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THE AUDITOR-GENERAL

ON

**NATIONAL WATER HARVESTING AND
STORAGE AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2023**



Hifadhi Muji. Bovesha Maisha

NATIONAL WATER HARVESTING & STORAGE AUTHORITY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

**National Water Harvesting & Storage Authority
Annual Report and Financial Statements
for the year ended June 30, 2023**

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Annual Report and Financial Statements
for the year ended June 30, 2023

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I. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank
MWS&I	Ministry of Water, Sanitation & Irrigation
NWWSA	National Water Harvesting & Storage Authority

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

II. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

National Water Harvesting and Storage Authority is established under Section 30 of the Water Act 2016. Section 149 of the Water Act 2016, transformed the Authority from National Water Conservation & Pipeline Authority (NWCPC) which was established under the State Authority's Act Chapter 446 of the Laws of Kenya vide Legal Notice No. 270 of 24th June, 1988.

Vision

“To be the premier authority in water infrastructure development and management in Kenya and beyond.”

Mission

“Developing and managing national water works infrastructure towards enhancing water security, flood mitigation and storage for multipurpose use.”

(b) Principal Activities

The Authority's Mandate and functions as stipulated in Section 32 of the Water Act 2016 are as follows;

- (1) The functions and powers of the Water Storage Authority shall be to -
 - a) Undertake on behalf of the national government, the development of national public water works for water resources storage and flood control;
 - b) Maintain and manage national public water works infrastructure for water resources storage;
 - c) Collect and provide information for the formulation by the Cabinet Secretary of the national water resources storage and flood control strategies;
 - d) Develop a water harvesting policy and enforce water harvesting strategies;
 - e) Undertake on behalf of the national government strategic water emergency interventions during drought; and
 - f) Advise the Cabinet Secretary on any matter concerning national public water works for water storage and flood control.
- (2) The Water Storage Authority may appoint agents for the operation, management, maintenance and safety of any storage infrastructure that it has developed.
- (3) The Water Storage Authority shall have such other powers and functions as may be conferred or imposed on it by this or any other Act

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KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(c) Key Management

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

- Board of Directors
- Accounting officer/Chief Executive Officer
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Name of the Staff	Responsibility
1	Eng. John K. Muhia	Chief Executive Officer (Acting)
2	CS. Sharon Obonyo	Manager, Legal Services
3	Eng. David Gitau	Manager, Infrastructure Development & Emergency Planning
4	CPA Patrick Ataro	General Manager, Finance & Corporate Planning
5	Mr. Duncan Ondulo	Manager, Infrastructure Planning & Design (Coordinating Department)
6	CS. Joseph Ojiambo	Manager, Human Resource & Administration
7	Mr. John Musyoka	Manager, Supply Chain
8	CPA. Philip Nzengu	Manager, Internal Audit

(e) Fiduciary Oversight Arrangements

i) Human Resource, Administration and Governance Committee

The Committee comprises of four directors (one of them as Chairman) and the Chief Executive Officer as the Secretary. The Committee has the following duties and responsibilities, as well as such other duties and responsibilities as it deems appropriate to carry out its purposes or as directed by the Board:

- a) Human Resource Planning by ensuring there is a staff establishment; the right number and quality of staff with relevant skills; and succession planning;
- b) Development of the Authority's Organizational Structure;
- c) Recommend to the Board the recruitment and selection and retention of staff with the relevant knowledge, skills and abilities;
- d) Training and development of employees to improve organizational productivity;
- e) Ensure that the employees are rewarded through an Employee Merit Reward System and that the employees' salaries are constantly reviewed and they are provided with better incentives and benefits

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- f) Ensure that there are disciplinary and grievance-handling procedures in place outlining how they are administered
- g) General Staff Welfare – Ensure that the employees have conducive work environment, health and safety;
- h) Handle policy issues on Human Resource and Administration, Legal and Corporate Communications;
- i) Oversee the implementation of change process plans in the organization;
- j) Ensure compliance with statutory requirements, provisions of Water Act, 2016 and any written law;
- k) Interpret circulars and regulations that may be issued from time to time from the Government;
- l) Review and make recommendations on policy issues on Human Resources Management, Transport, Corporate Communications and Corporate Social Responsibility;
- m) Review and make recommendations on legal issues and disputes touching on the Authority;
- n) Promote effective communication within and with all stakeholders;
- o) Ensuring effectiveness and efficiency of the Board Secretariat

ii) Finance Committee

The Committee comprises of five directors (one of them as Chairman) and the Chief Executive Officer as the Secretary. The Committee has the duties and responsibilities of:

- A. Making recommendations for Board approval and/or delivering reports to the Board in the following areas:
 - i) Annual operating and capital budget;
 - ii) Annual audited financial statements;
 - iii) Policies related to financial management;
 - iv) Procedures for disposal of Authority property;
 - v) Authority's procurement plan based on the Procurement Budget; and
 - vi) Continuous effectiveness of the ICT and ERP systems.
- B. Providing information to the Board on:
 - a. Significant financial planning, management and reporting issues;
 - b. Interim financial reports;
 - c. Authority assets and liabilities; and
 - d. Budgetary control and financial management system for the Authority.

The Committee meets on quarterly or need basis.

iii) Audit Committee

This Committee comprises of four directors (one of them as Chairman) and the secretary is the Chief Internal Auditor. The Board of Directors of the National Water Harvesting and Storage Authority has established the Audit Committee to:

- (a) Support the Accounting Officers with regard to their responsibilities for issues of risk, control and governance and associated assurance but the responsibility over the management of risk, control and governance processes remains with the management of the concerned entity; and
- (b) Follow up on the implementation of the recommendations of internal and external auditors.

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The functions and responsibilities of the Authority's audit committee will generally be to provide oversight to and advice in the following areas:

1. Internal Control System;
2. Governance structures;
3. Risk management;
4. Financial statements;
5. Compliance requirements;
6. Internal audit, including approval of annual work plans;
7. External audit;
8. Other related functions including review of entity's performance framework; relevant parliamentary committee reports and recommendations; and portfolio responsibilities; and
9. Review the Terms of Reference (TOR) of the AC and ensure that the functions are clearly defined therein.

The Committee meets on quarterly or need basis.

iv) Strategy, Technical & Business Committee

The Committee comprises of five directors (one of them as Chairman) and the Chief Executive Officer as the Secretary. The Committee shall have the following duties and responsibilities, as well as such other duties and responsibilities as it deems appropriate to carry out its purposes or as directed by the Board:

- a) Review strategies, plans and service charters for attaining the Authority's Service Delivery Objectives;
- b) Give policy direction in the development of the Authority's Strategic Plan/ Business Plan and monitoring its implementation;
- c) Review ISO certification procedures manuals;
- d) Give policy direction in development of pro-poor approaches and community involvement in projects;
- e) Approval of project work plans and Performance Contract targets;
- f) Approve the Quarterly Performance Contract Progress Reports;
- g) Review proposals and plans for infrastructure development and improvement;
- h) Consider, evaluate and review progress of implementation for infrastructure development programs;
- i) Consider, evaluate and review performance of outsourced works;
- j) Consider and evaluate the use of new and appropriate technologies in provision of water storage facilities;
- k) Ensure compliance by the Authority with statutory regulations relating to the Environment and Water Resources Management;
- l) Review and give policy direction on proposals for water harvesting policy and enforcement of water harvesting strategies;
- m) To receive, examine and approve implementation of new/proposed projects as well as reports on the applications of new technologies;
- n) Where necessary on sample basis visit projects under implementation to access progress and recommend the way forward or any action plans;
- o) To receive deliberate on and give guidance on policy matters with respect to progress reports on the on-going projects;

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- p) To discuss any other relevant matters that pertains to the technical operations of the Authority;
- q) To discuss and promote activities geared towards the generation of income by the Authority and the Authority's self-sustainability;
- r) To review the Authority's performance in terms of operation, managing and maintenance of the Authority's projects; and
- s) To discuss any other business arising from the Strategy, Technical and Business Development committee.

The Committee meets on quarterly or need basis.

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KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(f) Headquarters

National Water Plaza
P.O. Box 30173
GPO 00100
Dunga Road, Industrial Area
Nairobi, Kenya.

(g) Contacts

Telephone: (254) (020) 6964000)
Hotline: (254) 020 696 4000/1
E-mail: info@waterauthority.go.ke
Website: www.waterauthority.go.ke

(h) Bankers

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

National Bank of Kenya
National Bank Building Harambee Avenue, Nairobi
P.O BOX 72866
City Square-00200
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

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III. THE BOARD OF DIRECTORS

 <p>Date of Birth: 16th December, 1975</p>	<p>Mr. Symon Kimaru Maina <i>Chairman – Board of Directors</i> Appointed on: 16th June 2023</p> <p>Key Qualifications Master’s Degree in Public Policy and Administration Bachelor of Commerce (University of Nairobi) CPA- K</p> <p>Work Experience 2017 to date: General Secretary - African Independent Pentecostal Church of Africa 2017: Financial Advisor - Gold Mark Real Estate and Property Management 2016-2017: Project Manager - Diversity Micro Credit Limited 2009-2016: Financial Controller - Automobile Association of Kenya 2005-2009: Chief Accountant - Automobile Association of Kenya</p>
 <p>Date of Birth: 20th January, 1968</p>	<p>Rev. Dr. Samuel Thiong’o Mwangi <i>Outgoing Chairman – Board of Directors</i> Appointed on 17th June 2022 Retired on: 16th June 2023</p> <p>Key Qualifications Doctorate Degree (Doctor of Divinity) Master’s Degree (Psychology Counselling) B.A Hons (Bible and Theology)</p> <p>Work Experience 2017 to date: Lecturer – Global University 2005 to date: Senior Pastor – African Holy Ghost Christian Church</p>
 <p>Date of Birth: 7th July, 1969</p>	<p>Eng. John K. Muhia <i>Ag. Chief Executive Officer</i> Appointed on: 29th March, 2023</p> <p>Key Qualifications MSC – Water & Sanitation Registered by Kenya Engineering Technology Registration Board</p> <p>Work Experience 2023 Feb– Assistant Director Bulk Water Management 2020 May – 2022 Jan – Project Coordinator – AWWDA 1991 – 2020 – Has held various positions</p> <p>Secretary to the Board</p>

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 <p>Date of Birth: 4th November, 1969</p>	<p>Mr. David Yatich Kipkemei <i>Representative: Principal Secretary, State Department of Irrigation</i></p> <p>Appointed On: 16th March 2023</p> <p>Key Qualifications Masters of Rural Sociology Community Development. Bachelor in Rural Sociology and Community Development. Post Graduate Diploma in United Nations and International Understanding. Diploma in International Relations Strategic Leadership Course (ksg). Senior Management Course (ksg). Advanced Public Administration Course (ksg). Understanding and analyzing the Public Sector Budget (Esami). Investment Analysis (Esami). Para Military Course</p> <p>Work Experience <i>Currently - Administration Secretary - State Department of Irrigation</i></p> <p>26 years' experience in Administration raising from the rank of District Commissioner to County Commissioner.</p>
 <p>Date of Birth: 10th November 1969</p>	<p>Mr. Chrisologus Makokha <i>Representative of Inspectorate of State Authority</i></p> <p>Appointed On:</p> <p>Key Qualifications Master of Business Administration Bachelor of Science (Applied Statistics with IT)</p> <p>Work Experience <i>Currently - Inspectorate of State authorities at Office of the President</i></p>
 <p>Date of Birth: 21st March 1979</p>	<p>Elema Huka <i>Representative: CS, National Treasury & Planning</i></p> <p>Appointed On: 31st January 2020</p> <p>Key Qualifications Bachelor of Arts (Economics)</p> <p>Work Experience <i>Currently - Principal Economist and Assistant Director –National Treasury & Planning.</i></p>

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 <p>Date of Birth: 14th April 1969</p>	<p>Mr. Cyrus Muriithi Mbogo <i>Director representing the PS, Lands and Physical Planning</i></p> <p>Appointed On: 7th June 2021</p> <p>Key Qualifications Master of Arts (Project Planning Management) Bachelor of Arts (Economics and Mathematics - Statistics)</p> <p>Work Experience <i>Currently - Director of Planning - State Department of Lands and Physical Planning</i></p> <p>1997 to date: Economist in GoK 1996 to date: Chairman Secondary School(s) Board of Management</p>
 <p>Date of Birth: 15th December 1968</p>	<p>Eng. S.A.O Alima <i>Representative: PS, Ministry of Water, Sanitation & Irrigation</i></p> <p>Appointed On: 28th June 2018 Retired on: 16th June 2023</p> <p>Key Qualifications MSC (Civil Engineering) MBA (Operations Management) BSC (Civil Engineering)</p> <p>Work Experience <i>Currently - Water Secretary - Ministry of Water, Sanitation & Irrigation</i></p>
 <p>Date of Birth: 6th April, 1989</p>	<p>Amina Shaban Mohammed <i>Independent Member</i></p> <p>Appointed On 16th June 2023</p> <p>Key Qualifications Bachelor of Business Administration (Procurement Option)\Diploma in Chartered Institute of Purchasing & Supply Chain (Sec 1 – 4) Certificate in ICDL</p> <p>Work Experience 2016-2021 Office Administration – Riitho Wagura & Associates 2016 Group Administration Secretary - Uneeco Paper Products Limited</p> <p>Chairperson of the Human Resource, Administration and Governance Board Committee</p>

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 <p>Date of Birth: 10th October, 1975</p>	<p>Bernard Kipsengeret Koros <i>Independent Member</i></p> <p>Appointed On 16th June 2023</p> <p>Key Qualifications PhD in Toxicology Masters in and Pharmacology and Toxicology Masters in Public Health Bachelors of Public Health</p> <p>Work Experience Member of the National Assembly- 12th Parliament Scientist- Kenya Medical Research Institute for 15 years Lecturer- Jomo Kenya University of Agriculture and Technology- 6 years Consultant- Monitoring and Evaluation of Programmes and Projects</p> <p>Chairperson of the of Audit Board Committee</p>
 <p>Date of Birth: 24th June, 1985</p>	<p>Simon Ngugi Mwhaki <i>Independent Member</i></p> <p>Appointed On 16th June 2023</p> <p>Key Qualifications Diploma in County Governance</p> <p>Work Experience 2013- Date- Chairman NG-CDF Kikuyu Constituency 2007-2012- Manager – Child Fund Kenya</p> <p>Chairperson of the Finance Board Committee</p>
 <p>Date of Birth: 7th July 1971</p>	<p>Rogers K. Chepkwony <i>Independent Member</i></p> <p>Appointed On 16th June 2023</p> <p>Key Qualifications Bachelor of Science – Double Math and Computer Science</p> <p>Work Experience Chairman of the Strategy, Technical & Business Development Board Committee</p>

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<p>Date of Birth:</p>	<p>Mwololo Benjamin Kyalo <i>Independent Member</i></p> <p>Appointed On 28th July 2023</p> <p>Key Qualifications</p> <p>Work Experience</p>
 <p>Date of Birth: 1st January, 1963</p>	<p>Mohamud Mohammed Awale <i>Independent Member</i></p> <p>Appointed On 5th July 2022 Retired on: 16th June 2023</p> <p>Key Qualifications Higher National Diploma-KPLC, Electrical Engineering Diploma in Sales Management Diploma in Peace and Conflict resolution</p> <p>Work Experience 2019 to 2021; Director, Ewaso Ngiro Development Authority Sales Manager in Gulf States (Qatar, Kuwait, Saudia Arabia)</p>
 <p>Date of Birth: 1st February, 1975</p>	<p>Agnes Wambui Mwicigi <i>Independent Member</i></p> <p>Appointed On 5th July 2022 Retired on: 16th June 2023</p> <p>Key Qualifications LLB(Hons): University of Leeds</p> <p>Work Experience 2018-Date-Founder/Director 365 love Kenya 2006-2011 Chief Executive Officer-Trak Card Systems 2003-2006 Regional Manager-Erwin Pearl Ltd Georgia USA</p> <p>Outgoing Chairlady of the Finance Board Committee</p>
 <p>Date of Birth: 1st January, 1977</p>	<p>Eng. Peter Shikuku Amisi <i>Independent Member</i></p> <p>Appointed On 5th July 2022 Retired on: 16th June 2023</p> <p>Key Qualifications Registered Engineer-IEK/EBK BSC - Civil Engineering CPA Part I &II</p>

