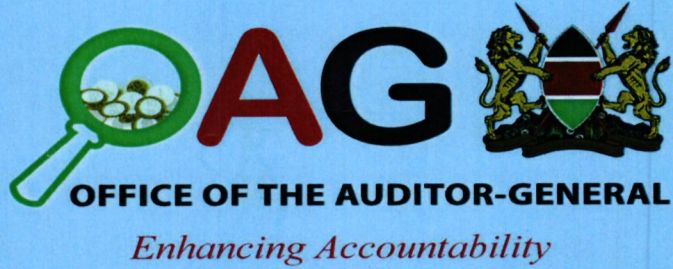
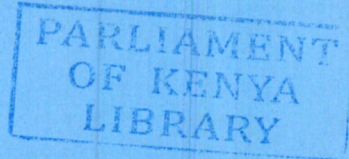



REPUBLIC OF KENYA



REPORT



OF

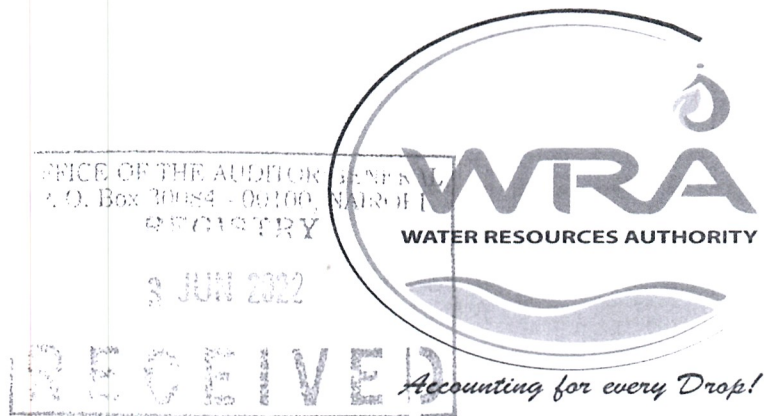
 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 15 FEB 2023	
DAY: Wed	
TABLED BY:	LOM
CLERK-AT THE-TABLE:	M. Mado

THE AUDITOR-GENERAL

ON

WATER RESOURCES AUTHORITY

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



WATER RESOURCES AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2021

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

Table of Contents

KEY ENTITY INFORMATION AND MANAGEMENT	iii
MANAGEMENT BOARD.....	x
MANAGEMENT TEAM	xiv
CHAIRMAN’S STATEMENT	xvi
REPORT OF THE CHIEF EXECUTIVE OFFICER	xviii
CORPORATE GOVERNANCE STATEMENT	xxii
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY.....	xxxvii
REPORTING	xxxvii
REPORT OF THE MANAGEMENT BOARD	xl
STATEMENT OF DIRECTORS’ RESPONSIBILITIES.....	xli
REPORT OF THE INDEPENDENT AUDITORS ON WATER RESOURCES AUTHORITY	xlii
STATEMENT OF FINANCIAL PERFORMANCE	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF CASH FLOWS	4
FOR THE YEAR ENDED 30 JUNE 2021	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
NOTES TO THE FINANCIAL STATEMENTS	7
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	47
APPENDIX III: INTER-ENTITY TRANSFERS	54
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	56

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Water Resources Management Authority was established pursuant to the provision of Section 7 of the Water Act, 2002, Laws of Kenya and was operationalized in July 2005. The Authority's principal mandate under this legislation was the management of water resources in the whole country.

A new statutory regime necessitated by the need to conform to the Constitution of Kenya 2010, international instruments that Kenya has ratified by virtue of Article 2(6) of the Constitution as well as Vision 2030 and the Sustainable Development Goals (SDG's); legislation of the Water Act, 2016 was accordingly initiated. The Water Act, 2016 was passed into law on 14th September, 2016 and came into operation on 21st April, 2017. This effected a change of the Authority's name from Water Resources Management Authority to Water Resources Authority.

The Water Resources Authority (WRA) is established under Section 11 of the Water Act, 2016 and is mandated, on behalf of the National Government to regulate the management and use of water resources across the country.

Our approach as an Authority in safe guarding the resource is entrenched in the Country's Big 4 development agenda, Vision 2030 strategic objective on water and sanitation and the SDG 6 all these agenda's and objectives aim not only to increase water resources availability for multipurpose use but also improve the quality and sustainability of water resources.

