations.

4. Employees in Acting Positions Beyond Stipulated Period

The statement of financial performance reflects expenditure totalling to Kshs.245,558,211 on employee costs of which Kshs.14,511,050 and Kshs.3,347,113 was paid as acting allowances and special duty allowances respectively, to thirty-two (32) employees who had been appointed in acting positions. However, the employees acted in the positions for more than six (6) months and continued to draw the respective allowances during the extended period. This is contrary to the provisions of Sections C.14(1) and C.15(4) of the Human Resource Policies and Procedures Manual for the Public Service which prohibits payment of the allowances for more than six (6) months.

Management was, therefore, in breach of the law.

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 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 Governing Council

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 which are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of the internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain 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 Institute 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 comply with the authorities which govern them, and that public resources are applied in an effective way.

The Governing Council is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of the Institute's systems for monitoring 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 which 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 review is planned and performed to express a conclusion on whether, in all material respects, 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, 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 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 which 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 which 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 non-compliance. 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 Institute's 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 which 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 the 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 which may cast significant doubt on the Institute's ability to sustain 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 Institute to cease to sustain 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 which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 January, 2022

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XIV. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020 Kshs	2018/2019 Kshs
Revenue from non exchange transactions			
Government grants & Other Donations	7	218,753,558	215,753,560
Revenue from exchange transactions		218,753,558	215,753,560
Rendering of services	8	170,464,027	167,509,474
Rental revenue from facilities and equipment	9	2,401,800	1,900,105
Other income	10	492,736	942,484
Total revenue		173,358,563	170,352,062
Expenses		392,112,121	386,105,622
Employee costs	11	245,558,211	192,565,966
Remuneration of Governing Council	12	25,515,434	5,706,063
Depreciation and amortization expense	13	25,332,216	25,041,923
Repairs and maintenance	14	14,232,825	13,722,451
Contracted services	15	6,354,806	4,369,261
General expenses	16	136,596,273	150,537,982
Total expenses		453,589,765	391,943,647
Surplus(Deficit) for the Year		- 61,477,644	- 5,838,024


The notes set out on pages 6 to 20 form an integral part of these Financial Statements

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XV. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020


		2019-2020 Kshs	2018-2019 Kshs
Assets			
Current assets			
Cash and cash equivalents	17	36,745,052	52,575,780
Receivables from exchange transactions	18A	106,929,048	74,346,048
Receivables from Non- exchange transactions	18B	15,040,390	52,686,648
Inventories	19	6,057,276	3,480,303
Total Current Assets		164,771,767	183,088,780
Non-current assets			
Property, plant and equipment	20A	1,496,628,096	1,519,149,762
Work In Progress	21	263,395,793	236,324,873
Total Non- Current Assets		1,760,023,888	1,755,474,635
Total assets			
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	58,430,337	73,050,392
Refundable deposits from students	23	1,865,480	1,601,165
Provisions for Audit fees		580,000	580,000
Deferred income	24	-	21,934,376
Total liabilities		60,875,817	97,165,933
Net assets			
Capital Reserves		144,184,894	144,184,894
Revaluation Reserves		1,393,516,687	1,393,516,687
Revenue Reserves		103,937,893	165,415,537
Capital Fund		222,280,364	138,280,364
Total net assets		1,863,919,838	1,841,397,482
Total net assets and liabilities		1,924,795,655	1,938,563,415

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


Ag. Director
Kennedy O. Riaga.

31st August, 2020


Ag. Head of Finance
Jorum M. Muli
ICPAK Member Number: 17444
31st August, 2020


For: Chairperson, Governing Council
Peter Kahara

31st August, 2020

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XVI. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020

	Capital Reserves Kshs	Capital Fund Kshs	Revaluation Reserves Kshs	Revenue Reserves Kshs	Total Kshs
Balance as at 30 June 2019	144,184,894	78,280,364	1,393,516,687	171,253,561	1,787,235,
Addition for the period	-	60,000,000	-	-	60,000,
Surplus/(deficit) for the period	-	-	-	(5,838,024)	(5,838,0
Transfers to/from accumulated surplus	-	-	-	-	-
Balance as at 30 June 2019	144,184,894	138,280,364	1,393,516,687	165,415,537	1,841,397,4
Addition for the period	-	84,000,000	-	-	84,000,0
Surplus/(deficit) for the period	-	-	-	(61,477,644)	(61,477,64
Transfers to/from accumulated surplus	-	-	-	-	-
Balance as at 30 June 2020	144,184,894	222,280,364	1,393,516,687	103,937,893	1,863,919,83

The first Kenya Water Institute audited accounts for the FY 2003/2004 shows that the original valuation of Kenya Water Institute Property, Plant and Equipment to the tune of Kshs. 141,627,439 was carried out by a valuation firm in the year 2000 and Kshs. 125,578,337 valuations by an inter-ministerial technical committee on transition of Kenya Water Institute to a Semi-Autonomous Government Agency. These valuations have been used to come up with the reported capital reserves of Ksh.144, 184,894.

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**XVII. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

		2019/20 Kshs	2018/19 Kshs
	Notes		
Cash flow from Operating Activities before changes in working capital		- 61,477,644	- 5,838,024
Net profit/(Loss) for the year		-	342,000
Prior year adjustment - Rent for 2014/15	13	25,332,216	25,041,923
Adjustment for Depreciation		-	-
		- 36,145,428	18,861,899
Changes in working capital			
Decrease in Receivables	18A/18B	5,063,258	-
Increase in Inventories	19	-	1,592,360
Increase in Payables	22/23/24	-	22,971,562
		- 33,803,831	9,156,014
Net Cash flow generated from operating activities			
Cash flow from Investing Activities			
Acquisition of Property, Plant and Equipment & WIP	20A/21	-	57,685,047
		84,000,000	-
Net Cash flow from financing activities		-	60,000,000
		-	30,332,866
Net Decrease in Cash and Cash equivalents		-	-
		52,575,780	22,242,914
Cash and cash equivalents at the start of year		-	-
		36,745,052	52,575,780
Cash and cash equivalents at end of year			

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XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 30 JUNE 2020