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	<p><i>Work Experience</i></p> <p>2021 to date: Assistant Resident Engineer– Tripple Systems Consultants Ltd. 2019-2020: Assistant Resident Engineer 2014-2019: Engineering and Logistics Manager</p> <p>Outgoing Chairman of the Strategy, Technical & Business Development Board Committee</p>
 <p>Date of Birth: 26th December, 1981</p>	<p>Dr. Caroline Muthoni Mwangi <i>Independent Member</i></p> <p>Appointed On 5th July 2022 Retired on: 16th June 2023</p> <p><i>Key Qualifications</i></p> <p>Master of Medicine -Anaesthesiology Bachelor of Medicine and Bachelor of Surgery (MBChB) Fellowship in Cardiac Anaesthesia</p> <p><i>Work Experience</i></p> <p>2015 to date: Lecturer – University of Nairobi 2010 to 2015: Tutorial Fellow University of Nairobi 2007-2010: Medical Officer Meru District Hospital</p> <p>Outgoing Chairperson of the of Audit Board Committee</p>
 <p>Date of Birth: 5th May, 1968</p>	<p>Mr. George Onyango Ndonji <i>Independent Member</i></p> <p>Appointed On 5th July 2022 Retired on: 16th June 2023</p> <p><i>Key Qualifications</i></p> <p>Bachelor of Arts (Hons)- (Business with finance) Advanced Diploma in Logistics and Supply Chain Management BCom - University of Nairobi Diploma in Logistics & Transport CPA Section III</p> <p><i>Work Experience</i></p> <p>2019 to date: Lecturer – Director and Principal Consultant GPP Consulting, Nairobi 2009 to 2013: Executive Chairman Otifer logistics Ltd Nairobi 2012-2016: Water Services Regulatory Board-Director</p> <p>Outgoing Chairman of the Human Resource, Administration and Governance Board Committee</p>

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IV. MANAGEMENT TEAM

	<p>Eng. John K. Muhia <i>Ag. Chief Executive Officer</i> Appointed on: 29th March, 2023</p> <p>Key Qualifications MSC – Water & Sanitation Registered by Kenya Engineering Technology Registration Board</p> <p>Work Experience 2023 Feb – Assistant Director Bulk Water Management 2020 May – 2022 Jan – Project Coordinator – AWWDA 1991 – 2020 – Has held various positions</p> <p>Secretary to the Board</p>
	<p>CS. Sharon Obonyo <i>Manager, Legal Services</i></p> <p>Key Qualifications Advocate of High Court of Kenya Commissioner for Oaths Master of Public Policy Management (finalist) Bachelor of Laws (LLB) Post Graduate Diploma in Law (KSL)</p>
	<p>Eng. David Gitau <i>Manager Infrastructure Development & Emergency Response</i></p> <p>Key Qualifications Masters in Business Administration Bachelor of Science Degree in Civil Engineering. Registered with Engineers Board of Kenya and I.E.K.</p>

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	<p>CPA. Patrick Ataro <u>General Manager, Finance & Corporate Planning</u></p> <p>Key Qualifications Master's degree in Business Administration (MBA) Finance option Bachelor of Commerce Degree (Accounting)</p> <p>Certified Public Accountant, CPA (K)</p> <p>Registered member of the Institute of Certified Public Accountants of Kenya (ICPAK) – Membership No. 13572</p>
	<p>Duncan Ondulo <u>Manager, Infrastructure planning & Design (Coordinating Department)</u></p> <p>Key Qualifications Bsc Surveying Member of Institute of the Surveyors of Kenya</p>
	<p>CS. Joseph Ojiambo <u>Manager, Human Resource & Administration</u></p> <p>Key Qualifications Master of Business Administration degree in Human Resource Management</p> <p>Bachelor of Arts (Hons) degree in Economics and Sociology</p> <p>Postgraduate Diploma in Human Resources Management</p>
	<p>John Musyoka <u>Manager, Supply Chain</u></p> <p>Key Qualifications Executive Masters of Business Administration</p> <p>Bachelor of Commerce degree (Business Administration option)</p> <p>Diploma in Purchasing & Supplies.</p>

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	<p>CPA Philip Nzengu</p> <p><i>Manager, Internal Audit</i></p> <p>Key Qualifications</p> <p>Masters Degree in Procurement</p> <p>Bachelors Degree in Finance.</p> <p>Certified Public Accountant, CPA (K) and a Registered member of the Institute of Certified Public Accountants of Kenya (ICPAK)</p>
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V. CHAIRMAN'S STATEMENT

Stakeholders,

As the National Water Harvesting & Storage Authority (NWHSA) Board, we appreciate all our stakeholders whom we have partnered in various ways both local and international to meet our achievements.

Foremost is a focus on compliance with security, safety, health, and welfare our staff and stakeholders.

Activities during the year

The Authority can report major milestones including good progress in construction of Siyoi-Muruny Dam Water Supply Project in West Pokot County, continued implementation of the Soin-Koru Multipurpose Dam Project in Kisumu County and finalization of the Design Reviews for Umaa and Badasa Dam Projects and various flood control infrastructure.

Performance Review

The Authority's net asset base has continued to grow and rose from Kshs.33.58Billion in the financial year 2021-2022 to Kshs.34.17Billion in the current financial year. This was majorly attributable to the continued sinking of capital funds in the Capital projects including Muruny Siyoi and Flood Control works. The Authority received Kshs.1.27Billion and Kes.353Million for Development and Recurrent Activities, respectively, from the GoK in the financial year 2022-2023. The total income during the year under review amounted to Kshs.742.74Million while the total operating expenses were Kshs.988.26Million compared to Kshs.1.57Billion and Kshs.1.98Billion in the comparative previous year, respectively. The decline in revenues was due to a decline in both recurrent and development year-to-year budget allocations.

Future Outlook

Cognizant of its specific mandate and role in the water sector, the Authority's 2022-2027 Strategic Plan has set a clear Vision and Mission to give direction of where the institution wants to be in the next three years.

Given its mandate as stipulated in Section 30 of the Water Act 2016 and its functions as stipulated in Section 32 of the Act, the Authority has committed to pursue the following Strategic Objectives, in the dispensation of this Strategic Plan:

- a. **Pillar 1:** To increase water storage in the country by 148.6 million cubic meters by the year 2027 and enhance sustainability of constructed water structures through operations and maintenance,
- b. **Pillar 2:** Protect/Save Lives and Property from the Effects of Floods and drought by construction and maintenance of 70km of dykes, construction of 125No. Small pans/dams and 203No. Boreholes,
- c. **Pillar 3:** Mainstream Cross-Cutting and Policy Issues as legal and regulatory guidelines,
- d. **Pillar 4:** To Enhance Financial Sustainability, and
- e. **Pillar 5:** Improve Corporate Image of the Authority.

Going forward, we believe that implementation of the above key strategic objectives will play a major role in increasing access to clean and safe water from the current 60% to 80% by the year 2022.

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Among the major projects earmarked for continued funding and implementation is Soin-Koru Multipurpose Dam and Muruny (Siyoi) Dam.

My commitment is to further align Authority's strategic direction to the Bottom-Up Economic Transformation Agenda, that is, the Government's Plan.

Appreciation

Finally, I would like to thank the Government of Kenya through the Ministry of Water, Sanitation & Irrigation and other Government Agencies for their continued support of NWHSA development agenda and for enabling us to access financial and logistical support that has enabled us to put up the water infrastructure development.

I also thank my Board members for their unwavering support. I appreciate them for applying their highest professional standards in carrying out the business of this Board and in decision making.

Finally, I thank all our stakeholders who include staff and management, regulators, the media, communities where our projects are located, the County Governments and the Government Administrators who have supported us in various ways.

**Mr. Symon Kimaru
Chairman of the Board**

Date:.....

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VI. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Financial Statements of the Authority for the period ended 30th June 2023. During the year, the institution depicted good financial health despite operating in a very challenging environment destabilized by the continued aftermath of the Covid-19 pandemic, Russia-Ukraine War and inadequate budgetary financing. Despite the challenges, the management met the annual targets.

In line with Vision 2030, the Authority has finalized the construction of Kiserian Dam, Chemususu Dam and Kalundu Dam and continues to oversee construction of multi-billion storage reservoirs namely, Muruny (Siyoi) Dam Water Supply Project, Soin-Koru Dam, Umaa Dam and Badasa Dam. Several dams were planned for the year namely: Rare, Londiani, Isiolo, Rumuruti, Upper Narok and Soin-Koru. Implementation of the Siyoi-Muruny Dam stood at a completion rate of 76%. The dams form the bulk of the operating expenses of the Authority in line with its mandate.

Besides the above dams, the Authority undertook flood control works across the country where dykes were constructed along various rivers with one check dam namely Olopito-Elmasharian under maintenance. Further, the Authority completed construction/rehabilitation of 7 small dams/pans in Arid & Semi-Arid areas. Lastly, the Authority continued to implement multiple projects under the Water for schools, Ground water exploitation and Cross county Programmes.

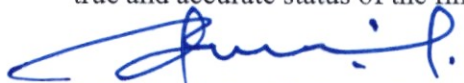
Human Resources remain the greatest asset of the Authority. During the year, the Authority received the approved Human Resource Instruments which were then implemented. Further, to fully harness human resources, the Institution organized and managed to send several officers at all cadres to various trainings as a way of building capacity.

Similarly, customers and stakeholders are central to our business sustainability. Customer satisfaction is a key driver in fostering brand loyalty which leads to business growth and long-term viability.

In today's diverse and highly dynamic business environment, it has become vital to tailor communication and engagement programs to meet various stakeholder needs. In this regard we sustain mutually beneficial and strategic stakeholder interactions. This included participatory meetings and forums with all stakeholders such as investors, business partners, customers, and officers from the three arms of Government.

In support of the Bottom-Up Economic Transformation Agenda (BETA), the Authority has played a key role in increasing access to clean and safe water. Water is a crucial enabler of the BETA hence the need to work jointly with other agencies in the sector to ensure we achieved set targets.

The Report provides in summary the activities of the Authority for the financial year and provides a true and accurate status of the financial affairs of the Authority for the period ending 30th June 2023.


John K. Muhia (P. Eng. Tech.)
Ag. Chief Executive Officer

Date: 29/03/2024

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VII. STATEMENT OF THE AUTHORITY'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022-2027.

National Water Harvesting & Storage Authority has Five strategic pillars and objectives within its Strategic Plan for the FY 2022-2027. These strategic pillars are as follows:

Pillar 1: To increase water storage in the country by 148.6 million cubic meters by the year 2027 and enhance sustainability of constructed water structures through operations and maintenance.

Pillar 2: Protect/Save Lives and Property from the Effects of Floods and drought by construction and maintenance of 70km of dykes, construction of 125No. Small pans/dams and 203No. boreholes

Pillar 3: Mainstream Cross-Cutting and Policy Issues as legal and regulatory guidelines

Pillar 4: To Enhance Financial Sustainability

Pillar 5: Improve Corporate Image of the Authority

The Authority develops its Annual Work Plan based on the above five pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The table below summarizes the Authority's achievements for the financial year 2022-2023 based on the five strategic pillars.

Strategic Pillar	Objectives	Activities	Key Performance Indicators	Target by Plan Year 2022-2023	Achievements
To increase water storage in the country by 148.6 million cubic meters by the year 2027 and enhance sustainability of constructed water structures through operations and maintenance	1: Construction of Large and Medium size dams	Carry out stakeholder sensitization	No. of sessions held and the reports	8	0
		Carry out feasibility studies	No. of feasibility reports	27	0
		Carry out preliminary and final designs	No. of preliminary and final design reports	27	0
		Undertake Resettlement Action Plans	No. of acres compensated (in '000')	4	0
		Commence construction of Large Dam	No. of large dams construction commenced	27	1
	2: Management of Dams	Develop management framework	Framework in place	1	0
	3: Operations and maintenance of dams	Operation & Maintenance of dams	No. of dams Operated and Maintained	27	0
	4: Develop inter-basin and cross county water works	Carry out stakeholder sensitization (Pipeline)	No. of reports/ minutes for sensitization meetings	1	0

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		Final Designs for bulk water pipelines	No. of final design reports	1	0
	5: Rain Water Harvesting	Carry out stakeholder sensitization/Education	No. of reports/ minutes for sensitization meetings	2	0
		Resource Mobilization and partnership development	No of partners	-	-
		Implementation	No. of rain water Catchment Infrastructures Installed	-	-
	6: Develop national underground water resources (aquifers)	Carry out hydro-geological surveys	No. survey reports	1	0
		Drill & develop wells	No. of wells drilled & developed	10	0
	7: Manage national underground water resources	Operation & maintenance of the infrastructure	No. of reports on Operations & Maintenance	1	0
Protect/Save Lives and Property from the Effects of Floods and drought by construction and maintenance of 70km of dykes, construction of 125No. Small pans/dams and 203No. boreholes	8: Construction of flood control structures	Undertake Mapping new flood areas	No. of reports of new flood prone areas mapped	2	0
		Undertake feasibility studies for new flood areas	No. of reports of new flood areas	2	0
		Design dykes	Kilometers of dykes designed	12	7
		Construct dykes	Kilometers of dykes constructed	12	2.8
		Designs for river training	Length in kilometers of rivers designed	10	0
		River training	Length in kilometers of rivers trained	10	0
		Design and Construct check dams	No. of check dams constructed	1	1
	9: Maintenance of flood control structures	Maintenance of the dykes	Kms Maintained	12	0
		Maintenance of the check dams (de-silting)	No. of Check dams Maintained	1	1
	10. To mitigate the effects of drought	Small dams/pans constructed	No. of Small dams/pans constructed	25	10

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		Boreholes drilled	No. of Boreholes drilled	40	0
Mainstream Cross-Cutting and Policy Issues as legal and regulatory guidelines	11: Advise CS on water resources storage and flood control strategies	Collect information on national water resources	No. of Reports Prepared	1	0
		Provide information on national water resources storage and flood control strategies to the CS	No. of reports prepared and forwarded to the Cabinet Secretary	1	0
		Implement Gender Mainstreaming policy as per guidelines	No. of Reports	4	1
	12: Comply with Gender Mainstreaming policy as per guidelines	Implement Disability Mainstreaming policy as per guidelines	No. of Reports	4	1
	13: Comply with disability mainstreaming policy as per guidelines	Implement HIV/AIDS Mainstreaming policy as per guidelines	No. of Reports	4	1
	14: Comply with HIV/AIDS Mainstreaming policy as per guidelines	Implement Alcohol, Drug & Substance Abuse Mainstreaming policy as per guidelines	No. of Reports	4	1
	15: Comply with Alcohol, Drug & Substance Abuse Mainstreaming policy as per guidelines	Implement National Cohesion and Integration policy	No. of Reports	1	1
	16: Promote National Cohesion and Integration	Offer attachment/ internship/ apprenticeship to the youth	No. of youths offered attachment/ internship/ apprenticeship	22	27
	17: Empowerment of youth, women and persons with disability (Social-Economic factor)	Offer 30% of Authority tender awards to youth, women and persons with disability	% of tender awarded	30%	115
	18: Eradicate Corruption within the Authority	Implement corruption Prevention policies and Action Plans	No. of Reports	4	1

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19: Comply with legal and regulatory requirements	Implement MWONGOZO code of conduct	No. of Reports	1	0
	Implement Legal and regulatory requirements	No. of Reports	1	1
	Conduct Job Evaluation	Job Evaluation Report	1	1
	Implement Job Evaluation Report findings	Reviewed Job Descriptions	1	1
	Review the Organization Structure	Reviewed Organization Structure	1	1
20: Establish offices, attract, recruit, develop and retain highly skilled staff	Review the Career Progression Guidelines	Reviewed Career Progression Guidelines	1	1
	Review of the HR Policies and Procedures Manual	Reviewed HR Policy	1	1
	Conduct a Staff Gap Analysis (HR Planning)	HR Planning Report	1	0
	Conduct Training Needs Assessment (TNA)	Training Needs Assessment (TNA) Report	1	1
21: Establish offices, attract, recruit, develop and retain highly skilled staff	Conduct and implement Training Needs Assessment (TNA) Report	Number of Staff trained	10	55
	Competency based recruitment, placement, training and development	Number of positions recruited	8	0
22: Establish offices, attract, recruit, develop and retain highly skilled staff	Attractive and competitive remuneration	Salary structure review		0
	Establish and deploy staff to regional offices	Established regional offices	5	1
	Procurement of office furniture & Assorted equipment	Office furniture in place (Lot) & furniture & Assorted equipment	1	0

Recategorization of Authority Class

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To Enhance Financial Sustainability of The Authority	23: Institutionalize performance management system	Review and implement performance management system	Align Staff reward & compensation with Performance Appraisal	2	0
		Undertake Change management	No. of staff sensitized	220	-
		Maintain ISO Certification	Progress Report	-	0
			No. of audit reports	2	-
	24: Comply with ICT policy as per Government guidelines	Review and implement ICT policy	Policy in place and in use	1	-
		Conduct an ICT Audit	Audit Report	1	0
		Acquire new computers with software and UPS	No. of computers with software and UPS acquired	50	0
		Acquire Internal Audit System	Internal Audit System in place	-	-
		Acquire Engineering Software and workbench tools	No. of Engineering software and workbench tools	-	-
		Implement data and system security	Data and system security in place	4	1
	25: Comply with ICT policy as per Government guidelines	Maintain and service ICT systems, ERP and equipment	No. of maintenance and service contracts	5	1
		Conduct ICT Research and Innovation	No. of innovations	1	-
		Develop & implement integrated news systems: EDMS & web portal	New Systems in place	2	2
	26. Safety and security measures	Implement safety and security measures	No. of report	1	0
	27. Road safety and mainstreaming	Implement road safety measures	No. of report	1	0
	28: Attract more Government funding	Negotiate & justify for additional funding	Amount of budget allocated	2.1	1.245
		Ensure timely performance reporting	No. of reports	4	4
Undertake regular project audits		Audit reports	2	1	
29: Comply with good Governance as per guidelines	Reduced litigations	No. of litigations	64	5	

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		Reduced external audit queries	No. of external audit queries	5	5	
30: Engage development partners for financial and technical support		Identify & profile potential development partners	No. of development partners/donors identified	10	0	
		Prepare & submit fund raising proposals	No. of proposals submitted	1	0	
		Undertake value for money studies	No. of Audits	1	0	
		Develop & implement an engagement framework	Framework in place	1	0	
		Construction of an additional office Block for Income Generation	1 No. Office block	0	0	
	31: Strengthen the capacity of Business Development Unit (BDU)		Develop & implement BDU policy document	BDU Policy document in place	1	0
			Develop and implement an engagement framework	Framework in place	Once	0
			Ensure growth in profit annually	Profits Raised - boreholes	56	0
				Profits Raised - dams	-	0
	Improve Corporate Image of the Authority			Amount Raised - Lease	37	0
32: Develop & implement a communication strategy			Develop Brand Identification Manual	Brand Manual ID in place	1	0
			Implement Brand Identification Manual	No. Of Assets, sign posts & Corporate Wear branded	1	0
			Develop CSR /CSI policy	Policy in place	1	0
		Implement & undertake CSR/CSI	No. of CSR/CSI activities	1	0	
33: Enhance customer service			Undertake Customer Satisfaction Surveys	No. of surveys	1	0
			Establish a resource center at the HQs	Resource center in Place	1	0
			Publish relevant Information, communication & education materials	Quarterly magazine	4	0
			Enhance stakeholder engagement	Annual No. of Events	1 1	0

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VIII. CORPORATE GOVERNANCE STATEMENT

Corporate governance is defined as the process and structure used to direct and manage business affairs of the Authority towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long-term value while considering the interest of other stakeholders.