Water Resources Authority operates through the Regional Offices established in the six Basins, namely: Athi, Ewaso Ngiro, Lake Victoria South, Lake Victoria North, Rift Valley and Tana Catchment Areas. The Catchment Areas have been proposed for gazettelement as Basin Areas for purposes of compliance with the provisions of the Water Act, 2016. In addition, the Authority has delineated the six Basins into 26 Sub-basins which operate as sub-regional offices. The Authority partners/collaborates with key stakeholders in integrated water resource management activities to deliver its mandate to the public.

(b) Principal Activities

The principal mandate of the Authority is to regulate the management and use of water resources on behalf of the National Government.

Vision

To be a global leader in Water Resources Regulation and Management

Mission

To effectively regulate and manage water resources for sustainable development

Strategic Objectives

1. Strengthening monitoring networks to enhance data collection and improve information management system.
2. Improving the use of water resources management tools for effective water resources planning and allocation
3. Strengthen stakeholder collaboration to enhance water storage and adaptation to climate change impact
4. Strengthen enforcement mechanism and collaboration for effective catchment protection and conservation
5. Building staff capacity and improving work environment
6. Enhance Resources mobilization and effective use of finance.

(c) Key Management

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

- Management Board
- Chief Executive Officer
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	- Mohammed M. Shurie
2.	Finance and Administration Manager	- Protus Salasya
3.	Technical Coordination Manager	- Eng. Boniface Mwaniki
4	Chief Legal Officer	-Janet Olewe

(e) Fiduciary Oversight Arrangements

Management Board

The powers and functions of the Authority are exercised and performed under the direction of the Management Board which consists of a Chairman appointed by the President, five independent Directors and four members appointed by the Cabinet Secretary responsible for matters relating to water and representatives from various oversight offices, namely:

- a). The Principal Secretary responsible for matters relating to finance or his representative;
- b). The Principal Secretary responsible for matters relating to water or his representative;
- c). The Principal Secretary responsible for matters relating to environment or his representative;
- d). The Principal Secretary responsible for matters relating to land or his representative

Section 15(1) of the State Corporations Act Cap. 446 gives Boards of Directors the responsibility for management of the affairs of State Corporations. In this regard the Board is accountable for the moneys, financial business and the management of the Authority.

Under the Water Act, 2016, the Board's functions are to:

- a). Administer the assets of the Authority in such manner as best promotes the purpose for which the Authority is established;
- b). Ensure protection, where necessary, of the assets and developments of the Authority;
- c). Determine the provisions to be made for capital and recurrent expenditure and for the reserves of the Authority;
- d). Receive any grants, gifts, donations or endowments and make legitimate disbursements there from;

- e). Invest any funds of the Authority not immediately required for its purposes;
- f). Delegate any of its powers; and
- g). Undertake any activity necessary for the fulfillment of any of the functions of the Authority.

Board Committees

Finance and Support Services Committee

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

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

Resource Mobilisation Committee

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

Technical Committee

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

Audit Committee

Final management reports are submitted to the board audit and Risk committee having been verified by the Authority's head of Internal Audit.

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

Ministry of Water, Irrigation and Sanitation

Every year the Authority submits an annual report on the state of national water resources strategies in Kenya. The water situation report and performance report is disseminated to the public for purposes of their information and feedback.

Quarterly and Annual management reports submitted to the Ministry of Water and Sanitation for review and approval of the budgetary requirements before presentation to the parliamentary investment committee of environment and natural resources.

Parliamentary investment committee and Parliamentary committee on environment, and natural resources.

Budget proposals and implementation reports are reviewed by the parliamentary committee for environment and natural resources. The final financial reports are submitted to the parliamentary investment committee to ensure value for money and adherence to Government financial regulations and procedures.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) WRA Headquarters

Water Resources Authority
NHIF Building, 4th, 9th & 10th Floors.
Ragati Road
P. O. Box 45250-00100
Nairobi, Kenya

(g) WRA Contacts

Tel. 2732291, 2729048/49
E-mail: wra@wra.go.ke
Website: www.wra.go.ke
Twitter: @WRA_Kenya

(h) WRA Bankers

1. National Bank of Kenya
Hill Branch
P.O. Box 45219-00100
Nairobi, Kenya
2. Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 48400 - 00100
Nairobi, Kenya
3. Equity Bank
Community Branch
P.O. Box 75104-00100
Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

Advocates:

1. Prof. Albert Mumma & Company Advocates
5th avenue office suites
5th floor suite no. 1
5th Ngong Avenue
P.O Box 10481 – 00100
Nairobi, Kenya