	Note	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Performance Difference		Difference e %	Explanation of material variances
		2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020				
Revenue		KShs		KShs		KShs		KShs		KShs			
Government grants and Other Donations	7	215,753,560	-	-	215,753,560	215,753,560	215,753,560	218,753,558	2,999,998	2,999,998	1%		
Renting of services	8	194,000,000	- 16,000,000	- 16,000,000	178,000,000	178,000,000	170,464,027	7,535,973	- 7,535,973	- 7,535,973	-4%	a)	
Rental revenue from facilities and equipment	9	6,000,000	- 2,000,000	- 2,000,000	4,000,000	4,000,000	2,401,800	1,598,200	- 1,598,200	- 1,598,200	-67%		
Other income	10	5,000,000	- 2,000,000	- 2,000,000	3,000,000	3,000,000	492,736	2,507,264	- 2,507,264	- 2,507,264	-509%	b)	
Total income		420,753,560	- 20,000,000	- 20,000,000	400,753,560	400,753,560	392,112,121	8,641,439	- 8,641,439	- 8,641,439	-2%		
Expenses													
Compensation of employees	11	216,067,614	- 36,124,734	- 36,124,734	179,942,880	179,942,880	245,558,211	65,615,331	- 65,615,331	- 65,615,331	-27%		
Remuneration of Governing Council	12	10,000,000	15,000,000	15,000,000	25,000,000	25,000,000	25,515,434	515,434	- 515,434	- 515,434	-2%		
Rent paid	16	2,700,000	- 230,000	- 230,000	2,470,000	2,470,000	2,470,000	-	-	-	0%	c)	
Repairs and maintenance	14	11,500,000	6,150,000	6,150,000	17,650,000	17,650,000	14,232,825	3,417,175	- 3,417,175	- 3,417,175	24%		
Contracted services	15	4,800,000	- 330,000	- 330,000	4,470,000	4,470,000	6,354,806	1,884,806	- 1,884,806	- 1,884,806	-30%	d)	
General expenses	16	175,685,946	- 4,465,266	- 4,465,266	171,220,680	171,220,680	109,638,167	61,582,513	- 61,582,513	- 61,582,513	56%		
Non-Cash Expenses													
Bad Debts	16	-	-	-	-	-	-	24,488,106	- 24,488,106	- 24,488,106			
Depreciation & Amortization	13	-	-	-	-	-	-	25,332,216	- 25,332,216	- 25,332,216			
Total expenditure		420,753,560	- 20,000,000	- 20,000,000	400,753,560	400,753,560	453,589,765	32,836,205	- 32,836,205	- 32,836,205			
Surplus for the period													
Explanations													

Explanations

- The negative variance in rental revenue from facilities and equipment shows a drop in earnings from the revenue stream due to reduced activity as a result of the outbreak of COVID – 19 pandemic in the country.
- The other income is miscellaneous in nature. During the period, such activities were very minimal due to the outbreak of COVID – 19 pandemic in the country.
- The variance is explained by the reduction in repairs and maintenance activities. This is because the facilities were in minimal use since the closure of the Institute in March 2020, after the outbreak of COVID – 19 pandemic.
- The variance in the Contracted services is as a result of increased cost of security services. Since the outbreak of COVID – 19 in March 2020, KEWI was turned into a quarantine facility. As a result, there was need to enhance security, thus the variance in Contracted services cost.

XIX. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Water Institute (KEWI) was established by and derives its authority and accountability from Kenya Water Institute Act No. 11, 2001. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Institutes' principal activity is to provide directly or in collaboration with other institutions of higher learning services in human resource development, consultancy, research and development, training programmes, seminars and workshops in the water sector on a commercial basis and to conduct examinations and award diplomas, certificates and other awards to successful candidates.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The KEWI financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Institute and all values are rounded to the nearest Shilling (Ksh). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost modified to include the revaluation of certain classes of assets and estimation of extra useful life of the fully depreciated assets unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS First time adoption of Accrual Basis IPSAS	33: Kenya Water Institute adopted International Public Sector Accounting Standards in the year ended 30 th June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the Institute.
IPSAS Separate Financial Statements	34: Kenya Water Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
IPSAS Consolidated Financial Statements	35: Kenya Water Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.

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Standard	Impact
IPSAS Investments Associates and Joint Ventures	36: Kenya Water Institute does not have investments in associates or joint ventures.
IPSAS Joint Arrangements	37: Kenya Water Institute does not have an interest in a joint arrangement and therefore the standard does not apply.
IPSAS Disclosure Interests in Other Entities	38: Kenya Water Institute does not have any interests in other entities and therefore the standard does not apply.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue from exchange transactions

Rendering of services - fees represent invoiced value of services rendered during the year in relation to training, consultancy and miscellaneous revenue taking care of the deferred income. However, this revenue is recognized on accrual bases.

Other Income - This constitutes miscellaneous, sale of tender and surcharges. These are revenues that do not recur and are not earned from the Institute's core activities. They are recognized when earned.

Rental revenue from facilities and equipment - This is revenue earned from hiring out conference halls, grounds and rental income from staff houses. This revenue is recognized when earned.

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Inter-Entity Transfers

Entity	Disbursement	Development	Recurrent	Date
Ministry of Water & Sanitation	17,979,463	-	17,979,463	8/14/2019
Ministry of Water & Sanitation	17,979,463	-	17,979,463	9/5/2019
Ministry of Water & Sanitation	17,979,463	-	17,979,463	10/4/2019
Ministry of Water & Sanitation	21,000,000	21,000,000	-	11/4/2019
Ministry of Water & Sanitation	21,000,000	21,000,000	-	11/4/2019
Ministry of Water & Sanitation	17,979,463	-	17,979,463	11/5/2019
Ministry of Water & Sanitation	17,979,463	-	17,979,463	12/10/2019
Ministry of Water & Sanitation	17,979,463	-	17,979,463	12/24/2019
Ministry of Water & Sanitation	17,979,463	-	17,979,463	2/10/2020
Ministry of Water & Sanitation	17,979,463	-	17,979,463	3/4/2020
Ministry of Water & Sanitation	17,979,464	-	17,979,464	4/2/2020
Ministry of Water & Sanitation	17,979,463	-	17,979,463	5/28/2020
Ministry of Water & Sanitation	17,979,463	-	17,979,463	6/3/2020
Ministry of Water & Sanitation	21,000,000	21,000,000	-	6/12/2020
Ministry of Water & Sanitation	3,000,000	-	3,000,000	6/17/2020
Ministry of Water & Sanitation	17,979,464	-	17,979,464	6/29/2020
Ministry of Water & Sanitation	21,000,000	21,000,000	-	7/8/2020
Total	302,753,558	84,000,000	218,753,558	

Recurrent grants have been recognized as income while development grants recognized as a capital fund.

b) Budget information

The original budget for FY 2019-2020 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.