The Board of Directors is guided by best practices, international standards and principles that are essential for good corporate governance practices. The Board of Directors is responsible for the Governance of the Company and is committed to ensuring that its business operations are conducted with integrity and in compliance with the law, internationally accepted principles and the best practices of corporate governance and business ethics. The board also focuses on a corporate agenda that maximizes shareholder value and guarantees a sustainable business. To this end, the Board has ensured that policies and strategies have been put in place to ensure that the Authority's objectives aimed at promoting and protecting shareholder value are achieved.

The number of Board meetings held and the attendance to those meetings by members.

The Board is responsible and accountable to the Government of Kenya, through the Ministry Water, Sanitation & Irrigation, in ensuring that the Authority complies with the law and the highest standards of corporate governance. During the period under review, the Board met Twenty-Four (24) times and attendance was as follows; -

BOARD AND COMMITTEE MEETINGS ATTENDANCE FOR THE YEAR 2022/2023

NO	NAME	NO. OF MEETINGS	MEMBERSHIP	AVERAGE ATTENDANCE%
1	FULL BOARD	7	9	100%
2	FINANCE COMMITTEE MEETING	4	5	100%
3	HUMAN RESOURCE, ADMINISTRATION AND GOVERNANCE COMMITTEE MEETING	4	5	100%
4	AUDIT COMMITTEE MEETING	5	5	100%
5	STRATEGY, TECHNICAL BUSINESS COMMITTEE MEETING	4	5	100%
6	ADHOC MEETINGS	0		100%
	NO. OF BOARD AND COMMITTEE MEETINGS	24		
1	OTHER MEETINGS & INVITATIONS	15		

Succession Plan

The Board is cognizant of the importance of a board succession planning policy. For purposes of information management, the e-Board software offers a secure space for electronically storing critical board documents/information which can be accessed by individual directors at any given point in time. Board appointments are undertaken by the Ministry of Water, Sanitation & Irrigation on a staggered basis to allow for continuity.

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The Board Charter

The Authority has put in place mechanisms for a corporate governance framework that is outlined in the Board and Committee Charters approved by the Board.

The Board Charter which acts as a reference guide for the Directors is inspired by the dictates of good corporate governance. The framework ensures a clear division of duties and role of the Chairman and the Chief Executive Officer. It stipulates the individual and collective responsibilities, powers, duties, obligations and the liabilities of the Directors. It sets out the roles and responsibilities of Directors with respect to its strategic, oversight role, stewardship, and fiduciary responsibilities. The Board Charter provides policy direction on issues of accountability, transparency, value addition, legitimacy, and overall credibility and business operations of the Company. The Authority observed this governance framework during the year under review.

Appointment and removal of directors

Section. 31 of the Water Act No. 43 of 2016 provides the procedure of appointment and removal of the Board of Directors.

The current Board has nine (9) members who possess a broad range of skills and competencies, including legal, finance, human resources, economics, and management among others.

Roles and functions of the Board

The primary role of the Board is to ensure long-term wealth and prosperity of the Authority for the benefit of customers, employees, and other stakeholders. The Board is responsible for policy formulation; Strategic Leadership and Planning; Resource Mobilization and Project management; Decision making; Compliance and Risk Characterization; Monitoring Progress and Direction of Executive Performance.

Board Committees

The Board of NWHSA has established the following four (4) Board Committees for purposes of delegating its various functions. The Terms of Reference for the Committees are encapsulated in the specific Committee Charters approved by the Board.

v) Human Resource, Administration and Governance Committee

The Committee comprises of four directors (one of them as Chairman) and the Chief Executive Officer as the Secretary. The Committee has the following duties and responsibilities, as well as such other duties and responsibilities as it deems appropriate to carry out its purposes or as directed by the Board:

- a) Human Resource Planning by ensuring there is a staff establishment; the right number and quality of staff with relevant skills; and succession planning;
- b) Development of the Authority's Organizational Structure;
- c) Recommend to the Board the recruitment and selection and retention of staff with the relevant knowledge, skills and abilities;
- d) Training and development of employees to improve organizational productivity;

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- e) Ensure that the employees are rewarded through an Employee Merit Reward System and that the employees' salaries are constantly reviewed and they are provided with better incentives and benefits
- f) Ensure that there are disciplinary and grievance-handling procedures in place outlining how they are administered
- g) General Staff Welfare – Ensure that the employees have conducive work environment, health and safety;
- h) Handle policy issues on Human Resource and Administration, Legal and Corporate Communications;
- i) Oversee the implementation of change process plans in the organization;
- j) Ensure compliance with statutory requirements, provisions of Water Act, 2016 and any written law;
- k) Interpret circulars and regulations that may be issued from time to time from the Government;
- l) Review and make recommendations on policy issues on Human Resources Management, Transport, Corporate Communications and Corporate Social Responsibility;
- m) Review and make recommendations on legal issues and disputes touching on the Authority;
- n) Promote effective communication within and with all stakeholders;
- o) Ensuring effectiveness and efficiency of the Board Secretariat

vi) Finance Committee

The Committee comprises of five directors (one of them as Chairman) and the Chief Executive Officer as the Secretary. The Committee has the duties and responsibilities of:

- A. Making recommendations for Board approval and/or delivering reports to the Board in the following areas:
 - i) Annual operating and capital budget;
 - ii) Annual audited financial statements;
 - vii) Policies related to financial management;
 - viii) Procedures for disposal of Authority property;
 - ix) Authority's procurement plan based on the Procurement Budget; and
 - x) Continuous effectiveness of the ICT and ERP systems.
- B. Providing information to the Board on:
 - e. Significant financial planning, management and reporting issues;
 - f. Interim financial reports;
 - g. Authority assets and liabilities; and
 - h. Budgetary control and financial management system for the Authority.

The Committee meets on quarterly or need basis.

vii) Audit Committee

This Committee comprises of four directors (one of them as Chairman) and the secretary is the Chief Internal Auditor. The Board of Directors of the National Water Harvesting and Storage Authority has established the Audit Committee to:

- (a) Support the Accounting Officers with regard to their responsibilities for issues of risk, control and

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- governance and associated assurance but the responsibility over the management of risk, control and governance processes remains with the management of the concerned entity; and
(b) Follow up on the implementation of the recommendations of internal and external auditors.

The functions and responsibilities of the Authority's audit committee will generally be to provide oversight to and advice in the following areas:

1. Internal Control System;
2. Governance structures;
3. Risk management;
4. Financial statements;
5. Compliance requirements;
6. Internal audit, including approval of annual work plans;
7. External audit;
8. Other related functions including review of entity's performance framework; relevant parliamentary committee reports and recommendations; and portfolio responsibilities; and
9. Review the Terms of Reference (TOR) of the AC and ensure that the functions are clearly defined therein.

The Committee meets on quarterly or need basis.

viii) Strategy, Technical & Business Committee

The Committee comprises of five directors (one of them as Chairman) and the Chief Executive Officer as the Secretary. The Committee shall have the following duties and responsibilities, as well as such other duties and responsibilities as it deems appropriate to carry out its purposes or as directed by the Board:

- a) Review strategies, plans and service charters for attaining the Authority's Service Delivery Objectives;
- b) Give policy direction in the development of the Authority's Strategic Plan/ Business Plan and monitoring its implementation;
- c) Review ISO certification procedures manuals;
- d) Give policy direction in development of pro-poor approaches and community involvement in projects;
- e) Approval of project work plans and Performance Contract targets;
- f) Approve the Quarterly Performance Contract Progress Reports;
- g) Review proposals and plans for infrastructure development and improvement;
- h) Consider, evaluate and review progress of implementation for infrastructure development programs;
- i) Consider, evaluate and review performance of outsourced works;
- j) Consider and evaluate the use of new and appropriate technologies in provision of water storage facilities;
- k) Ensure compliance by the Authority with statutory regulations relating to the Environment and Water Resources Management;
- l) Review and give policy direction on proposals for water harvesting policy and enforcement of water harvesting strategies;
- m) To receive, examine and approve implementation of new/proposed projects as well as reports on the applications of new technologies;

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- n) Where necessary on sample basis visit projects under implementation to access progress and recommend the way forward or any action plans;
- o) To receive deliberate on and give guidance on policy matters with respect to progress reports on the on-going projects;
- p) To discuss any other relevant matters that pertains to the technical operations of the Authority;
- q) To discuss and promote activities geared towards the generation of income by the Authority and the Authority's self-sustainability;
- r) To review the Authority's performance in terms of operation, managing and maintenance of the Authority's projects; and
- s) To discuss any other business arising from the Strategy, Technical and Business Development committee.

Induction and Training

NWWSA seeks to continuously review and develop of the Board's capacity to deliver on its mandate by regularly reviewing and advising the Board on the skills, attributes and experience required for effective governance. In this regard, the Chief Executive Officer in liaison with board members undertakes a directors' training needs and gaps analysis and develops a board training calendar highlighting the various training programs required by the board members. Directors attend training programs based on their individual needs assessment and the Company's requirements. Benchmarking initiatives are also conducted to equip the Board with the necessary exposure required for executing the Company's mandate.

Board and member performance

It is important that the Board continually evaluates its performance against set targets. Consequently, the Board undertakes an annual evaluation of its performance and effectiveness in order to identify the areas for improvement and addresses them. The performance evaluation is conducted through the e-Board platform with the assistance of an independent party.

The following key areas are covered by Board evaluations:

- 1. Board Processes and accountability;
- 2. Strategy, financial matters and performance;
- 3. Compliance with all legal and ethical requirements;
- 4. Board composition, induction, development and succession; and
- 5. Information and communication to stakeholders.

Conflict of Interest

Board members have a statutory duty not to place themselves in a position where there is a conflict (actual or potential) between their duties to the Authority and their personal interests (including the interest of a family member), the interest of any associated organization or person, or their duties to third parties. All Board members are required to declare their interest in any matter before the Board which might create a potential conflict of interest, before such matter is considered and deliberated upon. Such a member shall then be required to excuse himself/herself from discussions and decisions on matters in which they have a conflict of interest. In the extreme case of continuing material conflict of interest, good practice requires the Director to abstain from a Board Decision.

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Board Remuneration

The Directors' remuneration rates are as outlined in the State Authoritys Act and by the Salaries and Remuneration Commission. The Directors' fees are paid upon invitation and attendance of board meetings. The chairman receives a monthly honorarium.

Ethics and conduct

At NWHSA, good corporate governance is engrained as a valuable contributor to the long-term success of the Company through creation of the right culture throughout the organisation. The core values of Customer Focus, Integrity, Teamwork, Innovation, Sustainability and Safety steer the Company's organizational health and decision-making processes. The Company's Code of Conduct underscores the fundamental principles and guidelines that govern the ethical and legal obligations of all employees and the Board of NWHSA. The Code of Conduct is premised on the Constitutional Provisions of Chapter Six (Leadership and Integrity), National Values, Public Officers Ethics Act and other relevant legislation governing the conduct of Public Officers. During the year under review, the Company initiated a Staff Culture Transformation exercise and conducted baseline surveys to foster a positive work culture that aligns its business ethics to prevailing dynamic operating environment. The Company is cognizant of the need to conduct its business in compliance with relevant legal and regulatory principles to entrench high ethical standards of business practice. At NWHSA, observation of the code and high standards of integrity is a mandatory requirement, and employees are expected to observe the highest standards of professionalism. Each employee understands the need to embrace and practice good governance of the Company and to maintain its reputation for integrity both within and outside the workplace.

Governance Audit

Conformity with governance parameters as set out in the Constitution, applicable laws and best practices is a requirement under the *Mwongozo* Code of Governance which provides guidance on governance within State Authority's. Governance Audit therefore entails review of governance structures, policies and practices to ensure they are in conformity with highest standards of good governance.

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IX. MANAGEMENT DISCUSSION AND ANALYSIS

a. Financial Performance Highlights

The Authority's financial performance recorded a deficit of Kes.246.72Million up from Kes.2,997Million recorded from the previous year. This was majorly attributed to the absence of impairment losses in the current year under audit unlike the previous year where a revaluation of assets done resulted to a revaluation loss.

Table 1: Financial Performance Highlights

Deficit For the Year			Change in Income		
2022-2023	2020-2021	2019-2020	2022-2023	2020-2021	2019-2020
Kshs	Kshs	Kshs	%	%	%
(246,721,501)	(2,997,114,587)	(569,703,026)	-92%	426%	194%

i. Income

The Authority received a recurrent exchequer of Kshs.353Million from the Parent Ministry as had been budgeted in the Supplementary 2 Budget Estimates FY 2022/23.

A gross amount of Kshs.126.36Million was collected from Rental Income, Insurance Compensations, Rendering of Services, Liquidated damages charged from contractors and Interest on Deposits held on a day-to-day basis at the Authority's 5 active bank accounts domiciled at the Kenya Commercial Bank. Notably - the increase of 390.64% on the Rendering of Services because of recognition of Payments Received in Advance as income for Business Unit Projects that had been completed in the previous years but was still carried as a payable - was the major contributor to surplus of the actual gross income compared to the budgeted amount of Kes.100Million.

ii. Expenses

The decrease in Use of Goods and Services compared to the previous year was as a result of a reduction on the expenditure lines of professional services, legal fees & expenses and Rendering of services. During the year there was no external professional services that were sought unlike the previous year where an asset valuer was contracted to undertake a complete re-valuation of the Authority's assets. Similarly, the Authority spent minimally on legal related expenses to pay auctioneer fees for unexecuted court orders, or to pay installments for existing contracts with lawyers, as no external counsel was formally engaged during the period. Still, the rendering of services expenses reduced since the business unit did not undertake any large works owing to the depressed economic environment.

The Year-to-year increase in Employee Costs by 7.32% was attributed to the implementation of the approved Human Resource Instruments which was sanctioned by the Authority's Board.

Also, the 43.85% decline in the Remuneration to Directors was attributed to the appointment of fewer board members during the gazettment of 5th July 2022 where 5 no. independent directors were appointed in compliance with the Water Act 2016 compared to the previous board which had 7no. Independent directors. Furthermore, there were fewer special and adhoc board meetings compared to the previous year.

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The 75.29% decrease in the expenses classified as Grants and Subsidies, was as a result of reduced expensing of large dams and dykes expenses unlike the previous year where - in addition to the actual year's expensing of non-capital expenditures from projects - the accumulated non-capital items carried over the years as Capital Work in Progress were fully expensed.

Lastly, there was no new provision for doubtful debts.

iii. Position Highlights

The Authority's financial position statement was funded strongly by Revaluation Reserves of Kes.650.27million, Accumulated Deficit of Kes.4.512.84Billion and a Capital Fund of Kes.38.03Billion.