2. Garane & Associates Advocates
P.O Box 20617-00100
Nairobi
Hughes Building
4th Floor Kenyatta Avenue
0205100194/2631541
Info@garane advocates.com

MANAGEMENT BOARD

	<p>Hon. Capt. Joe Mutambu</p> <p>Hon Joe Mutambu is a businessman and a former Member of Parliament for Mwingi central constituency. He has vast experience in areas of leadership, community organizing and Public administration.</p> <p>He has a Bachelor of commerce degree from Methodist university and a diploma in in security management.</p> <p>Chairman of Water Resources Authority Management Board.</p> <p>DOB: 1st January, 1967</p>
	<p>Ms. Rael Chebichii Lelei</p> <p>Ms. Rael Chebichii is a social worker and community development specialist. She has a Bachelor’s degree in development studies and currently pursuing master’s in public relations at Mount Kenya University.</p> <p>Independent Director</p> <p>DOB: 15th December, 1984</p>
	<p>Mr. Nelson patrick baiyu</p> <p>Mr. Baiyu has been a captain and a chief officer (deep-sea foreign going ships) for over 25years. Capt. Bayu has Btec (Nautical science & shipping) UK and Master mariner (class 1 deck –nautical science & shipping) UK. He is an independent director and member of audit committee</p> <p>Dob: 22nd November, 1954</p>



Augustine K. Kenduiwo

P.S. Representative, Ministry of Environment and Forestry'

Mr. Kenduiwo is a Deputy Director Climate Change in the Ministry of Environment and Forestry. Holder of BSc. Agriculture and Masters Degree in Environmental Planning and Management. A career Civil servant with over 29 years experience in the fields of Agriculture and Environmental Stewardship within the Public Sector.

DOB: 1st March 1965



Rev. Simon Kiuta Lonyayo

A university lecturer and theologian of over 30 years and has been a director in various state corporations for over 6 years.

Rev Kuita has Master of Divinity (M.DIV) and currently pursuing Phd. in theology in Africa International University.

He is an independent Director and Member of Audit committee

DOB: 1st June, 1964







Ms. Rose Ndinda Wambua

Rose is an experienced Banker with over 30 years in the industry. She is a critical thinker with excellent problem solving skills and passion in sustainable development of businesses.

She is an Associate in Banking and has a Bsc. Major: Business Administration (honors) from USIU.

Currently she an independent director and Chairperson Audit and Risk Committee

DOB: 14th July, 1961

	<p>Mr. Eric Wokabi Mungai</p> <p>He is a Businessman with vast experience in finance and operations.</p> <p>Mr. Mungai is a holder of Bachelor of Commerce degree and a Certified Public Accountant.</p> <p>Currently an independent director and Chairperson Board Resource Mobilization Committee</p> <p>DOB: 8th May, 1966</p>
	<p>Mr. John Legishion Kitilit</p> <p>Holder of Higher Dip. Engineering. A career Administrator with over 30 years' experience in Public Service.</p> <p>Currently an independent director and Chairperson Board Finance Committee</p> <p>DOB: 2nd February, 1962</p>
	<p>Mr. Moses K. Kanagi</p> <p>CS. Representative, the National Treasury</p> <p>Mr. Kanagi is an Economist with over 20 years' experience in Public Sector. Currently he is the Director External Resources at the National Treasury. He a BA and Masters Degree in in Economics.</p> <p>DOB: 23rd August, 1966</p>
	<p>Mr. David Gichuhi</p> <p>Representative Inspector General of State Corporations</p> <p>Mr Gichuhi is a career Administrator specifically bringing in oversight roles of Inspector General of state corporations. He hold a Bachelor of Arts degree.</p> <p>DOB: 12th August, 1962</p>



Mr. Ndiani Nderi

P.S. Representative State Department of Water.

An advocate of the High Court of Kenya with 10 years' experience in the practice of law.

He holds a Bachelor of Laws Degree (LL.B) and a Post-Graduate Diploma from the Kenya School of Law.

DOB: 6th August, 1983



Mr. Mohamed Mouldid Shurie

Chief Executive Officer is the accounting officer of the Authority and an *ex officio* member of the Board.

BSC Phy/Math, BSC Geology, MBA Executive, with over 25 years experience in the public service. He is a registered Geologist.