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

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

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A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented on page 5 of these financial statements and report.

c) Revenue from exchange transactions

These are revenues received from non- arms- length transactions. They include recurrent grants from the Government, as well as, donations from development partners. These are recognized when received.

d) Employee Benefit

The Institute has sponsored a defined contribution pension scheme for permanent staff whereby it contributes 15% while the employees contribute 7.5% of the basic salary. For employees on contract, the Institute pays gratuity at the expiry of the contract, which is calculated at the rate of 31% of the basic salary. The Institute has a medical cover for all permanent employees.

e) Property, Plant and Equipment

Kenya Water Institute property, plant and equipment are stated at cost less accumulated depreciation and amortization losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of financial performance as and when 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.

Depreciation and amortization is calculated on a straight-line basis at annual rates estimated to write off carrying values of the assets over their expected useful lives at the rates below:

Buildings	2.00%
Plant and Equipment	12.50%
Furniture	10.00%
Motor Vehicles	20.00%
Computers	30.00%
Software	20.00%

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, The Institutes Bank account balances include amounts held at the Kenya Commercial Bank at the end of the financial year.

e) **Research and development costs**

Kenya water Institute expenses research costs as and when incurred. Development costs on an individual projects are recognized as intangible assets when the Entity can demonstrate:

- Its intention to complete and its ability to use the asset
- How the asset will generate future economic benefits or service potential

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in statement of financial performance.

f) **Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost comprises expenditure incurred in the normal course of business, including direct material costs on a weighted average basis. Net realizable value is the price at which the stock can be realized in the normal course of business after allowing for the costs of the realization and, where appropriate, the cost of conversion from its existing state to a realizable condition. Provision is made for obsolete, slow moving and defective stocks as and when determined.

g) **Receivables**

These comprise of; receivables from exchange transactions, that is, trade receivables, student receivables and prepayments; and receivables from non exchange transactions - staff receivables. The receivables from exchange transactions are aged into; 1-30, 31-60, 61-90 and > 90 days. They are recognized when earned and accounted for, net of provision for bad and doubtful debts

h) **Bad and doubtful debts**

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success. The institute's policy on provision for bad debts is 15%, 20%, 25% and 35% for debts aged, 1-30, 31-60, 61-90 and > 90 days respectively.

i) **Deferred Income**

The Institute defers incomes that have been received but not yet earned; this applies to tuition fees and accommodation charges to long term course students.

j) **Refundable Deposits from Students**

This constitutes the amounts held by the Institute on behalf of students in the form of medical funds and caution money. The students are allowed to access the medical funds, to a limit of the

amount contributed per semester, only if they fall sick. These deposits are refundable on completion of the course.

k) **Subsequent events**

The Institute is committed to making disclosures for any significant changes that occur after the closure of the financial period, that are likely to influence decision making.

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. These assumptions include;

- a) The Government will continue support the Institute's budgetary requirement that will be demanded by the entire water sector.
- b) The macroeconomic environment will be conducive for the Institute to continue discharging her mandate.
- c) The Kenya Water Institute legislation that is proposed will be enacted and will include training levy fee in the water sector.
- d) There shall be a continued demand for Kenya Water Institute Courses and programs in the water sector.

6. RELATED PARTIES

The institute is wholly owned and controlled by the government. Thus, no subsidiaries and directors who have shares in the Institute.

Details of other related parties are as follows;

a) **National Government**

The institute is under the Ministry of Water and sanitation & Irrigation and grants of Ksh. 302,753,558 were received; recurrent grant of Ksh. 218,753,558 and development grant of Ksh. 84,000,000. Besides, the ministry sponsor their technical staff to be trained in the institute.

b) **County Governments**

The institute actively trains the technical staff of water companies from the County Governments. In addition, the counties sponsor students on long term courses. Kenya Water Institute offers consultancy and outreach programmes to the same institutions mentioned above, the main client being the Nairobi City Water and Sewerage Company, Kakamega and Turkana County Governments.

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c) **Governing Council**

This is the body entrusted with the overall management of the institute. The members do not earn a salary except the chair who earns honoraria of Ksh. 80,000 per month. The other council members only benefit from sitting and other applicable allowances.

	2019/2020 Kshs	2018/2019 Kshs
Remuneration of Governing Council	25,595,434	5,706,063

d) **Senior Management**

Out of the employees cost of Ksh. 245,558,211 the 6 senior management members got a share of 14%.

	2019-2020 Kshs	2018-2019 Kshs
7. Revenue from non exchange transactions		
Recurrent Grants (Ministry of Water & Irrigation)	215,753,558	215,753,560
Donations (Non Revenue Water)	3,000,000	-
Total	218,753,558	215,753,560
8. Rendering of services		
Tuition fees - Students	82,250,560	93,271,670
Registration fees-500004	407,400	662,200
ID Card	431,900	630,400
Examination Fee-500007	6,450,400	9,243,800
Accommodation-500001	24,912,842	39,843,634
Kitchen Cash Sales	501,230	616,430
Graduation fees	2,022,100	1,161,600
Student Refers	454,760	735,450
Students lunch fee	105,950	178,200
Lab analysis	3,634,850	3,508,891
Consultancy fee	998,000	6,643,532
Application fee	573,000	1,240,805
Seminars and Workshops	785,526	3,815,162
Short Courses	6,676,400	3,673,800
Drilling Revenue	38,453,104	-
Activity fee	1,438,000	2,095,200
KUCCPS Processing Fee	57,000	159,000
Personal accident Cover-Tullow Students	-	29,700
Student Personal effects	311,005	-
Total	170,464,027	167,509,474
9. Rental revenue from facilities and equipment		
Hire of Conference Facilities	2,401,800	1,900,105
10. Other Revenues		
Miscellaneous Income	31,945	187,565
Sale of Tender Documents	12,000	8,000
Library fines and Staff Surcharges	49,390	14,319
Cheque Clearance fee	2,484	-
Gain on Disposal of Assets	396,917	732,600
Total	492,736	942,484