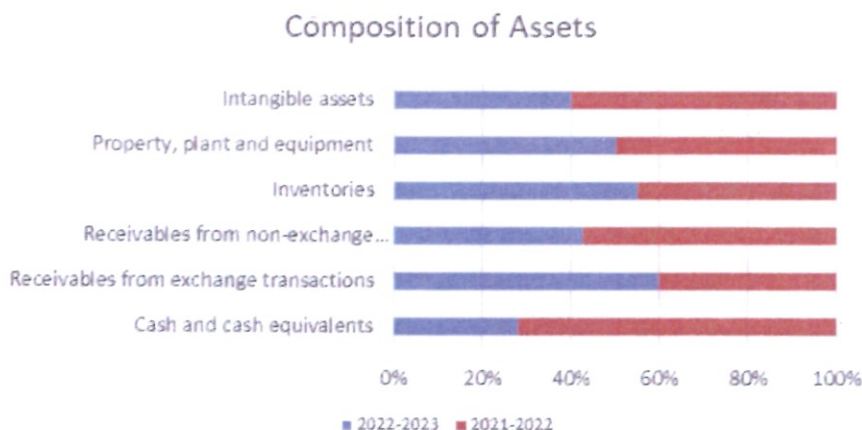
The Capital fund had increased as a result of development grants receipt of Kes.1.011Billion netted of the grants recognized as other income. The Cash Balances were Kes.223.32Million.

The Receivables from Exchange Transactions increase by 50.33% was attributed to a 100% increase in Contractual Advances (by Kes.499.69Million) - which amount was paid to the Contractor for Soin-Koru dam - being a 2.5% of the contract sum advance that was backed by a bank guarantee as was envisaged in the contract.

The Receivables from Non-Exchange Transactions declined by 25.33%. This was mainly caused by increased surrender of advances issued to staff and recovery of long outstanding imprest from staff through payroll.

The Authority posted a robust Property Plant & Equipment with a book value (revaluation value less depreciation) of Kshs.33.80Billion.

Composition of Assets during the Year



The Development Budget was to be utilized on Muruny (Siyoi) Dam Water Supply Project, Soin-Koru Dam, Umaa Dam, Badasa-Songa Dam, Flood Control and Boreholes. As such, the following projects were implemented and/or continued to be implemented during the year:

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- Muruny (Siyoi) Dam Water Supply Project– West Pokot County
- Soin-Koru Multipurpose Dam Water Project – Kisumu County
- Umaa Dam – Kitui County
- Badasa-Songa Dam – Marsabit County
- River Kawalase Flood Control – Turkana County
- Narok Flood Control-Narok County
- River Perkerra Flood Control – Migori County
- Water for Schools/Cross County/National Water Exploitation Programme Projects.

X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Authority has the obligation to plan, design, construct and maintain the country's dams and mitigate the effects of floods. This primary objective must, however, be twinned with positive impacts to societies that such businesses operate in. These positive impacts include creation of employment opportunities, provision of goods and services, contribution to the economy by paying taxes, contributing towards development of infrastructure and improvement of quality of life for the people.

NWWSA, being an obliging and proactive company, has mainstreamed corporate social responsibility (CSR) in its operations. Beyond grid matters, the company has expanded its jurisdiction to improve the well-being of humanity and impact society to be better.

This deliberate move is necessary because it is the society that gives us a "license to operate" and their goodwill is necessary for continued security and room to operate long after our transmission projects construction is over.

Our approach

NWWSA's approach towards CSR is focused on identifying and formulating projects guided by its CSR policy and in response to specific needs that go towards solving a problem that members of the concerned community assess as a priority. To this end, the Authority consulted widely internally and beyond on best practices to make corporate social responsibility an integral part of its undertakings. During the financial year under review, social, economic and environmental issues were addressed.

Below is a brief highlight of our achievements in each pillar:

1. Social sustainability strategy and profile

NWWSA ensured that its operations were carried out professionally and in humane manner, considering that construction of dam and flood control projects involve acquisition of land for project sites and wayleaves access for the infrastructure. This necessitates compensation and at times resettlement of the Projects Affected Persons (PAPs) hence the need to expedite the process harmoniously. In addition, NWWSA actively participated in several engagements with various stakeholders towards improving their quality of life which translates into creating a better society. This was evident in key areas such as water, health, and environmental conservation.

In addition, NWWSA offered youth internship opportunities to fresh graduates and industrial attachments to ongoing University students for the purpose of transferring skills and future career preparation.

2. Environmental Sustainability performance

The Authority's environmental and social impact assessment plans are anchored on environmental laws, regulations, standards, and best practices. The Authority ensures compliance with all relevant national and international environmental and other statutory regulatory provisions that apply to its projects to ensure sound environmental management practice. The Authority ensures that all projects have a component of planting trees and maintaining the same to full maturity.

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3. Employee welfare

Competence management

During the year ended 30 June 2023, the Authority trained various cadres of staff to improve the competency levels. The Authority also paid professional fees to professional bodies and facilitated training and conferences for staff members.

Safety and security measures

During the year ended 30 June 2023, the Authority procured protective gear for technical staff who are engaged in project implementation. Further, Internal audit of the Information Security Management System (ISMS) and backups for the data centre were also undertaken in the period.

4. Market place practices

NWWSA complied with 30% of access to government procurement opportunities (AGPO) requirement by ensuring that Youth, Women and Persons with disabilities supplied goods and services. Further, NWWSA complied with 40% Government requirement on local content procurement where goods and services were procured locally by the company. These procurement opportunities have created diverse financial benefits for the special groups as well as enhancing the NWWSA corporate image and reputation.

5. Market place practices

The Authority continued implementing corruption prevention measures as identified in the corruption risk assessment and mitigation plan. The Integrity Committee quarterly meetings were held. Quarterly reports of the corruption risk assessment reports and the implementation of the mitigation plans were prepared and submitted to EACC.

6. Community engagements

NWWSA has remained committed to engaging with local communities in project affected areas, the public, sector partners and other stakeholders aiming at cultivating their goodwill, cooperation and amicable association. In this regard, NWWSA ensured that all CSR projects were implemented through a consultative process with stakeholders' right from the initial project planning through to commissioning.

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XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Authority's affairs.

Principal activities

The principal activities of the Authority are (continue to be):

- a) Undertake on behalf of the national government, the development of national public water works for water resources storage and flood control;
- b) Maintain and manage national public water works infrastructure for water resources storage;
- c) Collect and provide information for the formulation by the Cabinet Secretary of the national water resources storage and flood control strategies
- d) Develop a water harvesting policy and enforce water harvesting strategies;
- e) Undertake on behalf of the national government strategic water emergency interventions during drought; and
- f) Advise the Cabinet Secretary on any matter concerning national public water works for water storage and flood control.

Results

The results of the Authority for the year ended June 30, 2023 are set out on page 1-32.

Directors

The members of the Board of Directors who served during the year are shown on page x to xv.

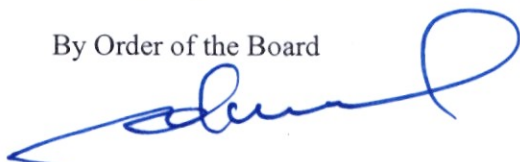
Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority did not make any surplus during the year 2023 and hence no remittance to the Consolidated Fund.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Authority for the year/period ended June 30, 2023 in accordance to section 23 of the Public Audit Act, 2015.

By Order of the Board



**John K. Muhia (P. Eng. Tech.)
Ag. Chief Executive Officer/Secretary to the Board**

Date:.....27/08/2024.....

**National Water Harvesting & Storage Authority
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XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

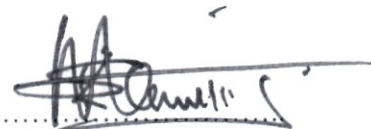
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS Accrual), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2023, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

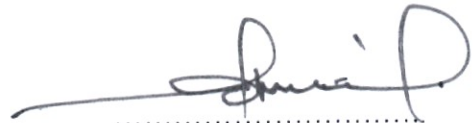
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 26th September, 2023 and signed on its behalf by:



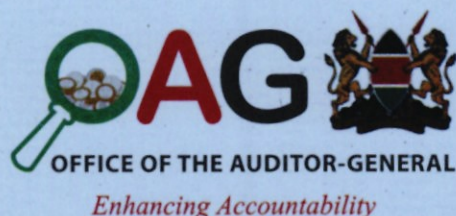
Chairperson of the Board



Chief Executive Officer

REPUBLIC OF KENYA

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



HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL WATER HARVESTING AND STORAGE AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Water Harvesting and Storage Authority set out on pages 1 to 39 which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of

Report of the Auditor-General on National Water Harvesting and Storage Authority for the year ended 30 June, 2023

changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the National Water Harvesting and Storage Authority as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Employees Costs

The statement of financial performance reflects employee costs amounting to Kshs.364,308,492 as further disclosed in Note 11 to the financial statements. However, the amount differs with the supporting documents balances totalling Kshs.367,053,920 resulting in unexplained variance of Kshs.2,745,428.

Further, the amount includes staff welfare expense amounting to Kshs.5,588,355 which was misclassified as employee costs.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs.364,308,492 could not be confirmed.

2. Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents totalling Kshs.223,322,959 as further disclosed in Note 20 to the financial statements. However, review of documents revealed the following anomalies:

2.1 Long Outstanding Reconciling Items

Review of the bank reconciliation statements revealed unposted and under cast items in the cash book totalling Kshs.34,467,267 as shown below:

Account Name	Description	Amount (Kshs)
Special Account	Unposted Items-June, 2016	2,133,280
Development Account	Unposted Items-June, 2009	24,671,142
Recurrent Account	Cashbook Under cast	1,956,997
Recurrent Account	Unposted Items 2006-2009	5,056,008
Retentions Account	Stale Cheque-August, 2022	649,840
Total		34,467,267

However, the items have not been investigated and corrected in the cash book accordingly.

2.2 Unconfirmed Dormant Bank Accounts

Note 20 (b) to the financial statements reflects Nil Equalization Fund bank account balance. However, the cashbook, bank statements, certificates of bank balances and bank reconciliation statements in support of the Nil Equalization Fund bank account balance was not provided.

In the circumstances, the accuracy and completeness of the cash and cash equivalents totalling Kshs.223,322,959 could not be confirmed.

3. Inaccuracies in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions totalling Kshs.1,506,587,112. However, the amount differs with supporting ledgers balances totalling Kshs.1,494,113,074 resulting in unexplained variance of Kshs.12,474,038.

Further, the receivables from exchange transactions amount includes business unit debtors amounting to Kshs.145,205,814 as disclosed in Note 21 to the financial statements. The business unit debtors amount includes receivables totalling Kshs.120,257,740 which have been outstanding for over one year.

In addition, the receivables from exchange transactions amount is net of specific provision for doubtful debts on rent receivable and business unit debtors amounting to Kshs.28,352,875 and Kshs.139,224,371, respectively, all totalling Kshs.167,577,246 as disclosed under Note 21 to the financial statements. However, the specific provision for doubtful debts policy has not been disclosed in the financial statements. The Authority does not also have a debt collection policy to guide the process of recovering outstanding debts.

In the circumstances, the accuracy, completeness and recoverability of receivables from exchange transactions totalling Kshs.1,506,587,112 could not be confirmed.

4. Land Without Title Deeds

The statement of financial position reflects property, plant and equipment totalling Kshs.33,792,963,142. The amount includes land amounting to Kshs.4,634,900,000 as disclosed in Note 24 to the financial statements. Review of records revealed that the Authority owns ninety-three (93) parcels of land. However, title deeds for eighty-seven (87) parcels of land valued at Kshs.3,594,400,000 have not been acquired.

Further, fourteen (14) parcels of land have been encroached.

In the circumstances, accuracy, completeness and ownership of land amounting to Kshs.4,634,900,000 could not be confirmed.

5. Inaccuracy of Retention Held on Behalf of Suppliers

The statement of financial position reflects trade and other payables from exchange transactions totalling Kshs.1,426,518,963. The amount includes retention held on behalf of suppliers amounting to Kshs.570,482,832 as disclosed in Note 26 to the financial statements. Review records revealed that retention held on behalf of suppliers relates to monies deducted from contractors and deposited in a retention bank account. However, Note 20(b) to the financial statements reflects retention bank account balance amounting to Kshs.109,196,186 resulting in a variance of Kshs.461,286,646. This is an indication that retention monies were irregularly utilized for other activities.

In the circumstances, accuracy and completeness of retention held on behalf of suppliers amounting to Kshs.570,482,832 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Water Harvesting and Storage Authority 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.

Emphasis of Matter

1. Long Outstanding Third-Party Payments

The statement of financial position reflects trade and other payables from exchange transactions totalling Kshs.1,426,518,963. The amount includes third party payments amounting to Kshs.48,251,318 as disclosed in Note 26 to the financial statements. The third party payments are in respect of income tax deduction on consultancies, Value Added Tax (VAT) Withheld, Pay as You Earn (PAYE), National Social Security Fund (NSSF), National Health Insurance Fund (NHIF), Saving and Credit Cooperative (SACCO) deductions and other salary deductions which have been outstanding for more than one year.

The third party payments continue to attract interest and penalties.

2. Arbitration Claims Arising from Peace Dam Contract

Note 31 to the financial statements reflects the contingent assets and contingent liabilities totalling Kshs.720,876,256 in respect of court judgements, arbitral awards and legal fees. The amount includes arbitration award and costs for the delays and suspension of works, illegal deductions and claims on the contract for the construction of Turkana Peace Dam-Nakuetum site in Turkana amounting to Kshs.397,440,203. Review of records revealed that the contract for the construction was signed on 18 March, 2020 at a contract sum Kshs.231,114,402. The project was completed and handed over to the Authority.

Should the Management pay the arbitration award of Kshs.397,440,203, it would amount to 172% payment over and above the contract's sum hence the value for money claimed may not be realized.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance which have not been resolved

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. Irregular Salary Deductions

Review of the payroll revealed that twenty-five (25) employees earned net salary which was less than a third of their gross salary. This was contrary to Section 19(3) of the Employment Act, 2007 which states that the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

In the circumstances, Management was in breach of the law.

2. Over-Establishment of Staff

The Authority has one hundred and eighty-one (181) employees. This was contrary to the approved staff establishment of one hundred (100) employees resulting in over establishment of 81 employees or 81% of the approved establishment.

In the circumstances, the employees are underutilized and the wage bill is bloated.

3. Delay in Completion of Capital Projects

3.1 Delay in Completion of Proposed Soin-Koru Multipurpose Dam Water Supply Project – Lot 1 (Dam Component)

The contract for the completion of the proposed Soin-Koru Multipurpose Dam Water Supply Project- Lot 1 (Dam Component) for a contract sum of Kshs.19,987,695,935 was signed on 11 May, 2022. The site was handed over to the Contractor on 1 July, 2022 and the work commenced on 27 August, 2022 with the expected completion of 27 August, 2027. Review of records revealed that 2.5% of contract price amounting to Kshs.499,692,398 was paid in advance to the contractor on 30 June, 2022. However, the Contractor had suspended works on the Project on 19 September, 2023 due to non-payments of certified works.

Further, title deed for the land on which the dam is being constructed was not provided.

In the circumstances, suspension of works may lead to delay in completion of works which may further result to cost overrun due to interest on delayed payments, claims due to idle equipment and variation in prices.

3.2 Delayed Completion of Construction of Muruny (Siyoi) Dam (Lot I)

The construction of Muruny (Siyoi) Dam (Lot I) at a revised contract sum of Kshs.5,628,862,499 commenced on 30 March, 2015 for a duration of 36 months with an expected completion date of 30 March, 2018. The contract completion period was later revised to 16 March, 2025. However, performance security in the form of an unconditional bank guarantee from the Contractor was not provided. This was contrary to the special conditions of the contract.

In the circumstance, the Authority interests in the project are not secured incase the Contractor defaults to deliver.

3.3 Delay in Completion of Contract for the Construction of Water Supply Component Lot II

The contract for the construction of water supply component Lot II was signed on 7 November ,2014 at a contract price of Kshs.4,149,828,304. The Project was expected to be completed within 36 months with effect from 30 March, 2015 to 30 March, 2018. The completion date was revised to 30 October, 2023 increasing the contract period to one hundred and three (103) months. However, the project was 96% complete as at the time of audit in January, 2024, three (3) months after expiry of the contract.

Further, review of records revealed the following anomalies:

3.3.1 Lack of Motor Vehicle Logbooks

Two trucks were procured at a cost of Kshs.20,960,000 as per the preliminary items, bill no. 1.35 of bill of quantity. However, The Management has not provided evidence of motor

vehicle log books for the two (2) trucks increasing the risk of misappropriation of government assets.

3.3.2 Transferring of Assets to the Contractor

The contractor was to provide temporary accommodation for the resident engineer and Senior staffs whose construction and maintenance cost were Kshs.42,560,000 and Kshs.85,500,000, respectively, in accordance with certificate Number 25 and the junior staffs whose construction and maintenance cost were Kshs.72,200,000 and Kshs.109,440,000 respectively in accordance with certificate Number 25. However, the contractor constructed permanent houses and the Laboratory on leased land whose ownership/leasing agreement was not provided.

3.3.3 Lack of Title Deeds

The contractor constructed a laboratory and resident engineer's office at a cost of Kshs.9,333,287 on land whose ownership was not confirmed due to lack of ownership documents.