DOB: 8th December, 1962







Mrs. Janet Olewe-Ochieng'

Chief Legal Officer

An advocate of the High Court of Kenya with 10 years' experience in the practice of law.

She holds a Bachelor of Laws Degree (LL.B) and a Post-Graduate Diploma from the Kenya School of Law.

MANAGEMENT TEAM

	<p>Mr. Mohamed M. Shurie</p> <p>Chief Executive Officer and an <i>ex officio</i> member of the Board.</p> <p>BSC Phy/Math, BSC Geology, MBA Executive, with over 25 years experience in the public service</p>
	<p>Mr. Protus W. Salasya</p> <p>Finance and Administration Manager.</p> <p>BBAM (Finance) with experience of over 30 years in the public service</p>
	<p>Eng. Boniface M. Mwaniki</p> <p>Technical Coordination Manager</p> <p>BSC. Agri-Engineering and MBA in Project Planning and Management with over 28 years of experience in public service.</p>
	<p>Mrs. Janet Olewe-Ochieng'</p> <p>Chief Legal Officer/Company Secretary</p> <p>An advocate of the High Court of Kenya with 10 years' experience in the practice of law.</p> <p>She holds a Bachelor of Laws Degree (LL.B) and a Post-Graduate Diploma from the Kenya School of Law.</p>



Mrs. Jane Kiyai

Chief Supply Chain Management Officer

She holds a Master of Science in Procurement and logistics, BCOM-Management and professional membership of MCIPS and MKISM with 32 years of experience in the public service.

CHAIRMAN'S STATEMENT



On behalf of the Management Board, Management and Staff of WRA, it is my pleasure to present to you the Annual Report and Financial Statements for the year ended 30th June 2021. We are optimistic that WRA team is moving in the right direction, despite the challenges that we may encounter. I am confident that the Governing Board will continuously improve on efficiencies and its mandate, to make WRA the best Authority.

Corporate Performance

During the period under review the Authority was able to make the following achievements;

- a) Improved compliance to regulation of water use by increasing the volume of water abstracted under permit by **(100,000 m³/d from 87,927,519m³/d)**
- b) The Authority's 5-year Strategic Plan running from 2018-2022 was reviewed and presented to key stakeholders
- c) Recognitions of authority's performance in implementation of presidential commitments and circulars which fed into president's state of the nation address
- d) Developed self-declaration forms for senior managers which were filled and submitted to the EACC for vetting
- e) The Authority also enhanced revenue collection by adopting internet and mobile banking through Mpesa platform this came along with a developed ICT policy which the Authority has implemented to enhance the sharing of information.
- f) Conservation efforts through tree planting aimed at protection of catchment areas.
- g) Construction and Rehabilitation of water monitoring stations.
- h) Abstraction Survey and pollution control: This projects main objective was to ascertain water resources status with regard to quantity and quality, point and non-point sources of pollution, the compliance to the water regulations and develop Water Allocation Plans for equitable and sustainable use of water resources.

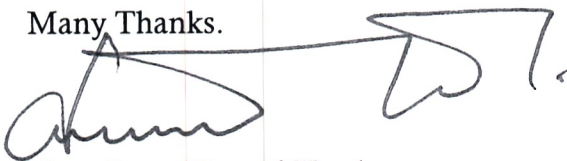
- i) Implementation of Sub Catchment Management plans (SCMPs) across Lake victoria North, lake victoria south, Athi, Tana, Ewaso Ngiro and Rift Valley.
- j) Implementation of an information and knowledge management system. The system has been implemented and customized on the basis of MIKE INFO, DHI's platform for managing data and information for water resources planning and management.

The Authority is carrying out its mandate as set out in the Water Act 2016 and the Water Resources Management Rules, 2007 and I am pleased to report that we are on track towards achieving the targets we set out for this financial year.

Appreciation

On behalf of the Management Board, I would like to extend my sincere thanks to the stakeholders for their continued contribution and support; the Board for its dedication and visionary leadership; to the National Government for its support and guidance; and to Management team and Staff for their tireless dedication to the implementation of the company's Strategic plan and call upon them to continue with the high level of dedication. I also extend my gratitude to all our partners and stakeholders for their continued support to the WRA Vision.

Many Thanks.



Hon. Isaac Kuntai Kool
CHAIRMAN, WRA MANAGEMENT BOARD

REPORT OF THE CHIEF EXECUTIVE OFFICER



It is my pleasure to present the achievement of WRA for the financial year 2020/2021. This has provided us with great opportunities as Water Resource Authority (WRA) giving us the motivation that is required to forge forward as an institution with the transformation. Through the Water Act 2016, which was then operationalized later in April 2017, the operationalization of the Water Act 2016 changed WRMA's name and mandate to Water Resources Authority (WRA).