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11. Employee costs		
Salaries & Wages	140,950,782	139,476,286
Contribution to Pensions	6,754,430	8,728,540
Staff medical insurance	13,361,318	9,550,832
Group personal insurance	904,208	-
Travel Costs-Domestic	1,549,102	901,187
Accommodation-Domestic	-	107,920
Daily Subsistence-Domestic	36,637,556	19,131,883
Travel Costs(Airlines)-Foreign	635,471	639,090
Accommodation-Foreign	212,926	219,981
Daily Subsistence Allowance- Foreign	1,336,197	2,056,425
Other allowances	14,511,050	14,973,928
Housing allowances	27,298,252	28,388,295
Overtime payments	1,406,919	998,918
Total	245,558,211	225,173,285
12. Remuneration of Governing Council		
Chairman's Honoraria	521,290	942,827
Other allowances	24,994,144	4,763,236
Total Governing Council Emoluments	25,515,434	5,706,063
13. Depreciation and amortization expense		
Property, plant and equipment		
Intangible assets	25,332,216	25,041,923
Total depreciation and amortization	25,332,216	25,041,923
14. Repairs and maintenance		
Maintenance of Motor vehicles	1,804,282	6,804,148
Maintenance of computers	1,703,070	1,281,858
Maintenance of buildings & stations	8,239,140	3,047,732
Maintenance of office furniture	485,747	1,030,962
Maintenance of Plant & machinery	1,041,503	1,314,751
Refurbishment of buildings	959,082	243,000
Total	14,232,825	13,722,451
15. Contracted services		
Contracted Guards	6,354,806	4,281,981
Contracted Technical Services	-	87,280
Total	6,354,806	4,369,261
16. General expenses		
Electricity	7,028,854	6,928,544
Water & Connections	1,956,221	1,646,785
Gas Expenses	2,072,080	3,168,430
Telephone Expenses	1,248,192	1,895,527
Internet Connections	2,288,036	1,998,540
Postal & Courier	90,448	125,658
Publishing & Printing	659,530	2,061,900
Subscription To Newspapers	103,000	261,783
Advertising	9,580,997	1,933,609
Trade Shows	1,720,780	502,542
Payment Of Rent & Rates	2,470,000	2,701,498
Training Expenses	2,351,807	551,017

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	3,261,590	1,920,023
Graduation Expenses	4,392,810	5,594,780
Catering Expense	423,503	767,447
Plant, Equip & Machinery Insurance	1,103,353	413,842
Motor Vehicle Insurance	648,894	703,541
Fungicides	635,510	2,481,702
Purchase of W/Shop Tools	1,948,144	1,082,491
Lab Materials & Supplies	116,570	399,370
Education & Lib Supplies	20,315,476	30,476,631
Food & Rations	961,262	334,115
Purchase of Staff Uniforms	-	1,257,910
Purchase Of Beddings	2,116,075	6,602,432
General Office Supplies	85,820	70,395
Supplies & Accessories	3,196,096	2,669,102
Sanitary & Cleaning Materials	3,446,577	5,170,225
Refined Fuels - transport	390,161	551,653
Bank Charges	677,215	465,768
Membership Fees, Dues	3,974,180	2,054,006
KETISA	205,409	1,183,605
Legal Fees	580,000	580,000
Audit Fees	24,488,106	5,528,003
Bad Debts	2,628,808	2,261,982
Research Expenses	865,125	1,752,355
Pre-Feasibility	1,713,808	1,778,334
Capacity Building	23,656,853	29,087,705
Drilling Expense	36,321	23,419
Foreign exchange loss	399,427	
Irrecoverable taxes	1,651,337	
Hire of transport	1,107,900	
Field training attachment	136,596,273	150,537,982
Total		
17. Cash and cash equivalents	8,536,631	31,173,356
Account with Kenya Commercial Bank-current	28,206,271	21,207,711
Account with Kenya Commercial Bank -Project Account	2,150	194,713
Cash in Hand	36,745,052	52,575,780
Total		
18A. Receivables from exchange transactions	156,961,887	102,175,726
Trade Receivables	54,799,679	30,311,573
Less: Prov. For bad debts	102,162,208	71,864,153
Net Receivables	4,766,840	2,481,895
Prepayments	106,929,048	74,346,048
Total		
18B. Receivables from Non- exchange transactions	15,040,390	52,686,648
Staff Receivables	15,040,390	52,686,648
Net Receivables		
19. Inventories	5,277,935	2,497,944
Main Campus	753,135	747,020
Chiakariga Campus	26,206	235,339
Kitui Campus	6,057,276	3,480,303
Total		

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20A. Property, Plant and Equipment	Land	Buildings	Motor vehicles	Furniture and fittings	Plant and Equipment	Computers	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2018	1,044,642,000	487,301,089	23,700,000	9,575,397	83,134,491	12,155,879	1,660,508,856
Additions	-	-	-	3,626,250	776,148	6,966,749	11,369,147
Disposals	-	-	-700,000	-	-	-	-700,000
At 30th June 2019	1,044,642,000	487,301,089	23,000,000	13,201,647	83,910,639	19,122,628	1,671,178,003
Additions	-	-	-	1,524,450	292,000	994,100	2,810,550
Disposals	-	-	-	-	-	-	-
At 30th June 2020	1,044,642,000	487,301,089	23,000,000	14,726,097	84,202,639	20,116,728	1,673,988,553
Depreciation	-	-	-	-	-	-	-
At 1st July 2018	-	48,636,353	21,300,000	4,691,759	41,099,210	11,958,997	127,686,318
Depreciation	-	9,746,022	1,200,000	1,320,165	10,488,830	2,286,907	25,041,923
On Disposals	-	-	-700,000	-	-	-	-700,000
At 30th June 2019	-	58,382,374	21,800,000	6,011,924	51,588,040	14,245,904	152,028,241
Depreciation	-	9,746,022	1,200,000	1,472,610	10,525,330	2,388,255	25,332,216
On Disposals	-	-	-	-	-	-	-
At 30th June 2020	-	68,128,396	23,000,000	7,484,533	62,113,370	16,634,158	177,360,457
Net book values	1,044,642,000	419,172,693	-	7,241,564	22,089,270	3,482,570	1,496,628,096
At 30 June 2019	1,044,642,000	428,918,715	1,200,000	7,189,724	32,322,599	4,876,724	1,519,149,762
Rates	Nil	2%	20%	10%	12.50%	30.00%	

NB: The computation of the depreciation charge for the motor vehicles and computers for the financial year 2019/2020 is as per the following schedule since some of them had been fully depreciated.