In addition, Management has not provided land ownership documents for the parcels of land where the treatment plant and the twelve (12) water storage tanks have been constructed.

In the circumstances, value for money spent on the project may not be realized due to delay in project completion of the project.

4. Unrecovered Long Outstanding Imprests

The statement of financial position reflects receivables from non-exchange transactions totalling Kshs.39,943,860. The amount includes temporary imprest to staff amounting to Kshs.51,146,640 less specific provision for bad debts amounting to Kshs.18,302,852 as disclosed in Note 22 to the financial statements. The temporary imprest to staff includes temporary imprests totalling Kshs.43,323,741 issued to officers who had left the Authority as shown below:

Description	Amount (Kshs.)
Unrecovered Imprest relating to Officers who left the Authority either through resignation or retirement	21,992,771
Unrecovered Imprest disputed by Officers from the Ministry	5,122,206
Unrecovered Imprest relating to deceased Officers	11,612,206
Unrecovered Imprest relating to dismissed Officers	4,596,558
Total	43,323,741

This was contrary to the requirements of Regulation 93 (6) Public Finance Management (National Government) Regulations, 2015 which states 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.

5. Unauthorized Expenditure

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis amounting to Kshs.453,000,000 and Kshs.725,413,805, respectively, resulting in unauthorized expenditure of Kshs.272,413,805 or 60% of the budget. This was contrary to Section 43 (b) of Public Finance Management Regulations, 2015 which requires the Accounting Officer to ensure that public funds entrusted to their care are applied for purposes for only which they were intended and appropriated by the National Assembly.

In the circumstances, Management was in breach of the law.

6.Lack of Gender Balance in Composition of the Board

Review of the Board composition revealed that the governance principles in Mwongozo were not complied with in the appointment of the Board Members. The current Board has ten (10) Board Members with only one female. The Authority has not complied with the governance principles in chapter 1 of Mwongozo, which states that, the composition and size of the board should provide a diversity of gender, competencies and skills required for the effective leadership of the organization.

In the circumstances, Management was in breach of the law.

7. Stalled Projects – Boreholes

During the year under review, the Authority undertook to drill and equip boreholes in various regions. However, review of projects implementation status during physical verification exercise on January, 2024 revealed that nineteen (19) projects with an initial contract sum totalling Kshs.1244,761,173 relating to 2021/2022 and 2022/2023 financial years were commenced but had stalled at different stages due to various reasons including; failure to complete critical installations, abandonment and the contractors left sites while for others, the contract periods had expired but had not been renewed.

In the circumstances, value for money was not achieved in the drilling and equipping of boreholes contracted for Kshs.124,761,173.

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, except for the matters described in the basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Non-Renewal of Lease Agreements

As previously reported, the Authority entered into a lease agreement with the Nairobi Water and Sewerage Company Limited on 1 December, 2016 for a period of five (5) years. This lease agreement expired on 1 December, 2021. The Authority also entered into another agreement with the Board of Trustees of the National Environment Trust Fund on 5 December, 2017 which also expired in December, 2022. However, there was no evidence of renewal of the contracts for the two (2) tenants while the tenants are still in the premises.

In the circumstances, effectiveness in enforcement of lease agreements which have expired could not be confirmed.

2. Un-Approved Board Charter

As previously reported, review of the board records revealed that the Authority has an unapproved board charter. This is contrary to Mwongozo Parameter 1.11 which states that the Board should develop and adopt a Board Charter that defines the role, responsibilities and functions of the Board in the governance of the organization.

In the circumstances, the effectiveness of governance system in the Authority could not be confirmed.

3. Lack of a Risk Management Policy

Review of the internal controls and strategies of the Authority revealed that the Authority had no Risk Management Policy in place to guide in the risk ranking of all the functions of the authority. This was contrary to the Public Finance Management (National Government Regulations) 2015 that under Regulation 165 (1) which requires a National Government entity develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations

In the circumstances, risk management strategies used in effecting internal controls could not be confirmed.

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

Responsibilities of Management and Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 policies and procedures may deteriorate.


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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nairobi
AUDITOR-GENERAL

Nairobi


15 May, 2024

National Water Harvesting & Storage Authority
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for the year ended June 30, 2023

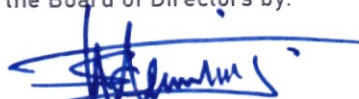
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Notes	2022-2023 Kshs	2021-2022 Kshs
Revenue from non-exchange transactions			
Transfers from other governments	5	353,000,000	415,750,003
		353,000,000	415,750,003
Revenue from exchange transactions			
Rendering of services	6	59,234,576	12,072,958
Rental revenue from facilities and equipment	7	59,921,701	46,011,891
Finance income - external investments	8	5,541,099	31,902,261
Other income	9	265,043,475	1,069,094,338
		389,740,852	1,159,081,447
Total revenue		742,740,852	1,574,831,450
Expenses			
Use of goods and services	10	90,654,465	284,633,786
Employee costs	11	364,308,492	339,460,613
Remuneration of directors	12	17,854,380	31,799,266
Depreciation and amortization expense	13	251,038,318	253,894,289
Repairs and maintenance	14	1,025,237	1,603,674
Grants & Subsidies	15	263,382,097	1,065,864,338
Total expenses		988,262,989	1,977,255,965
Other gains/losses			
Loss on Disposal	16	666,450	40,000
Taxation	17	532,914	11,366,677
Increase in Provision for Doubtful debts	18	0	40,228,693
Impairment Loss	19	0	2,543,054,702
Surplus/Deficit for the Period		(246,721,501)	(2,997,114,587)
Remission to National Treasury		0	0
Net Surplus (deficit) for the Period		(246,721,501)	(2,997,114,587)

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


Ag. Chief Executive Officer
John K. Muhia (P. Eng. Tech.)


Head of Finance
CPA Patrick Ataro
ICPAK Member
Number: 13572


Chairman of the Board
Mr. Symon Kimaru

Date: 27/03/2024

Date: 27/03/2024

Date: 27/03/2024

National Water Harvesting & Storage Authority
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STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Notes	2022-2023 Kshs	2021-2022 Kshs
Assets			
Current assets			
Cash and cash equivalents	20	223,322,959	569,834,241
Receivables from exchange transactions	21	1,506,587,112	1,002,170,075
Receivables from non-exchange transactions	22	39,943,860	53,490,889
Inventories	23	25,583,189	20,813,159
Total Current Assets		1,795,437,120	1,646,308,364
Non-current assets			
Property, plant and equipment	24	33,792,963,142	33,374,314,188
Intangible assets	25	11,772,687	17,571,175
Total Non-current assets		33,804,735,829	33,391,885,363
Total assets		35,600,172,949	35,038,193,727
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	26	1,426,518,963	1,456,667,907
Current Provisions	27	8,333,873	5,400,556
Total Current liabilities		1,434,852,836	1,462,068,463
Total liabilities		1,434,852,836	1,462,068,463
Net assets		34,165,320,112	33,576,125,264
Revaluation Reserves		650,265,241	821,091,795
Accumulated Surplus/Deficit		(4,512,838,551)	(4,266,117,051)
Capital Fund		38,027,893,422	37,021,150,519
Total net assets and liabilities		34,165,320,112	33,576,125,263

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



Ag. Chief Executive Officer
John K. Muhia (P. Eng. Tech.)

Date: 27/03/2024



Head of Finance
CPA Patrick Ataro
ICPAK Member
Number: 13572

Date: 27/03/2024



Chairman of the Board
Mr. Symon Kimaru

Date: 27/03/2024

**National Water Harvesting & Storage Authority
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**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023**

	Revaluation Reserves	Accumulated Deficit	Capital/	Total
			Development Grants/Fund	
	Kshs	Kshs	Kshs	Kshs
At 1 July, 2021	341,137,958	(1,269,002,463)	23,992,264,857	23,064,400,351
Total comprehensive income	0	(2,997,114,587)	0	(2,997,114,587)
Depreciation - Amortized	(171,189,054)	0	0	(171,189,054)
Gain on Revaluation (Refer to Note 24)	651,142,891	0	0	651,142,891
Recognition of Omitted Assets (Refer to Note 24)	0	0	11,337,250,000	11,337,250,000
Development grants received during the year	0	0	2,757,500,000	2,757,500,000
Recognised as Other Incomes	0	0	(1,065,864,338)	(1,065,864,338)
At 30 June 2022	821,091,795	(4,266,117,051)	37,021,150,519	33,576,125,263
At 1 July, 2022	821,091,795	(4,266,117,051)	37,021,150,519	33,576,125,263
Total comprehensive income	0	(246,721,501)	0	(246,721,501)
Depreciation - Amortized	(170,826,554)	0	0	(170,826,554)
Gain on Revaluation (Refer to Note 24)	0	0	0	0
Recognition of Omitted Assets (Refer to Note 24)	0	0	0	0
Development grants received during the year	0	0	1,270,125,000	1,270,125,000
Recognised as Other Incomes	0	0	(263,382,097)	(263,382,097)
At 30 June 2023	650,265,241	(4,512,838,551)	38,027,893,422	34,165,320,112

Notes:

The amortized depreciation consists of depreciation on previously revalued assets under the classes: Buildings & Other Developments, Plant & Field Equipment, Motor Vehicles & Cycles, Furniture & Fittings, Office Equipment, Office Computers & Peripherals. Any additional assets' depreciation that had not been revalued has been included in the Total Comprehensive Income.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfer from other governments		353,000,000	415,750,003
Rendering of services		35,046,463	46,219,219
Rental revenue from facilities and equipment		42,648,548	31,387,624
Finance income - external investments		5,008,185	27,395,390
Other income		(241,500,092)	854,491,247
Total Receipts		194,203,104	1,375,243,484
Payments			
Use of goods and services		94,721,092	272,774,863
Employee costs		303,433,286	356,180,737
Remuneration of directors		17,854,380	31,799,266
Repairs and maintenance		1,025,237	1,603,674
Grants & Subsidies		295,041,505	1,342,290,491
Loss on Disposal		666,450	40,000
Taxation		0	730,151
Total Payments		712,741,950	2,005,419,181
Net Cash generated from/(used in) Operating Activities	28	(518,538,846)	(630,175,697)
Cash flows from investing activities			
Purchase of PPE and intangible assets	24&25	(836,402,838)	(1,890,715,790)
Disposal/Transfer of PPE and intangible assets		1,687,500	1,280,085,537
Net cash flows used in investing activities		(834,715,338)	(610,630,253)
Cash flows from financing activities			
Receipts from Government grants		1,006,742,903	1,691,635,662
Net cash flows used in financing activities		1,006,742,903	1,691,635,662
Increase/(Decrease) in cash and cash equivalents		(346,511,281)	450,829,712
Cash and cash equivalents at 1 July	20	569,834,241	119,004,528
Cash and cash equivalents at 30 JUNE		223,322,959	569,834,241

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2023

	Original budget	Adjustments	Final budget	Actual on	Performance	% of utilization
	2022-2023	2022-2023	2022-2023	comparable basis	difference	2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Government grants and subsidies - recurrent	383,000,000	(30,000,000)	353,000,000	353,000,000	-	100.00%
Other income A.I.A	100,000,000	0	100,000,000	125,692,304	(25,692,304)	125.69%
Total income	483,000,000	(30,000,000)	453,000,000	478,692,304	(25,692,304)	105.67%
Expenses						
Use of goods and services	85,600,000	0	85,600,000	90,654,465	(5,054,465)	105.90%
Employee costs	375,000,000	0	348,500,000	364,308,492	(15,808,492)	104.54%
Remuneration of directors	20,400,000	0	17,850,000	17,854,380	(4,380)	100.02%
Depreciation and amortization expense	0	0	0	251,038,318	(251,038,318)	
Repairs and maintenance	2,000,000	0	1,050,000	1,025,237	24,763	97.64%
Increase in Provision for Doubtful debts	0	0	0	0	0	
Taxation	0	0	0	532,914	(532,914)	
Impairment Loss	0	0	0	0	0	
Total expenditure	483,000,000	-	453,000,000	725,413,805	(272,413,805)	160.14%
Deficit for the period	-	(30,000,000)	-	(246,721,501)	246,721,501	

Notes:

- i) The Other income A.I.A's utilization of 125.69% was as a result of recognition of completed business unit assignments during previous years.
- ii) The Employee Cost variance was because of the budget cut during the year. The Authority carried forward a pending bill for medical insurance, though the same was expenses under accrual during the year.

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Reconciliation

	a; Kes.	Financing Kes.	Investing Kes.	Total Kes.
Amounts on comparable basis as presented in the Budget and Actual Comparative Statement	(246,721,501)	-	-	(246,721,501)
<i>Adjustments:</i>				-
Depreciation and amortization expense	251,038,318	-	-	251,038,318
Impairment Losses	0	-	-	-
Increase in Provision for Doubtful debts	-	-	-	-
Gain on Disposal of Assets	-			-
Actual amounts on comparable basis as presented in the Budget and Actual Comparative Statement	4,316,817	-	-	4,316,817
<i>(Basis Differences)</i>				
Receipts from Government grants	-	1,006,742,903	-	1,006,742,903
Purchase of PPE and intangible assets	-	-	(834,715,338)	(834,715,338)
Net receipts from Receivables from exchange transactions	(504,417,036)	-	-	(504,417,036)
Net receipts from Receivables from non-exchange transactions	13,547,029	-	-	13,547,029
Net Payments for Inventories	(4,770,031)	-	-	(4,770,031)
Net Payments for Trade and other payables from exchange trans Current Provision	(30,148,943)	-	-	(30,148,943)
Current Provisions	2,933,317	-	-	2,933,317
Total Basis Differences	(522,855,663)	1,006,742,903	(834,715,338)	(350,828,098)
				-
Timing Differences	-	-	-	-
				-
Total Entity Differences	-	-	-	-
				-
Actual Amounts in the Statement of Cash Flows	(522,855,663)	1,006,742,903	(834,715,338)	(346,511,281)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

National Water Harvesting and Storage Authority is established by and derives its authority and accountability from Water Act 2016. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activities are:

- Undertake on behalf of the national government, the development of national public water works for water resources storage and flood control;
- Maintain and manage national public water works infrastructure for water resources storage;
- Collect and provide information for the formulation by the Cabinet Secretary of the national water resources storage and flood control strategies;
- Develop a water harvesting policy and enforce water harvesting strategies;
- Undertake on behalf of the national government strategic water emergency interventions during drought; and
- Advise the Cabinet Secretary on any matter concerning national public water works for water storage and flood control.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS Accrual) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

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for the year ended June 30, 2023**

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Authority's right to receive payments is established.

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Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2022-2023 was approved by the National Assembly on May 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. Upon receipt of the supplementary budget, the Authority's capital expenditure allocation was increased from Kes.0.9Billion to Kes.1,242.5Billion.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

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d) Property, plant and equipment

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

Depreciation

The straight-line method of depreciation is used. This allocates the cost of the depreciable asset uniformly over its expected useful life. The annual depreciation is based on the full acquisition cost of the depreciable asset, net of its salvage value, as applicable. The rate applies from the date the asset is placed into use until it is disposed off/written off or until it is fully depreciated, whichever occurs first.

The following rates are used in computing depreciation:

ASSET CLASS	ESTIMATED USEFUL LIFE	DEPRECIATION RATE
	Years	%
HQ LAND & OTHER LAND	<i>infinite</i>	NIL
BUILDINGS & OTHER DEVELOPMENTS	40	2.50%
INFRASTRUCTURAL ASSETS (DAMS & WATER STRUCTURES)		
LARGE DAMS	50	2.00%
MEDIUM DAMS	50	2.00%
SMALL DAMS/PANS	25	4.00%
BOREHOLES/WELLS	40	2.50%
WATER TANKS/RESERVOIRS/BOOSTER STATIONS	25	4.00%
INTAKE WORKS/TREATMENT PLANTS	25	4.00%
OFFICE COMPUTERS & PERIPHERALS	3	33.33%
FURNITURE & FITTINGS	5	20.00%
OFFICE EQUIPMENT	5	20.00%
MOTOR VEHICLES & CYCLES	4	25.00%
PLANT & FIELD EQUIPMENT	20	5.00%

Valuation of assets to be undertaken every 3 years.

e) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Authority. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Authority also recognizes the associated lease liability at the inception of the lease. The liability

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recognized is measured as the present value of the future minimum lease payments at initial recognition.

After initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Authority will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets

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

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

g) Research and development costs

The Authority expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Authority can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale,
- Its intention to complete and its ability to use or sell the asset,
- How the asset will generate future economic benefits or service potential, and
- The availability of resources to complete the asset.

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 surplus or deficit.

h) Inventories

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

National Water Harvesting & Storage Authority
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Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

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

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

i) Provisions

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

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

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

Contingent liabilities

The Authority recognizes a contingent liability, by discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying - economic benefits or service potential is remote.

Contingent assets

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

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j) Nature and purpose of reserves

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

Accumulated Reserves

This is the portion of net income that is maintained by the Authority. If a deficit is incurred, then it reduces the Authority's accumulated reserves balance.