In order to realize the WRA mandate under the "Water Act 2016", we need to act accordingly to protect our water resources, manage, use and allocate appropriately. A coherent and consistent water regulation system that serves both business and the community guarantees that everyone can benefit from it by being involved. This can be done through facilitating water-use efficiency, advocating for sustainable water policies and practice, sharing information and investing in public infrastructure. As a Nation we are facing an overwhelming challenge of uncontrolled development in urban centers which has led to the high demand of our already scarce water resources. There is need to reflect on the extent to which we can be able to sustain availability of the precious commodity.

For WRA to realize its mandate, it's our duty to work towards achieving Vision 2030 as we steer forward the BIG 4 Agenda of:

- Food Security
- Affordable Housing
- Health Care for all
- Manufacturing

Revenue

The Authority put in place measures to ensure financial sustainability in its operations. The allocations received from the exchequer have been low over the years. This has put pressure on the Authority to improve on revenue collection.

During the period ended 30th June 2021 the Authority was able to collect cumulatively KES 795,858,996 million as internally generated funds (AIA). A setback in realization of set targets was the covid-19 pandemic but the Management intends to intensify efforts and improve on the level of revenue collections in future in order to reduce the current financing gap.

Expenses

The Authority's expenses were cumulatively KES 1.538,336,433 Billion of which staff costs salaries and other remunerations still remains the major cost component accounting for 57 % of the total expenses.

In comparison to available funds of KES 1.515,439,484 Billion the authority operated on a KES 22,896,949 deficit.

Innovation

The Authority believes in continuous innovation in improving service delivery to its stakeholders. The Authority has embraced the use of Information Communication Technology (ICT) in the provision of services. As of end of the financial year under review, the Authority had configured File Transfer Protocol (FTP) server to enable online submission of databases for surface water, ground water, water quality and climate data (i.e. data on precipitation, temperature and humidity). The Authority is implementing the Smart Meter installation by all water abstractors.

Education and awareness creation

One of the core functions of the Authority is to educate the population and create environmental awareness in the country. This is done by engaging several stakeholders in diverse sectors of the economy, undertaking awareness activities, and meeting the general public. The following activities were undertaken during the FY 2020/2021:

- Hosted KWSCRIP Basin Planning forums which involved stakeholders from all the 6 basins to create awareness on the need to conserve the Basin Areas.

- a) Athi Basin Area
- b) Tana Basin Area
- c) Ewaso Ngiro Basin Area
- d) Rift Valley Basin Area
- e) Lake Victoria North Basin Area
- f) Lake Victoria South Basin Area

- Finalized the gazettelement process of Lamu groundwater entailing review of land ownership entitlements with a view to conserve Lamu sand dunes catchments.

Partnerships

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

- World Bank funded - Kenya Water Security and Climate Resilience Project (KWSCR)

Employee relations

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

The Authority believes in the best skills for best performance. It has therefore continuously improved staff development. During the period under review a number of staff were trained on Quality Management System ISO 9001: 2015 amongst other courses.

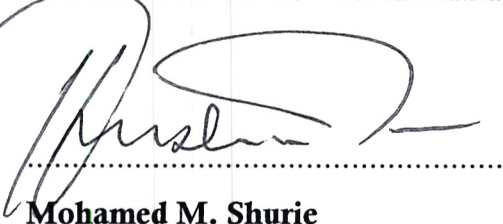
Commitment to quality

The Authority is committed to the continual improvement of Quality Management System (QMS) processes and was in the process of transiting to ISO 9001: 2015. The top management was sensitized on this while the surveillance audit for the period was undertaken.

Conclusion

I wish to appreciate the Chairman and the Management Board for their support throughout this period. I am also grateful to our parent Ministry of Water, Sanitation and irrigation our development partners and to all our stakeholders for their unwavering trust, support and partnership towards the execution of the Authority's mandate. And to the staff and management, I am indeed honored to be a part of the Water Resources Authority team. The Authority has continued to undertake this mandate and achieved remarkable results despite a number of challenges faced. I believe that with your continued support and commitment, we shall be able

to deliver our services more efficiently and effectively to impact more people in respect to water resources and environmental management services.



.....