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	13/14	14/15	15/16	16/17	17/18	18/19	19/20
Motor Vehicle at Cost							
Revalued Amount/Cost	17,700,000	17,700,000	17,700,000	23,700,000	23,700,000	23,700,000	23,000,000
Additions during the year	-	-	6,000,000	-	-	(700,000)	-
Disposal	-	-	-	-	-	23,000,000	23,000,000
Total cost	17,700,000	17,700,000	23,700,000	23,700,000	23,700,000	23,000,000	23,000,000

Computation of the Depreciation charge for Motor Vehicles at 20%

Year of Depreciation	13/14	14/15	15/16	16/17	17/18	18/19	19/20	Total per Year
13/14	3,540,000	-	-	-	-	-	-	3,540,000
14/15	3,540,000	-	-	-	-	-	-	3,540,000
15/16	3,540,000	-	1,200,000	-	-	-	-	4,740,000
16/17	3,540,000	-	1,200,000	-	-	-	-	4,740,000
17/18	3,540,000	-	1,200,000	-	-	(700,000)	-	500,000
18/19	-	-	1,200,000	-	-	-	-	1,200,000
19/20	-	-	1,200,000	-	-	(700,000)	-	23,000,000
Total	17,700,000	20%	6,000,000	20%	20%	(700,000)	20%	23,000,000

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	Computer Cost						
	13/14	14/15	15/16	16/17	17/18	18/19	19/20
Revalued Amount/Cost	4,623,510	9,117,010	10,187,060	12,155,879	12,155,879	12,155,879	19,122,628
Additions during the year	4,493,500	1,070,050	1,968,819	-	-	6,966,749	994,100
Total cost	9,117,010	10,187,060	12,155,879	12,155,879	12,155,879	19,122,628	20,116,728

Computation of the Depreciation charge for Computers at 30%

Year of Depreciation	Year of Acquisition						Total
	13/14	14/15	15/16	16/17	17/18	18/19	
13/14	2,735,103	-	-	-	-	-	-
14/15	2,735,103	321,015	-	-	-	-	2,735,103
15/16	2,735,103	321,015	590,646	-	-	-	3,056,118
16/17	911,701	321,015	590,646	-	-	-	3,646,764
17/18	-	107,005	590,646	-	-	-	1,823,362
18/19	-	-	196,882	-	-	-	697,651
19/20	-	-	-	-	-	2,090,025	2,286,907
Total	9,117,010	1,070,050	1,968,819	-	-	4,180,049	16,634,158

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20B. INTANGIBLE ASSETS

	Ksh
Cost	
At beginning July 2018	9,276,740
Additions	-
At end of June 2019	9,276,740
At beginning July 2019	9,276,740
Additions	-
At end of June 2020	9,276,740
Amortization	
At beginning of July 2018	9,276,740
Amortization	-
At end of June 2019	9,276,740
At beginning of July 2019	9,276,740
Amortization	-
At end of June 2020	9,276,740
Net Book Value	-
Rate	20%

20A. PPE- See a separate Note

20B. Intangible Assets- See a separate Note

21. WIP

Relates to Water Resource Centre, Mechanical Production Unit & Kitui Fencing	236,324,873	190,008,974
WIP b/f	27,070,919	46,315,900
Additional WIP for the year	263,395,793	236,324,873

22. Trade and other payables from exchange transactions

Staff Payables	1,550,383	-
Student Payables	3,756,334	3,486,585
Trade Payables	40,179,010	55,454,618
Retention Fee	12,944,611	14,109,189
Total	58,430,337	73,050,392

23. Refundable Deposits from Students

Caution Money	730,250	690,400
Medical funds	1,135,230	575,715
Welfare funds	-	38,050
Student transport (Tullow)	-	297,000
Total	1,865,480	1,601,165

24. Deferred Income

Tuition fee	-	16,485,660
Accomodation fee	-	5,448,716
Total	-	21,934,376

25. Capital Fund

GOK Development Grants	84,000,000	60,000,000
	84,000,000	60,000,000

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VENDOR NAME	CONTRACT PERIOD	VALUE	REMARKS	Prepayment	Expense the Year 2019/20
PIONEER GENERAL INSURANCE LIMITED	12.02.19 TO 11.02.2020	993,221	Motor Vehicle Insurance	-	5
PIONEER GENERAL INSURANCE LIMITED	01.02.20 TO 01.03.2021	1,188,115	Motor Vehicle Insurance	693,067	49
PIONEER GENERAL INSURANCE LIMITED	20.4.2019 to 19.4.2020	822,007	Group Personal Accident Insurance	-	68
PIONEER GENERAL INSURANCE LIMITED	20.4.2020 to 19.7.2020	328,803	Group Personal Accident Insurance	109,601	21
MADISON INSURANCE	21.10.19 TO 20.10.20	635,254	Plant, Equip & Machinery	211,751	42
JUBILEE INSURANCE CO.	11.11.19 TO 10.11.20	10,080,213	Staff Medical Insurance	3,360,071	6,720
SKILLMAN CONSTRUCTION LTD.	N/A	392,350	Retention fee	392,350	
		14,439,963		4,766,840	9,122

27. The Construction Work in Progress of Ksh. 263,395,793 is in respect of Water Resource Centre, Mechanical Production Unit, Kitui Campus Fencing and Construction of an Irrigation and Drainage Engineering block and a Gate at KEWI Chiakariga Campus.

28. **Board Expenses**

Board expenses comprise of sitting allowance, Board Travel Expenses and Chairpersons' Honoraria

29. **Refundable Deposits from students**

This constitutes the amounts held by the Institute in form of students' medical funds, welfare funds and caution money.

30. **Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year

31. **Capital commitments**

Capital commitments this financial year were in respect of the following approved projects:

Commitments Kshs

a) Construction of Water Resource Centre	49,000,000
b) Geo-Equipping of Water Resource Centre	35,000,000
c) Irrigation & Drainage Engineering block & a Gate	2,731,985
Total	86,731,985

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32. **Currency**
The Institute financial statements have been presented in Kenya shillings (Kshs)
33. **Taxation:**
The Institutes major source of income comprises of government grants. In addition, the Institute is a non-commercial entity, thus, exempt from paying corporation taxes. However, the Institute is a withholding agent for VAT, Withholding income tax and PAYE.
34. **Government Grants:**
The government grants are recognized when realized and spread throughout the financial year. Recurrent grants constitute 55% of the Institutes revenue.
35. **Leave Pay:**
The leave allowances are recognized when the employees take the leave. There exist no material outstanding leave allowances to warrant alternative treatment.
36. **Contingent liabilities:**
The former Director Eng. Mwalimu Musau and 3 other former employees of Kenya water Institute (who were employed on casual basis) had taken the Institute to court claiming damages for alleged wrongful termination of employment and claiming to be employed on permanent and pensionable basis respectively. The cases were determined after the year end, with the total cost being: Kshs 6,527,720 as follows:-
1. Eng.Mwalimu Musau Ksh.6,474,000
 2. Nguli Mulatya Ksh.15,678
 3. Nobert Marete Nguku KSH.12,526
 4. Joseph Kithisya Mbithi Ksh.25,516
 5. Interest from the dates of the ruling until full payment
 6. Cost of suits is not yet determined
- These costs are expected to be settled within the FY 2020-2021.
- Kenya Revenue Authority audited the Institute for the period July 2011 to June 2016 and assessed an amount of Ksh.51M – claimed to be outstanding tax. However, the Institute raised an objection which is yet to be settled.
37. **Composition, Nature, and Purpose of Reserves:**
The reserves comprise of accumulated revenue and capital reserves as set out in the Statement of changes in the Owners' Funds.

38. RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk Management

Financial risk management is the process of understanding and managing the financial risks that your business might be facing either now or in the future. The idea is to understand what risks organisation is willing to take, what risks you would rather avoid, and how organisation is going to develop a strategy based on your risk appetite.

The key to any financial risk management strategy is the plan of action. These are the practices, procedures and policies your business will use to ensure it does not take on more risk than it is prepared for. In other words, the plan will make it clear to staff what they can and cannot do what decisions need escalating, and who has overall responsibility for any risk that might arise.

Risk is inherent in any business operation and good risk management is essential if organisation is going to identify and stop revenue leakage. Of the various types of risks an organisation might face, financial risk has the most immediate impact on your cash flows and going concerns. One can anticipate these risks and head them off at the pass with a solid financial risk management plan. Anything that relates to **money flowing in and out of the business is a financial risk**. Since the list of potential risks is so long, most analysts place them into one of four categories as market, credit, liquidity and operational risk. The Institute is exposed to these risks in course of executing its mandate. The Institute's risk policy focuses on mitigating the adverse effects in the event that the said risks crystallises. The Governing Council through the Audit and Risk Committee gives policy direction on the overall risk management and sets the risk appetite levels. The Management is responsible for assessing and profiling the various risks, their treatment and overall risk Management.

1. MARKET RISKS

As the name implies, a market risk is any risk that comes out of the marketplace in which your organisation operates. More generally and whatever sector you're in, every business runs the risk of being outpaced by competitors. If organisation does not keep up with consumer trends and pricing demands, then it is likely to lose market share. The objective of market risk management policy is to protect and enhance the Statements of Financial Position and performance by managing and controlling market risk exposures within acceptable parameters. The Institute is exposed to the following market risks: -

(a) Foreign exchange risk

Most of the carrying amounts of the Institute currency is denominated in local currency, Kenya Shillings. Thus changes in the Kenya Shilling, any appreciation or depreciation against the other currencies will have no direct impact on the Institute's reporting. During the financial year 2018/2019, the foreign exchange loss was insignificant.

(b) Interest rate risk

The Institute's financial condition may be adversely affected as a result of changes in interest rate levels. The interest rate risk is minimal as the Institute does not have any borrowings. Equally, the Institute does not hold investment that would be subject to interest rate risk; hence this risk does not apply.

(c) Liquidity risk

Also known as funding risk, this category covers all the risks you encounter when trying to sell assets or raise funds. If something is negatively affecting in the ways of raising cash fast, then it is classified as a liquidity risk. Liquidity risk also includes **currency risk** and **interest rate risk**. What would happen to cash flows if the exchange rate or interest rates were to suddenly change? In KEWI prospective risk can arise that the Institute is unable to meet its short term obligation and long-term maturing obligations when they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed operations, without incurring unacceptable losses. The Institute has a list of all liabilities and assets in maturity date order. The analysis below shows the financial liabilities that will be settled on the remaining maturity date as of the financial statements date to the contractual maturity date.

To mitigate liquidity risks

- i. Students pay 60% before they are admitted and the balance before sitting for the exams
- ii. For exchange transactions, clients make 30% deposit before the work can commence
- iii. The Institute has ensured that all government grants are timely disbursed
- iv. There is a good working capital management where all payables are known and planned for save for the real emergency once which is rare. This is managed through innovative entering into contracts that are negotiated to be paid 30 days after delivery or completion of the assignment

- v. There is a follow of revenue from trade debtors to ensure they honor their obligations
- vi. There fidelity guarantee of officers handling cash and insurance of cash in the office and in transit, and reduction of payment in cash

(d) Credit Risk

Credit risk is the possibility that the organisation will lose money because someone fails to perform according to the terms of a contract. Organisations must retain sufficient cash reserves to cover their accounts payable or they are going to experience serious cash flow problems.

Credit risk is the risk of financial loss to the Institute when customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the operations and that a counterparty will be unable to pay amounts in full when due. There is an implied credit rating when dealing with various customers based on the amount and previous experience.

The Institute manages, limits and controls concentration of credit risks periodically against internal and regulatory requirements with respect to individual parties

- i. Salary advance and salary in advance to staff have been serviced and are kept low
- ii. All amount due from the government grants was received
- iii. No collateral is held for any of the Institute's assets

The Institute establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables by providing for bad and doubtful debts.

To mitigate credit risk

The Management is responsible for oversight of the Institute's credit risk through

- i. For exchange transactions, customers make a deposit before drilling work is commenced
- ii. Establishing approval to granting credit to customers

2. OPERATIONAL RISKS

Operational risk is a term that covers all the other risks an organisation might encounter in its daily operations. Staff turnover, theft, fraud, lawsuits, unrealistic financial projections, poor budgeting and inaccurate marketing plans can all pose a risk to the going concern line if they are not anticipated and handled correctly.

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes associated with the Institute's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risk arising from legal and statutory requirement. The Institute seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks. The Management has the overall responsibility of ensuring compliance to operational risk policies and procedures.

a. Compliance and regulatory risk

Compliance and regulatory risk include the risk of non-compliance with regulatory requirements. The Institute has complied with all externally imposed requirements throughout the year.

b. Legal risks

The likelihood of the potential loss arising from the uncertainty of legal proceedings, including reputational loss, arising from defective transactions or contracts, labor disputes, claims being made or some other event resulting in a liability or the loss for the Institute. Some court cases of the former employees on alleged unfair termination were ruled in their favor. These cases were determined during the financial year, total cost of Ksh.6,527,720 analyzed as follows;

1. Eng.Mwalimu Musau Ksh.6,474,000
2. Nguli Mulatya Ksh.15,678
3. Nobert Marete Nguku KSH.12,526
4. Joseph Kithisya Mbithi Ksh.25,516
5. Interest from the dates of the ruling until full payment
6. Cost of suits is not yet determined