Capital Reserves

The Board makes a provision for renewing depreciating assets by creating a capital reserve equal to the accumulated depreciation and amortization at the end of the financial year.

Revaluation Reserve

The Board adopts the revaluation model for recognition of the Property Plant and Equipment. Where the first time an asset is revalued and such revaluation value is higher than the historical cost then such is carried as a revaluation reserve. Subsequent drops in value draw down the revaluation reserve.

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Authority pays fixed contributions into a separate Authority (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

m) Foreign currency transactions

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

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n) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

Related parties

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

o) Service concession arrangements

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

p) Cash and cash equivalents

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

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Some of the assumptions made include: That the entity is and shall continue being a going concern: that the entity shall continue receiving Government funding for its activities.

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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5. TRANSFERS FROM OTHER GOVERNMENTS

Description	2022-2023	2021-2022
	KShs	KShs
Unconditional grants		
Operational grant – State Dept of Water	353,000,000	415,750,003
Total government grants and subsidies	353,000,000	415,750,003

5(b). TRANSFERS FROM MINISTRIES, DEPARTMENTS AND

Name of the Department sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2021-2022
	KShs	KShs	KShs	KShs	KShs
State Department of Water and Sanitation	353,000,000	0	1,270,125,000	1,623,125,000	3,173,250,003
Total	353,000,000	0	1,270,125,000	1,623,125,000	3,173,250,003

6. RENDERING OF SERVICES

Description	2022-2023	2021-2022
	KShs	KShs
Sales - Drilling of Boreholes	59,234,576	12,072,958
Total revenue from the rendering of services	59,234,576	12,072,958

The Authority runs a Business Unit Division. Its primary function is to generate revenues to help boost the Recurrent Budget portion of Appropriations in Aid.

7. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2022-2023	2021-2022
	KShs	KShs
Operating lease revenues	59,921,701	45,991,254
Contingent rentals (Hire of conference facilities)	0	20,637
Total rentals	59,921,701	46,011,891

The Authority leased out the Ground, 1st, 2nd and 3rd Floors including the Kitchen of National Water Plaza Building which houses its Head Quarters. Other buildings in the Head Quarter Land LR.NO.209/13971 have also been leased out.

8. FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2022-2023	2021-2022
	KShs	KShs
Interest on monies held in current accounts with Kenya Commercial Bank Ltd	5,541,099	31,902,261
Total Finance Income	5,541,099	31,902,261

9. OTHER INCOME

Description	2022-2023	2021-2022
	KShs	KShs
Recognised capital fund	263,382,097	1,065,864,338
Insurance Recoveries	100,000	3,080,000
Gains from Liquidated Damages on Contracts	1,561,378	150,000
Total other income	265,043,475	1,069,094,338

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The recognised capital fund relates to the expenses incurred on small dams, drilled boreholes, renovation & rehabilitation of plant & equipment, routine maintenance of project vehicles, expensed Large Dams and Dykes which are funded through Development Grants. The expenses have been recorded in Note 15 of the Grants and Subsidies

10. USE OF GOODS AND SERVICES

Description	2022-2023	2021-2022
	KShs	KShs
Electricity	8,245,802	6,587,595
Water	1,310,171	857,942
Security	9,081,704	26,071,446
Professional Services	782,092	20,833,860
Subscriptions	898,745	517,500
Publicity Costs	217,720	5,283,654
Audit fees	1,500,000	1,500,000
IT Expenses	580,511	4,383,888
Legal expenses	10,757,650	57,532,652
Resource Centre	905,815	0
Postage	136,758	132,454
Printing and Stationery	8,567,198	9,549,951
Monitoring & Evaluation	1,200,586	5,039,105
Local Travel Expenses	1,751,861	14,420,786
Insurance	7,933,837	3,180,949
Cleaning Costs	7,792,140	10,402,280
Bank Charges	584,963	1,829,634
Office Tea, Beverages and Consumables	826,500	4,338,755
Telecommunication	2,103,736	1,502,360
Training	1,628,275	35,942,069
Expenses - Rendering of Services	17,403,247	74,702,906
Motor Vehicle Expenses	856,800	0
Staff Welfare	5,588,355	0
Licences	0	24,000
Total good and services	90,654,465	284,633,786

11. EMPLOYEE COSTS

	2022-2023	2021-2022
	KShs	KShs
Salaries & Wages	196,034,627	172,259,171
Employer Contribution to Medical Insurance Scheme	25,846,447	34,712,027
Employer Contribution to Pension Scheme	35,105,206	25,762,455
Employer Contribution to NSSF	1,418,120	453,600
Commuter Allowance	18,108,118	17,275,583
House Allowance	66,778,500	63,080,000
Overtime Allowance	2,063,475	1,667,470
NHIF Payments	137,750	0
Gratuity Payments	1,433,317	900,556
Extraneous Allowance	598,750	417,000
Leave Allowance	4,683,581	3,757,417
Acting Allowance	516,675	820,189
Casual Wages	0	133,812
Entertainment Allowance	780,000	0
Intern Stipend	3,885,000	3,607,860
Commuted Leave Pymts	48,767	18,412
Non-practising Allowance	930,000	510,000
Responsibility Allowance	1,290,000	1,200,000
Disability/Assistant Allowance	240,000	240,000

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Transfer Allowance	389,520	0
NHIF Relief	40,140	0
Mobile Air-Time	3,980,500	2,884,000
Staff Welfare	0	9,761,061
Employee costs	364,308,492	339,460,613

12.REMUNERATION OF DIRECTORS

Description	2022-2023	2021-2022
	KShs	KShs
Chairman's Honoraria	1,105,000	850,000
Sitting Allowance	5,962,600	9,340,000
Subsistence Allowance	6,679,400	11,029,200
Lunch Allowance	90,000	382,000
Mileage Claim	3,055,180	4,824,764
Travel Expense	0	568,500
Induction & Training	0	4,164,722
Catering	962,200	640,080
Total director emoluments	17,854,380	31,799,266

13.DEPRECIATION AND AMORTIZATION EXPENSE

Description	2022-2023	2021-2022
	KShs	KShs
Property, plant and equipment (Refer to Note 24)	245,239,830	245,239,830
Intangible assets (Refer to Note 25)	5,798,488	8,654,459
Total depreciation and amortization	251,038,318	253,894,289

14.REPAIRS AND MAINTENANCE

Description	2022-2023	2021-2022
	KShs	KShs
Buildings	1,008,237	1,163,184
Office Equipment	17,000	440,490
Total repairs and maintenance	1,025,237	1,603,674

15.GRANTS & SUBSIDIES

Description	2022-2023	2021-2022
	KShs	KShs
Expenses related to Small Dams	90,307,544	21,082,083
Expenses related to Research & Feasibility	5,723,717	0
Expenses related to Drilling	66,281,006	107,412,552
Expenses related to Large Dams	42,773,006	430,834,346
Expenses related to Dykes & Canals	11,841,894	347,087,478
Routine Maintenance of Project Vehicles	16,692,763	37,928,989
Court Awards related to capital projects	29,762,167	121,518,889
Total Grants and Subsidies	263,382,097	1,065,864,338

The expenses categorized as constructed/rehabilitated small dams and pans, drilled boreholes, research feasibility, motor vehicle/field equipment maintenance and Court awards related to capital projects are funded through the Development Grant. To match, the equivalent of the Grant is transferred from the Deferred Income (see note 25) and is recognized as Recognized capital fund under Note 9

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16. LOSS ON SALE OF ASSETS

Description	2022-2023	2021-2022
	KShs	KShs
Property, plant & equipment	666,450	40,000
Total loss on sale of assets	666,450	40,000

17. TAX

Description	2022-2023	2021-2022
	KShs	KShs
Tax Charged on Rental Income	0	6,129,656
Tax charged on Interest Income	532,914	4,506,870
Assessment by Kenya Revenue Authority	0	730,151
Income tax expense reported in the statement of financial performance	532,914	11,366,677

18. INCREASE IN PROVISION FOR DOUBTFUL DEBTS

Description	2022-2023	2021-2022
	KShs	KShs
Increase in Provision for Doubtful Debts- Business Unit Debtors	0	22,385,643
Increase in Provision for Doubtful Debts- Rent Receivables	0	17,843,050
Change in Provision for Doubtful Debts	0	40,228,693

19. IMPAIRMENT LOSSES (Revaluation Losses - Refer to Note 24 PPE)

Description	2022-2023	2021-2022
	KShs	KShs
Buildings & Other Developments	0	329,109,746
Plant & Field Equipment	0	4,139,714
Infrastructural Assets - Large Dams	0	2,209,805,243
Total Impairment Losses	0	2,543,054,702

20. CASH AND CASH EQUIVALENTS

Description	2022-2023	2021-2022
	KShs	KShs
Current Accounts	223,322,959	569,834,241
Total cash and cash equivalents	223,322,959	569,834,241

20. (b) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENT

		2022-2023	2021-2022
Financial Institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank:			
Recurrent Account	1114280488	31,767,105	56,827,856
Development Account	1114280593	66,255,654	373,290,847
Special Account	1114279978	13,735,671	19,900,487
Deposits Account	1114279889	2,368,343	2,328,450
Retention Account	1124316329	109,196,186	117,403,192
Equalization Fund Account	1209755858	0	0
Cash in Hand and in transit		0	83,410
Sub- total		223,322,959	569,834,241

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National Bank of Kenya			
Current Account	1023085137200	0	0
Sub- total		0	0
Grand total		223,322,959	569,834,241

21. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2022-2023	2021-2022
	KShs	KShs
		Restated
Current receivables		
Rent Receivable	51,645,262	34,372,109
Specific Provision for Doubtful Debts	(28,352,875)	(28,352,875)
Net Rent Receivable	23,292,387	6,019,234
Prepaid Insurance & others	9,821,111	23,129,281
Business Unit Debtors	145,205,814	151,297,329
Specific Provision for Doubtful Debts	(139,224,371)	(139,224,371)
Net Business Unit Debtors	5,981,443	12,072,958
Trade Receivables	967,799,773	960,948,603
Recoverable Advances	499,692,398	0
Total receivables	1,506,587,112	1,002,170,075

21. (b) RECONCILIATION FOR IMPAIRMENT ALLOWANCE ON RECEIVABLES FROM EXCHANGE TRANSACTIONS

Impairment Provision	2022-2023	2021-2022
	KShs	KShs
At the beginning of the year	167,577,246	127,348,553
Additional provisions during the year	0	40,228,693
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	167,577,246	167,577,246

22. RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS

Description	2022-2023	2021-2022
	KShs	KShs
Current receivables		
Temporary Imprests to staff	51,146,640	63,990,266
Specific Provision for Bad Debts	(18,302,852)	(18,302,852)
Net Temporary Imprests to staff	32,843,788	45,687,414
Deposit with the Courts	7,100,072	7,803,475
Total current receivables	39,943,860	53,490,889

22. (b) RECONCILIATION FOR IMPAIRMENT ALLOWANCE ON RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Impairment Provision	2022-2023	2021-2022
	KShs	KShs
At the beginning of the year	18,302,852	18,302,852
Additional provisions during the year	0	0
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	18,302,852	18,302,852

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23. INVENTORIES

Description	2022-2023	2021-2022
	KShs	KShs
Consumable stores	25,583,189	20,813,159
Total inventories at the lower of cost and net realizable value	25,583,189	20,813,159

If the freehold land, buildings, and other assets were stated on the historical cost basis the amounts would be as follows:

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24. PROPERTY PLANT AND EQUIPMENT

	HQ LAND & OTHER LAND	BUILDINGS & OTHER DEVELOPMENTS	PLANT & FIELD EQUIPMENT	MOTOR VEHICLES & CYCLES
Cost	Kshs	Kshs	Kshs	Kshs
At 30th June 2021	340,000,000	1,153,362,451	230,042,450	249,855,000
Recognition of Omitted Assets	3,794,900,000	328,300,000	-	-
Additions during the year	-	-	-	-
Transfers to Medium Dams				
Expensed CIWP				
Accumulated Depreciation	-	(64,252,705)	(69,012,737)	(249,855,000)
Revaluation Gain to Revaluation Reserve	500,000,000	-	-	107,015,000
Revaluation Loss on Revalued Assets to Comprehensive Income Statement	-	(329,109,746)	(4,139,714)	-
Transfers to Trade Receivables				
Disposals	-	-	-	(400,000)
At 30th June 2022 - Depreciable	4,634,900,000	1,088,300,000	106,440,000	84,470,000
At 30th June 2022 - Salvage	-	-	50,450,000	22,145,000
As 30th June 2022 - Total	4,634,900,000	1,088,300,000	156,890,000	106,615,000
Additions during the year				
Disposals				(2,150,000)
At 30th June 2023 - Depreciable	4,634,900,000	1,088,300,000	106,440,000	82,620,000
At 30th June 2023 - Salvage	-	-	50,450,000	21,845,000
As 30th June 2023 - Total	4,634,900,000	1,088,300,000	156,890,000	104,465,000
Depreciation				
At 30th June 2021	-	64,252,705	69,012,737	249,855,000
Accumulated Depreciation Clear Out	-	(64,252,705)	(69,012,737)	(249,855,000)
Depreciation - Expensed during the Year	-	8,207,500	-	-
Depreciation - Amortised to Revaluation Reserve	-	19,000,000	5,322,000	21,117,500
Disposal	-	-	-	(100,000)
At 30th June 2022	-	27,207,500	5,322,000	21,017,500
Depreciation - Expensed during the Year		8,207,500		
Depreciation - Amortised to Revaluation Reserve	-	19,000,000	5,322,000	20,655,000
Disposal	-	-	-	(462,500)
At 30th June 2023	-	54,415,000	10,644,000	41,210,000
Net book Values				
At 30th June 2023	4,634,900,000	1,033,885,000	146,246,000	63,255,000
At 30th June 2022	4,634,900,000	1,061,092,500	151,568,000	85,597,500
Dep Policy Rate	0.00%	2.50%	5.00%	25.00%

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24. PROPERTY PLANT AND EQUIPMENT (Cont.1)

	FURNITURE & FITTINGS	OFFICE EQUIPMENT	OFFICE COMPUTERS & PERIPHERALS	INFRASTRUCTURAL ASSETS LARGE DAMS
Cost	Kshs	Kshs	Kshs	Kshs
At 30th June 2021	29,103,901	17,907,594	19,149,303	6,336,535,962
Recognition of Omitted Assets	-	-	-	-
Additions during the year	3,617,817	4,653,500	3,864,200	-
Transfers to Medium Dams				
Expensed CIWP				
Accumulated Depreciation	(11,657,238)	(6,998,913)	(15,239,879)	(126,730,719)
Revaluation Gain to Revaluation Reserve	-	5,771,769	15,477,976	-
Revaluation Loss on Revalued Assets to Comprehensive Income Statement	-	-	-	(2,209,805,243)
Transfers to Trade Receivables	-	-	-	-
Disposals	-	-	-	-
At 30th June 2022 - Depreciable	21,064,480	21,333,950	23,251,600	4,000,000,000
At 30th June 2022 - Salvage	-	-	-	-
As 30th June 2022 - Total	21,064,480	21,333,950	23,251,600	4,000,000,000
Additions during the year				
Disposals				
At 30th June 2023 - Depreciable	21,064,480	21,333,950	23,251,600	4,000,000,000
At 30th June 2023 - Salvage	-	-	-	-
As 30th June 2023 - Total	21,064,480	21,333,950	23,251,600	4,000,000,000
Depreciation				
At 30th June 2021	11,657,238	6,998,913	15,239,879	126,730,719
Accumulated Depreciation Clear Out	(11,657,238)	(6,998,913)	(15,239,879)	(126,730,719)
Depreciation - Expensed during the Year	723,563	930,700	1,288,067	-
Depreciation - Amortised to Revaluation Reserve	3,489,333	3,336,090	6,462,467	80,000,000
Disposal	-	-	-	-
At 30th June 2022	4,212,896	4,266,790	7,750,533	80,000,000
Depreciation - Expensed during the Year	723,563	930,700	1,288,067	-
Depreciation - Amortised to Revaluation Reserve	3,489,332.60	3,336,090.00	6,462,466.67	80,000,000
Disposal	-	-	-	-
At 30th June 2023	8,425,792	8,533,580	15,501,067	160,000,000
Net book Values				
At 30th June 2023	12,638,688	12,800,370	7,750,533	3,840,000,000
At 30th June 2022	16,851,584	17,067,160	15,501,067	3,920,000,000
Dep Policy Rate	20.00%	20.00%	33.33%	2.00%

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24. PROPERTY PLANT AND EQUIPMENT (Cont.2)