XX. APPENDIX 1: PROGRESS REPORTS ON AUDITORS RECOMMENDATIONS

Audit basis	Management response to Audit opinion	Current status
<p>1. Property, Plant & Equipment</p> <ul style="list-style-type: none"> - The Institute has included in its statement of financial position land valued at Kes 1,044,642,000, however the Institute has not secured the land by obtaining valid title deeds. - The Institute acquired a piece of land in Kisumu in FY 2013/14. However, the Management did not have in their custody documents to support the purchase: - Official search document, transfer form dully executed, survey plan of this land, letter of consent from the commissioner of lands or Land Control Board, valuation report for stamp duty purposes and the sale agreement dully executed. 	<p>The Management has developed terms of reference for legal services to help acquire title deeds for the parcels of land in Nairobi, Kitui and Chiakariga campuses; and also to convert the certificate of title for the parcel of land in Kisumu. The procurement process is ongoing.</p>	<p>Not Resolved</p>
<p>2. Receivables</p> <p>2.1 Receivables from exchange transactions</p> <ul style="list-style-type: none"> - The Institutes' statement of financial position reflects receivables from exchange transactions of Kes 67,119,264. Out of this amount, Kes 40,826,061 relates to student receivable which is doubtful since some of the students had 	<p>The Institute trains students amongst which are students sponsored by the Parent Ministry for long term courses. Some of the students whose fee is in arrears were sponsored by the Ministry of Water and Sanitation; the Ministry has not paid the Institute the amounts owing.</p> <ul style="list-style-type: none"> - The Institute has started the process of identifying the long outstanding doubtful debts which are not likely to be recovered with a view to seeking authority from the national Treasury to write them off. <p>-The Institute has put in place measures in place to recover outstanding</p>	<p>Not Resolved</p>

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Audit basis	Management response to Audit opinion	Current status
<p>left the Institute three years back.</p> <p>2.2 Receivables from Non-exchange transactions - The statement of financial position reflects receivables of Ksh 17,685,000 from non-exchange transaction. Out of this amount, Ksh 10,359,079 represents net staff receivables aged over 90 days.</p>	<p>staff receivables, including recovery from the payroll. In addition, controls have been put in place to minimize the amount of staff receivables.</p>	Not Resolved
<p>3. Cash and cash equivalents. The bank reconciliation report for current bank account balance was not produced to support an amount of Ksh 13,712,028</p>	<p>-This has since been rectified and bank reconciliation report as at 30th June 2018 has been availed.</p>	Resolved
<p>4. Irregular and illegal paid salaries -The Institute incurred Ksh 164,289,439 as employee cost in the period ended 30th June 2017. Ksh 2,595,920 was in respect of a senior lecturer who had been seconded to a position of a Ag. Chief Executive Officer, for UNESCO category II. However, the Institute continued paying the employee despite the fact that he was not serving the Institute.</p>	<p>-Mr. Lekoomet was appointed as the acting Director for Regional Centre on Groundwater Resources Education, Training and Research in Eastern Africa on deployment with effect from 4th February, 2016 vide Cabinet Secretary Ministry of Water and Irrigation letter no. MWI/UN/11/9 VOL.IV (96) dated 30th March, 2016. Kenya Water Institute deployed the officer to the organization and continued paying him salary as the regulation on deployment is not clear on who is to pay an officer on deployment. In addition to this, the organization whose creation and operationalisation was contracted by the Institute in their performance contract for the period 2010/2011 to 2013/2014 did not have the budgetary allocation to recruit her own staff. Hence the deployment of the officer by the Institute.</p>	Resolved

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Audit basis	Management response to Audit opinion	Current status
<p>5. Un-vouched Expenditure -The Institute incurred Ksh 142,816,736 under the general expenses. However, payment vouchers totalling to Ksh 15,942,138 were not made available for audit review.</p>	<p>The payment vouchers are now available</p>	<p>Resolved</p>
<p>6. Trade and other payables. -Trade payable balance of Ksh 66,532,237 was outstanding as of 30th June 2017. However, the schedule for the creditors provided for audit lacked crucial information such as: - goods supplied or services rendered, invoice numbers, delivery notes among others to authenticate the payables. -The payables had not been aged thus making it difficult to establish how long the amounts have been outstanding.</p>	<p>-Immediately the contract issue is sorted with the service provider by the Management, the vendor will be requested to configure the system to produce reports with the details required. However, payment vouchers showing all the details were availed for audit verification. This arose because the system was not configured to produce an aged report. To date, this has been resolved and the system is able to age payables.</p>	<p>Resolved</p>
<p>OTHER MATTERS 1. Financial performance – The statement of financial performance shows a deficit of Ksh 52,441,295 for FY 2015/16 and Ksh 70,225,712 as of 30th June 2017. No explanation has been provided for the</p>	<p>-The trend shall reverse as the Institutes recurrent budget has been adjusted up wards by the Ministry from Kes 140,880,000 to Kes 215,753,560 in the year 2018/2019. The management has put in place mechanisms to raise more internally generated funds so as to expand the revenue base.</p>	<p>Resolved</p>

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Audit basis	Management response to Audit opinion	Current status
<p>huge accumulating deficit that impacts</p> <p>2. Comparative budget and actual amounts – The Institutes development budget for the year was Ksh 51M. However, the Institute showed an expenditure of Ksh 1,706,814 translating to 3.3% of the budget. The reason given for the variance was failure to pay the contractor of Water Resource Centre due to the dispute of the works.</p> <p>-Proper scrutiny established that part of the development money had been used in other programmes yet no explanation had been provided on when and how the development budget was to be implemented.</p>	<p>The dispute has since then been resolved and an agreement reached and the contractor resumed works in February 2019.</p> <p>-In the financial year 2018/2019, the institute committed part of the internally generated revenue to cover development expenditure to complete the Water Resource Centre.</p>	Resolved
<p>3. Financial statements (Entity Information and Management)</p> <p>i) Details of the roles played by the fiduciary oversight body, membership, attendance of meetings and how their mandate was executed in the year under review.</p> <p>The corporate governance statement had no details of:-</p> <p>a) The board meetings held and attendance</p>	<p>Fiduciary oversight body.</p> <ul style="list-style-type: none"> a. Independent internal audit function b. Audit and Risk Committee of the Governing Council <p>2. Execution of the mandate during 2016/2017FY, inter alia</p> <ul style="list-style-type: none"> a. The committee supervised the Internal Audit function b. Communicated with the internal and external auditors c. Evaluated the adequacy of the control environment and provided assurance on the systems of internal control d. Performed other roles and mandate as stipulated in Audit Committee regulations of April 2015 	Resolved