	INFRASTRUCTURAL ASSETS (cont.)			
	MEDIUM DAMS	SMALL DAMS/PANS	BOREHOLES/WELLS	WATER TANKS/RESERVOIRS/BOOSTER STATIONS
Cost	Kshs	Kshs	Kshs	Kshs
At 30th June 2021	1,405,226,382	-	-	-
Recognition of Omitted Assets	2,600,000,000	800,000,000	164,800,000	2,912,350,000
Additions during the year	-	-	-	-
Transfers to Medium Dams	228,083,229			
Expensed CIWP				
Accumulated Depreciation	(28,104,528)	-	-	-
Revaluation Gain to Revaluation Reserve	22,878,146	-	-	-
Revaluation Loss on Revalued Assets to Comprehensive Income Statement	-	-	-	-
Transfers to Trade Receivables				
Disposals	-	-	-	-
At 30th June 2022 - Depreciable	4,228,083,229	800,000,000	164,800,000	2,912,350,000
At 30th June 2022 - Salvage	-	-	-	-
As 30th June 2022 - Total	4,228,083,229	800,000,000	164,800,000	2,912,350,000
Additions during the year				
Disposals				
At 30th June 2023 - Depreciable	4,228,083,229	800,000,000	164,800,000	2,912,350,000
At 30th June 2023 - Salvage	-	-	-	-
As 30th June 2023 - Total	4,228,083,229	800,000,000	164,800,000	2,912,350,000
Depreciation				
At 30th June 2021	28,104,528	-	-	-
Accumulated Depreciation Clear Out	(28,104,528)	-	-	-
Depreciation - Expensed during the Year	52,000,000	32,000,000	4,120,000	116,494,000
Depreciation - Amortised to Revaluation Reserve	32,561,665	-	-	-
Disposal				
At 30th June 2022	84,561,665	32,000,000	4,120,000	116,494,000
Depreciation - Expensed during the Year	52,000,000	32,000,000	4,120,000	116,494,000
Depreciation - Amortised to Revaluation Reserve	32,561,664.57	-	-	-
Disposal				
At 30th June 2023	169,123,329	64,000,000	8,240,000	232,988,000
Net book Values		768,000,000	160,680,000	2,795,856,000
At 30th June 2023	4,058,959,899	736,000,000	156,560,000	2,679,362,000
At 30th June 2022	4,143,521,564	768,000,000	160,680,000	2,795,856,000
Dep Policy Rate	2.00%	4.00%	2.50%	4.00%

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24. PROPERTY PLANT AND EQUIPMENT (Cont. 3)

	INTAKE WORKS/TREATMENT PLANTS	CAPITAL W.I.P	TOTAL
Cost	Kshs	Kshs	Kshs
At 30th June 2021	-	14,549,962,206	24,331,145,249
Recognition of Omitted Assets	736,900,000	-	11,337,250,000
Additions during the year	-	1,854,061,373	1,866,196,890
Transfers to Medium Dams	-	(228,083,229)	-
Expensed CIWP	-	(777,921,824)	(777,921,824)
Accumulated Depreciation	-	-	(571,851,718)
Revaluation Gain to Revaluation Reserve	-	-	651,142,891
Revaluation Loss on Revalued Assets to Comprehensive Income Statement	-	-	(2,543,054,702)
Transfers to Trade Receivables	-	(501,763,713)	(501,763,713)
Disposals	-	-	(400,000)
At 30th June 2022 - Depreciable	736,900,000	14,896,254,813	33,718,148,072
At 30th June 2022 - Salvage	-	-	72,595,000
As 30th June 2022 - Total	736,900,000	14,896,254,813	33,790,743,072
Additions during the year	-	836,402,838	836,402,838
Disposals	-	-	(2,150,000)
At 30th June 2023 - Depreciable	736,900,000	15,732,657,651	34,552,700,910
At 30th June 2023 - Salvage	-	-	72,295,000
As 30th June 2023 - Total	736,900,000	15,732,657,651	34,624,995,910
Depreciation	-	-	-
At 30th June 2021	-	-	571,851,718
Accumulated Depreciation Clear Out	-	-	(571,851,718)
Depreciation - Expensed during the Year	29,476,000	-	245,239,830
Depreciation - Amortised to Revaluation Reserve	-	-	171,289,054
Disposal	-	-	(100,000)
At 30th June 2022	29,476,000	-	416,428,884
Depreciation - Expensed during the Year	29,476,000	-	245,239,830
Depreciation - Amortised to Revaluation Reserve	-	-	170,826,554
Disposal	-	-	(462,500)
At 30th June 2023	58,952,000	-	832,032,768
Net book Values	707,424,000	-	-
At 30th June 2023	677,948,000	15,732,657,651	33,792,963,142
At 30th June 2022	707,424,000	14,896,254,813	33,374,314,188
Dep Policy Rate	4.00%	0.00%	-

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The Capital Work in Progress includes costs associated with construction of Large Dams and Dykes & Canals. These assets, upon completion, transferred to assets. Details of the capital work in progress are as shown here below:

	2022-2023	Expensed Assets	Transfer to Assets	Transfer to Trade Receivables	Additions	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Large Dams	14,247,901,477				815,421,260	13,432,480,217
Dykes & Canals	1,484,756,174				20,981,578	1,463,774,596
Total	15,732,657,651	-	-	-	836,402,838	14,896,254,813

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24 (b) PROPERTY, PLANT AND EQUIPMENT AT COST

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Hq Land & Other Land	4,634,900,000	0	4,634,900,000
Buildings & Other Developments	1,088,300,000	54,415,000	1,033,885,000
Plant & Field Equipment	156,890,000	10,644,000	146,246,000
Motor Vehicles & Cycles	104,465,000	41,210,000	63,255,000
Furniture & Fittings	21,064,480	8,425,792	12,638,688
Office Equipment	21,333,950	8,533,580	12,800,370
Office Computers & Peripherals	23,251,600	15,501,067	7,750,533
Infrastructural Assets:			
Large Dams	4,000,000,000	160,000,000	3,840,000,000
Medium Dams	4,228,083,229	169,123,329	4,058,959,899
Small Dams/Pans	800,000,000	64,000,000	736,000,000
Boreholes/Wells	164,800,000	8,240,000	156,560,000
Water Tanks/Reservoirs/Booster Stations	2,912,350,000	232,988,000	2,679,362,000
Intake Works/Treatment Plants	736,900,000	58,952,000	677,948,000
	18,892,338,259	832,032,768	18,060,305,491
Large Dams - Capital Work in Progress	14,247,901,477	0	14,247,901,477
Dykes & Canals - Capital Work in Progress	1,484,756,174	0	1,484,756,174
	15,732,657,651	0	15,732,657,651
Total	34,624,995,910	832,032,768	33,792,963,142

Property plant and Equipment includes the following assets that are fully depreciated/salvage:

	Valuation	Normal Annual Depreciation Charge
	Kshs	Kshs
Motor Vehicles & Cycles	21,845,000	5,461,250
Plant & Field Equipment	50,450,000	2,522,500
	72,295,000	7,983,750

25. INTANGIBLE ASSET				
Description	Microsoft Dynamics NAV 2016	Dynamics 365 Business Central	Total	
	KShs	KShs	KShs	KShs
	2022-2023	2022-2023	2022-2023	2021-2022
Cost				
At beginning of the year	37,146,430	24,518,900	61,665,330	37,146,430
Additions-internal development	0	0	0	0
At end of the year	37,146,430	24,518,900	61,665,330	37,146,430
Amortization and impairment				
At beginning of the year	36,002,918	8,091,237	44,094,155	35,439,696
Amortization	377,359	5,421,129	5,798,488	563,222
At end of the year	36,380,277	13,512,366	49,892,643	36,002,918
NBV	766,153	11,006,534	11,772,687	1,143,512
Dep Policy Rate	33%	33%		33%

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26. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Description	2022-2023	2021-2022
	KShs	KShs
Trade payables	804,039,407	866,566,153
Payments received in advance	30,674	30,310,302
Third-party payments	48,251,318	3,617,599
Retention held on behalf of suppliers	570,482,832	555,583,746
Claimables	3,714,733	590,106
Total trade and other payables	1,426,518,963	1,456,667,907

27. CURRENT PROVISIONS

Description	Leave	Gratuity	Audit Fees	Total	2021-2022
	KShs	KShs	KShs	KShs	KShs
Balance at the beginning of the year/period	0	900,556	4,500,000	5,400,556	3,900,556
Additional Provisions for the period	0	1,433,317	1,500,000	2,933,317	1,500,000
Change due to discount and time value of money	0	0	0	0	0
Transfers from non-current provisions	0	0	0	0	0
Total Provisions at the end of the year	0	2,333,873	6,000,000	8,333,873	5,400,556

28. NET CASHFLOWS FROM OPERATING ACTIVITIES

	2022-2023	2021-2022
	KShs	KShs
Surplus for the year before tax	(246,721,501)	(2,997,114,587)
Adjusted for:		
Depreciation and Impairment	251,038,318	253,894,289
Increase in Provision for Doubtful debts	0	40,228,693
Impairment Loss	0	2,543,054,702
Working capital adjustments:		
Change in Inventories	(4,770,031)	5,674,923
Change in Receivables from exchange transactions	(504,417,036)	(186,725,771)
Change in Receivables from non-exchange transactions	13,547,029	9,536,522
Change in Trade and other payables from exchange transactions	(30,148,943)	(301,125,024)
Current provisions	2,933,317	2,400,556
Net cash flows from operating activities	(518,538,846)	(630,175,697)

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29. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Receivables from exchange transactions	1,506,587,112	499,692,398	1,006,894,714	0
Receivables from non exchange transactions	39,943,860	0	39,943,860	0
Bank balances	223,322,959	223,322,959	0	0
Total	1,769,853,931	723,015,357	1,046,838,574	0
At 30 June 2022				
Receivables from exchange transactions	41,221,472	6,019,234	23,129,281	167,577,246
Receivables from non exchange transactions	45,687,414	0	45,687,414	18,302,852
Bank balances	569,834,241	569,834,241	0	0
Total	656,743,127	575,853,475	68,816,695	185,880,098

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade & Other Payables	4,657,898	183,897,654	1,237,963,411	1,426,518,963
Total	4,657,898	183,897,654	1,237,963,411	1,426,518,963
At 30 June 2022				
Trade & Other Payables	305,618,641	8,717,082	93,045,540	407,381,263
Total	305,618,641	8,717,082	93,045,540	407,381,263

(iii) Market risk

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

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

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect

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the *Authority's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Authority considers relevant and observable market prices in its valuations where possible.

iv) Capital Risk Management

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

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	650,265,241	821,091,795
Retained earnings	(4,512,838,551)	(4,266,117,051)
Capital reserve	38,027,893,422	37,021,150,519
Total funds	34,165,320,112	33,576,125,263
Total borrowings	0	0
Less: cash and bank balances	223,322,959	569,834,241
Net debt/(excess cash and cash equivalents)	(223,322,959)	(569,834,241)
Gearing		

30. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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- i) The National Government;
- ii) The Ministry of Water & Sanitation;
- iii) The Board of Directors;

	2022-2023	2021-2022
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	1,623,125,000	3,173,250,003
Grants from County Government	0	0
Donations in kind	0	0
Total	1,623,125,000	3,173,250,003
b) Key management compensation		
Directors' emoluments	17,854,380	31,799,266
Total	17,854,380	31,799,266

31. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2022-2023	2021-2022
	Kshs	Kshs
Court Judgements, Arbitral Awards and Legal Fees	720,876,256	204,568,963
Total	720,876,256	204,568,963

32. CAPITAL COMMITMENTS

Capital commitments	2022-2023	2021-2022
	Kshs	Kshs
Authorised and contracted for:	41,712,000,000	8,290,000,000
Siyoi-Muruny Dam , Koru Dam Water Supply Project , Umaa Dam		
Total	41,712,000,000	8,290,000,000

33. DIVIDENDS/SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority did not make any surplus during the year and hence no remittance to the Consolidated Fund.

34. EVENTS AFTER THE REPORTING PERIOD

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

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35. ULTIMATE AND HOLDING AUTHORITY

The Authority is a State Authority/ or a Semi- Autonomous Government Agency under the Ministry of Water & Sanitation. Its ultimate parent is the Government of Kenya.

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref. No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Focal Point	Status	Time Frame
1.	<p>Parcels of Land Without Ownership Documents</p> <p>The statement of financial position reflects property, plant and equipment balance of Kshs.33,876,077,901 which as reflected in Note 24 to the financial statements includes an amount of Kshs.4,634,900,000 for ninety-three (93) parcels of land. However, t14 have been encroached.</p> <p>Further, out of Kshs.4,634,900,000, only land valued totalling to Kshs.1,040,500,000 have ownership documents leaving a balance of land valued at Kshs.3,594,400,000 with no ownership documents.</p> <p>In the circumstances, accuracy, completeness and ownership of land valued amounting to Kshs.4,634,900,000 could not be confirmed.</p>	<p><i>The Management has noted the Audit findings on the status of the Land presented in the PPE under Note 24. The management has since written to the Parent Ministry Vide letter Ref. No. NWHSA/CEO/00/8/Vol. XXXVIII/(62) dated 8th May, 2023 seeking its intervention including assistance; to reclaim encroached and/or grabbed land, and to obtain ownership documents and possession of all land parcels without such documents.</i></p> <p><i>Furthermore, an Asset and Liabilities Management Committee was appointed to handle PPE issues.</i></p>	CEO	Not Resolved	30 th June 2025
2.1	<p>Unjustified Payments of Legal Fees to Auctioneers</p> <p>The statement of financial performance reflects use of goods and services amount of Kshs.292,437,260 as disclosed in Note 10 to the financial statements which includes Kshs.66,965,401 in respect to legal fees. Review of legal expenses revealed that expenditure totalling to Kshs.7,756,934 was paid out to seven (7) auctioneers as a result of court cases arising from non-payment of pending bills by suppliers. However, these payments were made</p>	<p><i>Auctioneers are engaged by awarded litigants to enforce court awards. In this case, the Authority was compelled to pay these bills under legal fees as this would have led to the Authority's assets being seized and auctioned. On several instances, auctioneers also had break-in orders. Proclamations/warrants of attachments/court orders were provided in support.</i></p> <p><i>Further, the payments to auctioneers were made through</i></p>	CEO	Resolved	30 th June 2023

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without a budget, and without supporting documents including authority from the parent Ministry.

processed certificates and vouchers. Therefore, the Management submits that the expenses were drawn from the Legal vote which had a budget of Kshs.11.5Million.

2.2 Over-Expenditure in Legal Expenses

The statement of financial performance reflects use of goods and services amount of Kshs.292,437,260 and as disclosed in Note 10 to the financial statements which includes legal fees amounting to Kshs.66,965,401(2021:13,667,524). Review of legal expenses revealed that the Authority exceeded the allocated budgeted amounts from Kshs.13,150,000 to Kshs.66,965,402 resulting to an unexplained variance of Kshs.53,815,402 which the Management is yet to explain.

The Management notes that the expenditure recorded was more than the allocated budget. However, this is as a result of the accrual principle of accounting where expenses are recorded when incurred not when paid. The pending bills carried over shall be first charge in the following year.

CEO

Not Resolved

30th June 2024

3.1 Long Outstanding Trade Payables

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.997,483,017 as disclosed in Note 26 to the financial statement which relates to trade and other payables from exchange transactions. Included in the amount is Kshs.398,326,681 which relates to trade payables out of which amounts of Kshs.210,346,865, Kshs.8,717,082 and Kshs.84,844,571 all totaling to Kshs.303,908,518 have remained outstanding for 30 days, more than 30 days and more than 60 days respectively. Further, some of the trade payables date as far back to the year 2016 and are now over six (6) years old. In addition, no statements or acknowledgment from the creditors were presented for audit.

It is true that the Management was holding trade payables of more than 60days totalling to Kshs.303,908,58.00. These were payables which were carried forward as pending bills as the Authority did not have sufficient cash flows to pay the same by the close of the financial year.

CEO

Not Resolved

30th June 2024

Further the management is reconciling its books and circularizing its payables to determine the accuracy or existence of these payables. The same shall be communicated to the Auditors.

3.2 Long Outstanding Retention Held on Behalf of Suppliers

Note 26 to the financial statements reflects a trade and other payables from exchange transaction balance of Kshs.997,483,017 out of which Kshs.555,583,746 is retention monies held on behalf of suppliers. These are monies deducted from development account and deposited

The Management agrees that there existed a variance between monies held in the retention account compared to funds set aside as retention deducted from contractors.

CEO

Not Resolved

30th June 2024

This was a result of inadequate financing of projects through

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to the retention account. However, review of the retention account as disclosed under Note 20(b) revealed a balance of Kshs.117,403,192 resulting to a variance of Kshs.438,180,554. some of these retention monies have been held for over six (6) years and indication that works have not been completed. It is also not clear how the retention monies will be settled as and when they fall due.

budget cuts, inadequate allocation of project thereby triggering first charge allocation on budgets and delayed receipts of grants, where in this case the final grant for the F/Y 2021/2022 was received on 6th July, 2022. This led to delayed transfers of deducted retention from payment as funds are first committed to paying the contractors to avoid litigation and customers related to breach of payment contracts.

The Authority has however, planned on its cashflows to ensure that there is sufficient money to pay out any retention that fall due. This is informed by cashflows based on the projections expected retention release for various project.