Audit basis	Management response to Audit opinion	Current status																																																								
<p>b) The succession plan</p> <p>c) The Institute Charter</p> <p>iii) The Management discussion and analysis section has not captured the extent of performance in the year under review in relation to the Institute's mission</p>	<p>3. Meetings</p> <p>Six Audit and Risk Committee meetings were held during the time of the GC which expired on 19th February, 2018</p> <p>a. 20th Meeting was held on 21/09/2016</p> <p>b. 21st meeting held on 18/11/2016</p> <p>c. 22nd meeting held on 6/01/2017</p> <p>d. 23rd Meeting held on 31/03/2017 on</p> <p>e. 24th meeting held on 20th June 2017</p> <p>f. SM, Special Meeting was held on 8/05/2017</p> <p>4. Membership of the Audit and Risk Committee</p> <p>a. Chairman-From Professional bodies</p> <p>b. Representative from Non-Governmental Organization-Association of Water Users</p> <p>c. Representative from the National Treasury</p> <p>d. Representative from the Ministry of Devolution</p> <p>e. Director of Water Services</p> <p>f. Secretary-Head of Internal Audit-Independent function</p> <p>5. Meetings attendance</p> <table border="1" data-bbox="909 448 1252 1400"> <thead> <tr> <th>Meeting/Members</th> <th>20th</th> <th>21st</th> <th>22nd</th> <th>23rd</th> <th>24th</th> <th>SM</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>1 Chairman</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>6/6</td> </tr> <tr> <td>2 Rep. NGOs</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>6/6</td> </tr> <tr> <td>3 Rep. N. Treasury</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>6/6</td> </tr> <tr> <td>4 Rep. Dir. Water Service</td> <td>O</td> <td>X</td> <td>O</td> <td>X</td> <td>O</td> <td>X</td> <td>3/6</td> </tr> <tr> <td>5 Rep. Min. of Devolutio</td> <td>O</td> <td>X</td> <td>O</td> <td>O</td> <td>O</td> <td>X</td> <td>2/6</td> </tr> <tr> <td>Total members present</td> <td>3</td> <td>5</td> <td>3</td> <td>4</td> <td>3</td> <td>5</td> <td></td> </tr> </tbody> </table> <p>-17 Full board meeting (including special meetings)</p>	Meeting/Members	20 th	21 st	22 nd	23 rd	24 th	SM	Total	1 Chairman	X	X	X	X	X	X	6/6	2 Rep. NGOs	X	X	X	X	X	X	6/6	3 Rep. N. Treasury	X	X	X	X	X	X	6/6	4 Rep. Dir. Water Service	O	X	O	X	O	X	3/6	5 Rep. Min. of Devolutio	O	X	O	O	O	X	2/6	Total members present	3	5	3	4	3	5		
Meeting/Members	20 th	21 st	22 nd	23 rd	24 th	SM	Total																																																			
1 Chairman	X	X	X	X	X	X	6/6																																																			
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3 Rep. N. Treasury	X	X	X	X	X	X	6/6																																																			
4 Rep. Dir. Water Service	O	X	O	X	O	X	3/6																																																			
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Audit basis	Management response to Audit opinion	Current status
	<ul style="list-style-type: none"> -5 Programme and development committee meetings -12 Audit and risk committee meetings -5 Finance and administration committee meetings. <p>-The KEWI governing council composition is guided by the Institute's Act, which states that the responsibility of appointing is vested in the hands to the CS in charge of Water, the said Act is silent on when and how to appoint. This has lead to GC members being appointed at the same time and leave at the same time.</p> <p>Management has initiated the process of reviewing the Act and one of the recommendations is have the board appointments staggered. This will address the succession challenges being experienced.</p> <p>-With the incoming of the Mwongozo, the Institute did not develop the Institutes charter. The Institute adopted Mwongozo.</p> <p>-The Institute entered in to performance contract with the parent Ministry which was in line with the Institutes mandate, the Ministry continued monitoring the Institutes performance and finally evaluated the same. Thereafter, the final evaluation was done by the performance Contracting Unit and rated KEWI's performance as Good.</p>	

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XXI. APPENDIX II: INTER-ENTITY TRANSFERS

KENYA WATER INSTITUTE				
Break down of Transfers from the State Department of Water and Sanitation				
FY 2019/2020				
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	The Amounts relate to FY 2019/2020
		8/14/2019	17,979,463	2019/2020
		9/5/2019	17,979,463	2019/2020
		10/4/2019	17,979,463	2019/2020
		11/5/2019	17,979,463	2019/2020
		11/11/2019	17,979,463	2019/2020
		12/10/2019	17,979,463	2019/2020
		12/24/2019	17,979,463	2019/2020
		2/10/2020	17,979,463	2019/2020
		3/4/2020	17,979,463	2019/2020
		4/2/2020	17,979,463	2019/2020
		5/28/2020	17,979,464	2019/2020
		6/3/2020	17,979,463	2019/2020
		6/29/2020	17,979,463	2019/2020
		Total	17,979,464	2019/2020
			215,753,558	
b.	Development Grants	Bank Statement Date	Amount (KShs)	The Amounts relate to FY 2019/2020
		11/4/2019	21,000,000	2019/2020
		11/4/2019	21,000,000	2019/2020
		6/12/2020	21,000,000	2019/2020
		7/8/2020	21,000,000	2019/2020
		Total	21,000,000	2019/2020
			84,000,000	

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

Finance Manager
KENYA WATER INSTITUTE

Sign -----

Head of Accounting Unit
WATER & SANITATION

Sign-----

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XXII. APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the IDA/Donor transferring the funds	Date received	Recurrent/Development	Total Amount Kshs	Where Recorded/recognized		Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	
Ministry of Water and Sanitation	8/14/2019	Recurrent	17,979,463	17,979,463	-	17,979,463
"	9/5/2019	"	17,979,463	17,979,463	-	17,979,463
"	10/4/2019	"	17,979,463	17,979,463	-	17,979,463
"	11/5/2019	"	17,979,463	17,979,463	-	17,979,463
"	11/11/2019	"	17,979,463	17,979,463	-	17,979,463
"	12/10/2019	"	17,979,463	17,979,463	-	17,979,463
"	12/24/2019	"	17,979,463	17,979,463	-	17,979,463
"	2/10/2020	"	17,979,463	17,979,463	-	17,979,463
"	3/4/2020	"	17,979,463	17,979,463	-	17,979,463
"	4/2/2020	"	17,979,464	17,979,464	-	17,979,464
"	5/28/2020	"	17,979,463	17,979,463	-	17,979,463
"	6/3/2020	"	17,979,463	17,979,463	-	17,979,463
"	6/29/2020	Recurrent	17,979,464	17,979,464	-	17,979,464
Total			215,753,558	215,753,558	-	215,753,558
Ministry of Water and Sanitation	11/4/2019	Development	21,000,000	-	21,000,000	21,000,000
"	11/4/2019	"	21,000,000	-	21,000,000	21,000,000
"	6/12/2020	"	21,000,000	-	21,000,000	21,000,000
"	7/8/2020	Development	21,000,000	-	21,000,000	21,000,000
Total			84,000,000	-	84,000,000	84,000,000