The cashflow projections are as tabled hereunder:-

S/NO	AMOUNT (KSHS)	RELATED PROJECT	EXPECTED DUE DATE
1	250,453,287.93	Muruny (siyoi) Dam (lot 2)	50% release - October, 2023 50% release - October 2025
2	235,939,812.35	Muruny (siyoi) Dam (lot 1)	50% release - October, 2025 50% release - October 2022
3	20,367,336.37	Office Building	50% release - January, 2022
4	4,858,331.30	Peace Dam	50% release - F/Y 2022/ 2023
5	43,964,978.43	Small Dams & Pans and boreholes	Due for release on various date in F/Y 2022 -2023 upon reconciliation
	555,583,746.33		

From the above tabulation, the amount that would be due in the short term was Kshs.69,190,66.10 to pay the retention relating to office building, Nakue'tum Peace Dam and Small Dams & Pans. This was well covered by the cash balances at the time.

The management shall continue managing its cashflows prudently to enable it clear outstanding retention as and when they fall due.

Further, a committee was formed to reconcile the retention control account and any historical borrowings. The committee has completed its works and was presented to the Board in the first quarter of the fy 2023-2024. The resolutions from the Board shall be implemented.

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3.3 Long Outstanding Advance Payments

Note 26 to the financial statements reflects a trade and other payables from exchange transaction balance of Kshs.997,483,017 out of which an amount of Kshs.30,310,302 is advance payments by customers. However, advance payments totaling to Kshs.30,279,628 have been outstanding for over ninety (90) days and no evidence of business projects status report was not provided for audit

The long outstanding advances have been cleared in the financial statements for the year ended June 30, 2023 following the implementation of the recommendations of a working party that had been formed to look into the business unit debtors and creditors.

CEO Resolved 30th June 2023

3.4 Long Outstanding Third-Party Payments

The statement of financial position reflects a balance of Kshs.997,483,017 and as disclosed under Note 26 includes trade payables amounting to Kshs.407,381,263 out of which Kshs.5,890,820 relates to third party payments which were outstanding in relation to income tax deduction on consultancies, VAT Withheld, PAYE, NSSF, NHIF, employee Sacco deductions and other salary deductions. However, no support documents were provided for audit.

Reconciliation of the control accounts has been finalized and the ledgers have been duly updated. On the Taxes, the Authority has obtained a tax clearance certificate.

CEO Resolved 30th June 2023

4. Long Outstanding Reconciling Items

The statement of financial position reflects cash and cash equivalent balance of Kshs.569,834,242 as disclosed in Note 20 to the financial statements. Review of the bank reconciliation statements revealed unposted and undercast items in the cash book from prior years that have not been reconciled as shown below:

The board of directors in its 2nd full board meeting held on 19th and 20th December resolved to approve the writing-off of the unreconciling/unposted items from the books of the authority though accumulated reserves in line with the PFM Act regulation 2015 clause 148 and 157. The board also resolved that the board approves the authorization of the Management by the board to pursue the write off process to its logical conclusion

CEO Not Resolved 30th June 2024

Account Name	Account No.	Description	Amount Outstanding (Kshs.)
Special Account	1114279978	Unposted Items- June 2016	2,133,280.70
Development Account	1114280593	Unposted Items- June 2009	24,671,142.01
Recurrent Account	1114280488	Cashbook Undercast	1,956,997

The management shall fast-track the writing off process as approved.

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Recurrent Account	1114280488	Unposted Items 2006-2009	5,056,008.60
Special Account	1114279978	Unposted Items	2,133,280

In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs.569,834,242 could not be confirmed.

5. Material Uncertainty Related to Sustainability of Services

The statement of financial performance reflects deficit for the year of Kshs.2,997,114,587 (2021: deficit 569,703,026). The Authority recorded accumulated deficit of Kshs.4,266,117,051 from deficit of Kshs.1.269,002,463 recorded in the year 2021.

Further, although the current liabilities of Kshs.1,442,068,463 do not exceed the current assets of Kshs.1,646,308,364, the receivables from exchange transactions balance of Kshs.1,002,170,075 includes trade receivables totalling to Kshs.961,867,363 that are over sixty (60) days old and are therefore not considered as current assets.

This material uncertainty in relation to sustainability of services and mitigating measures to reverse the undesirable precarious financial position have not been disclosed in the financial statements.

The Authority is a non-income generating entity which majorly relies on Government exchequer financing to achieve its mandate of Flood Control and Water Storage.

CEO

Not Resolved 30th December 2024

The YEAR'S DEFICIT AND ACCUMULATED DEFICIT had been escalated by non cash based expenses, including:

- An extra-ordinary impairment loss of the Authority's PPE (Kshs.2,543,054,702),*
- Depreciation and amortization expenses (253,894,289),*
- Increase in provision for bad and doubtful debt (Kshs.40,228,693),*
- Unbudgeted expenses related to Rendering of Services under Note 10 of Kes.74,702,906 which are expenses incurred in-order to generate Appropriations in Aid,*
- Inability to collect the budgeted A.I.A., and*
- Accrued expenses under the Legal Fees, Medical and Security Costs which are reported in compliance with the Accrual Principle.*

On the CURRENT ASSETS AND CURRENT LIABILITIES, the Authority is well covered at a Current Ratio of 1.13:1. Therefore, the Authority can meet its short term financial obligations.

The Authority formed a Special Programmes committee to explore other modes of project financing. In addition to lobbying for additional funds to clear pending bills and thus improve on the liquidity position.

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Emphasis Litigation Expenses as Contingent Liabilities

Note 31 to the financial statements reflects a balance of 328,668,387 as contingent liabilities notably court judgements, arbitral awards and legal fees. A sample of four (4) cases audited revealed that the authority incurred unnecessary litigation interest of Kshs.87,186,779 against the principal amounts of Kshs.106,084,855 which is 82% of the principal amount. Continued payments of litigation interest will adversely affect the operations of the Authority

The Management agrees that it continues to suffer heavy litigation interest on court matters that are ruled against it. CEO

Not Resolved 30th December 2025

The matters in court are historical and suffer lack of credible witnesses due to the absence of institutional memory as most of the staff who would have great knowledge of the matters have exited the Authority. Further, the Authority lacks documentation on matters which relate to the period before September, 2009 as vital records were destroyed in an inferno that burnt down the Authority's buildings.

However, the Management has requested for funding of the litigation expenses



John K. Muhia (P. Eng. Tech.)
Ag. Chief Executive Officer

Date..... 27/03/2024



Mr. Simon Kimaru
Chairman of the Board

Date..... 27/03/2024

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APPENDIX II: PROJECTS IMPLEMENTED BY THE AUTHORITY

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
		Ksh	Ksh		Ksh	Ksh	
	Complete Projects						
	ASAL Projects						
1	Dusebima Pan	14,095,065.00	13,291,048.00	100%	15,000,000.00	13,291,048.00	GoK
2	Matadaka Pan	12,905,095.50	12,624,349.60	100%	13,500,000.00	12,624,349.60	GoK
3	Kathuli Pan in Mwingi North and Yongela Dam in Mutomo in Kitui County	28,425,188.00	27,772,035.00	100%	29,000,000.00	27,772,035.00	GoK
4	Aresa Pan in Mandera County	14,500,000.00	12,067,016.00	100%	14,500,000.00	12,067,016.00	GoK
	Water for Schools/Cross County/Ground Water Projects						
1	Tuigoin WSH Group-Drilling and Equipping Borehole & Construction of elevated pressed water tank	7,699,952.40	7,020,088.00	100%	8,000,000.00	7,020,088.00	GoK
2	Kianyoro Dam	9,297,420.00	9,297,421.00	100%	10,000,000.00	9,297,421.00	GoK
	Dykes - Flood Control Programme						
1	Perkera - Murda-Kona Mbaya / Marigat High Sch	15,000,000.00	12,506,560.00	45%	15,000,000.00	12,506,560.00	GoK
2	Iresaboru	15,000,000.00	12,996,800.00	100%	15,000,000.00	12,996,800.00	GoK
3	Olopito Gravity Dam	5,000,000.00	4,883,658.00	100%	5,000,000.00	4,883,658.00	GoK
	Ongoing Projects						
1	Muruny (Siyoi) Dam	12,375,000,000.00	10,450,678,683.50	75%	1,100,000,000.00	1,100,000,000.00	GoK
2	Soin-Koru Dam	22,500,000,000.00	210,661,266.93	6%	-	-	GoK
3	Badasa Dam	3,627,316,000.00	2,252,092,653.00	40%	20,000,000.00	20,000,000.00	GoK
4	Umaa Dam	2,771,024,000.00	1,323,020,189.18	40%	20,000,000.00	20,000,000.00	GoK
	ASAL Projects						
1	Weir across River Makiana in Gatanga Sub-County and Upgrade Of Malewacanyary Raw Water Main in Nyandarua North Sub-County	27,518,500.00	22,197,271.40	80%	28,000,000	22,197,271.40	GoK
	Water for Schools/Cross County/Ground Water Projects						
1	Kabage Primary	7,922,521.60	0	50%	8,000,000	0	GoK

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	School-Drilling and Equipping Borehole & Construction of elevated pressed water tank						
2	Sangwe Primary School-Drilling and Equipping Borehole & Construction of elevated pressed water tank	7,748,475.20	0	50%	8,000,001	0	GoK
3	Ramoya Primary School-Drilling and Equipping Borehole & Construction of elevated pressed water tank	7,989,755.20	0	50%	8,000,002	0	GoK
4	Mukima Dispensary-Drilling and Equipping Borehole & Construction of elevated pressed water tank	7,655,953.60	0	50%	8,000,003	0	GoK
5	Baricho Secondary School-Drilling and Equipping Borehole & Construction of elevated pressed water tank	7,999,848.36	0	50%	8,000,004	0	GoK
6	St. John Buko Secondary School-Drilling and Equipping Borehole & Construction of elevated pressed water tank	7,999,860.54	0	0%	8,000,005	0	GoK
7	Kurket Primary School-Drilling and Equipping Borehole & Construction of elevated pressed water tank	7,590,454.20	1,703,999.38	100%	8,000,006	1,703,999	GoK
8	Maili 46 Elangata Wuas Primary School-Drilling and Equipping Borehole & Construction of elevated pressed water tank	7,829,728.50	0	40%	8,000,007	0	GoK
9	Mukuyu Primary School-Drilling and Equipping Borehole & Construction of elevated pressed water tank	7,647,456.00	0	Dry	8,000,008	0	GoK
10	St. Josephs Nalondo Girls-Drilling and Equipping Borehole & Construction of elevated pressed water tank	7,652,328.00	0	Dry	8,000,009	0	GoK
11	Muyai Primary School-Drilling and Equipping Borehole & Construction of elevated pressed water tank	7,757,076.00	0	90%	8,000,010	0	GoK
12	Manyanoru Dam	7,759,465.00	0	90%	10000000	0	GoK

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APPENDIX III: INTER-AUTHORITY TRANSFERS

ENTITY NAME:		NATIONAL WATER HARVESTING & STORAGE AUTHORITY		
Break down of Transfers from the State Department of Water				
	FY 2022-2023			
a.	Recurrent Grants			
		Bank Statement Date		Indicate the FY to which the amounts relate
		Month/day/year	Amount (KShs)	
		8/4/2022	31,916,667.00	FY 2022-2023
		9/9/2022	31,916,667.00	FY 2022-2023
		10/5/2022	31,916,666.00	FY 2022-2023
		11/18/2022	31,916,667.00	FY 2022-2023
		12/14/2022	31,916,667.00	FY 2022-2023
		1/5/2023	31,916,666.00	FY 2022-2023
		2/6/2023	31,916,667.00	FY 2022-2023
		3/23/2023	31,916,667.00	FY 2022-2023
		4/14/2023	31,916,667.00	FY 2022-2023
		6/6/2023	21,916,667.00	FY 2022-2023
		6/26/2023	21,916,667.00	FY 2022-2023
		6/30/2023	21,916,665.00	FY 2022-2023
			353,000,000.00	
b.	Development Grants			
		Bank Statement Date		Indicate the FY to which the amounts relate
		Month/day/year	Amount (KShs)	
		7/6/2022	227,500,000.00	FY 2021-2022
		9/29/2022	225,000,000.00	FY 2022-2023
		9/29/2022	27,000,000.00	FY 2022-2023
		6/23/2023	400,312,500.00	FY 2022-2023
		6/26/2023	390,312,500.00	FY 2022-2023
		Total	1,270,125,000.00	
The above amounts have been communicated to and reconciled with the Parent Ministry				
Finance Manager				
NWHSA				
Sign	-----			

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

General Manager Finance
National Water Harvesting & Storage Authority

Sign -----

Head of Accounting Unit
Ministry of Water, Irrigation
and Sanitation

Sign-----

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APPENDIX IV: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

NWS&I	Date received	Nature: Recurrent/Develop ment/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferr ed Incom e	Recei vable s	Others - must be specifi c	
MWS&I	8/4/2022	Recurrent Grants	31,916,667.00	31,916,667.00					31,916,667.00
MWS&I	9/9/2022	Recurrent Grants	31,916,667.00	31,916,667.00					31,916,667.00
MWS&I	10/5/2022	Recurrent Grants	31,916,666.00	31,916,666.00					31,916,666.00
MWS&I	11/18/2022	Recurrent Grants	31,916,667.00	31,916,667.00					31,916,667.00
MWS&I	12/14/2022	Recurrent Grants	31,916,667.00	31,916,667.00					31,916,667.00
MWS&I	1/5/2023	Recurrent Grants	31,916,666.00	31,916,666.00					31,916,666.00
MWS&I	2/6/2023	Recurrent Grants	31,916,667.00	31,916,667.00					31,916,667.00
MWS&I	3/23/2023	Recurrent Grants	31,916,667.00	31,916,667.00					31,916,667.00
MWS&I	4/14/2023	Recurrent Grants	31,916,667.00	31,916,667.00					31,916,667.00
MWS&I	6/6/2023	Recurrent Grants	21,916,667.00	21,916,667.00					21,916,667.00
MWS&I	6/26/2023	Recurrent Grants	21,916,667.00	21,916,667.00					21,916,667.00
MWS&I	6/30/2023	Recurrent Grants	21,916,665.00	21,916,665.00					21,916,665.00
MWS&I	7/6/2022	Development Grants	227,500,000.00		227,500,000.00				227,500,000.00
MWS&I	9/29/2022	Development Grants	225,000,000.00		225,000,000.00				225,000,000.00
MWS&I	9/29/2022	Development Grants	27,000,000.00		27,000,000.00				27,000,000.00
MWS&I	6/23/2023	Development Grants	400,312,500.00		400,312,500.00				400,312,500.00
MWS&I	6/26/2023	Development Grants	390,312,500.00		390,312,500.00				390,312,500.00
Total			1,623,125,000.00	353,000,000.00	1,270,125,000.00	0.00	0.00	0.00	1,623,125,000.00

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APPENDIX V- INTER-ENTITY CONFIRMATION LETTER

Letter head

The Principal Secretary,
State Department for Irrigation
Ministry of Water, Sanitation and Irrigation,
P.O. Box 49720-00100,
NAIROBI.

The [NATIONAL WATER HARVESTING & STORAGE AUTHORITY] wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [NATIONAL WATER HARVESTING & STORAGE AUTHORITY] as at 30th June (2023)

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June (Current FY)			Amount Received by [beneficiary Entity] (KShs) as at 30 th June (Previous FY) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
	8/4/2022	31,916,667.00			31,916,667.00	
	9/9/2022	31,916,667.00			31,916,667.00	
	10/5/2022	31,916,666.00			31,916,666.00	
	11/18/2022	31,916,667.00			31,916,667.00	
	12/14/2022	31,916,667.00			31,916,667.00	
	1/5/2023	31,916,666.00			31,916,666.00	
	2/6/2023	31,916,667.00			31,916,667.00	
	3/23/2023	31,916,667.00			31,916,667.00	
	4/14/2023	31,916,667.00			31,916,667.00	
	6/6/2023	21,916,667.00			21,916,667.00	
	6/26/2023	21,916,667.00			21,916,667.00	
	6/30/2023	21,916,665.00			21,916,665.00	

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	7/6/2022		227,500,000.00		227,500,000.00		
	9/29/2022		225,000,000.00		225,000,000.00		
	9/29/2022		27,000,000.00		27,000,000.00		
	6/23/2023		400,312,500.00		400,312,500.00		
	6/26/2023		390,312,500.00		390,312,500.00		
Total		353,000,000.00	1,270,125,000.00		1,623,125,000.00		

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of State Department of Water/Irrigation:

Name _____ **Sign** _____ **Date** _____

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APPENDIX VI: REPORTING OF CLIMATE RELEVANT EXPENDITURES

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
NONE									

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APPENDIX VII: REPORTING ON DISASTER MANAGEMENT EXPENDITURE

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
1015000 Water Storage and Flood Control	1104102100 Flood Control	Floods	Mitigation	Dykes/River training/Check dams construction	102.5Million	Construction of dykes along river banks, river training and construction of check dams.