Mohamed M. Shurie
Chief Executive Officer.

2-6-2022
.....

Date

CORPORATE GOVERNANCE STATEMENT

The Management Board of the Water Resources Authority established under the Water Act 2016 is made up of six members appointed by name and a Chairperson. The Board membership also comprises a representative of the Cabinet Secretary, The National Treasury as well as representatives of the respective Principal Secretaries, Ministry of Water- Sanitation and Irrigation, Ministry of Lands and Housing, Ministry of Environment and Natural Resources, and the Inspectorate of State Corporations. The Chief Executive Officer is an *ex officio* member of the Board.

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

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

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

Board Committees:

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

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

Changes in Board composition:

Towards the end of the financial year under review two directors were replaced and one director appointed. This changes the composition of various committees as shown below.

Mr. David Gichuhi Representative Inspector General of State Corporations, Career Administrator specifically bringing in oversight roles of Inspector General replaced by **Mr. James Sitienei** who will represent the Inspector General of State Corporations in three committees.

Mr. Augustine K.Kenduiwo appointed P.S. Representative Ministry of Environment and Forestry. He's A Career Civil Servant with over 29 years in the field of Agriculture and Environmental stewardship within the public sector. He will represent the P.S. Ministry of Environment and Forestry in three committees.

Name of Director	Board Position	Audit & Risk	Finance and Support Services	Resource Mobilization	Technical
Hon. Joe Mutambu	Chairman				
Ms. Rael Chebichii Lelei	Board Member		Member	Member	Chairperson
Mr. Nelson Pautrick Baiyu	Board Member	Member		Member	Member
Rev. Simon Kiuta Lonyayo	Board Member	Member			
Ms. Rose Ndinda Wambua	Board Member	Chairpersons on		Member	
Mr. Eric Wokabi Mungai	Board Member		Member	Chairperson	Member
Mr. John Legishion Kitilit	Board Member		Chairperson	Member	Member
Mr. Moses K. Kanagi	CS Rep. Treasury		Member	Member	Member
Mr. David Gichuhi	Rep. IG. Insp .State Corporation	Member	Member	Member	
Mr. James Sitiency	Rep. IG. Insp.State Corporation	Member	Member	Member	
Mr.Ndiani Nderi	Ps.Rep.MoW	Member	Member	Member	Member
Augustine Kenduiwo	Ps.Rep.MoE	Member		Member	Member
Mr. Mohamed Moulid Shurie	Ex-Officio/Chief Executive Officer				

Board Committee Meetings

Table 1: Board and Committee Membership

Finance and Support Services Committee

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

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

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

Finance and Support

Finance and support services	1.Hon.John Kitilit-Chairperson	Secretary –Finance and admin manager.
	2.Ms.Rael Chebichii Lelei	
	3.Mr.Eric Wokabi Mungai	
	4.Mr.Moses K.Kanangi	
	5.Mr.James Sitienei	
	6.Mr.Ndiani Nderi	

Audit & Risk Committee

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

Audit and risk	1.Ms.Rose Ndinda -Chairperson	Secretary –Head of Audit
	2.Mr Nelson Patrick Baiyu	
	3.Rev.Simon Kiuta Lonyayo	
	4.Mr.David Gichuhi	
	5.Mr.James Sitienei	
	6.Mr.Ndiani Nderi	

Resource Mobilization Committee

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

Resource Mobilization	1.Mr.Eric Wokabi Mungai- Chairperson	Secretary –Head of Resource Mobilization.
	2.Ms Rael Chebichii Lelei	
	3.Ms.Rose ndinda Wambua	
	4.Mr.David Gichuhi	
	5.Mr.James Sitienei	
	6.Mr.Ndiani Nderi	
	7.Mr.Moses Kanangi	
	8.John Legishion Kitilit	
	9.Mr.Augustine K.Kenduiwo	

Technical Committee

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

Technical Committee	1.Ms Rael Chebichii Chairperson	- Secretary –Manager Water Resources Assessment & Monitoring.
	2.Mr.Eric Wokabi Mungai	
	3.Mr.Nelson Patrick Baiyu	
	4.Mr.David Gichuhi	
	5.Mr.Ndiani Nderi	
	6.Mr.Moses Kanangi	

	7. John Legishion Kitilit	
--	---------------------------	--

The Role of the Management Board

As guided by the Water Act, 2016, the State Corporations Act, Cap 446 and other relevant laws of Kenya, the Board’s role is to provide effective leadership and control, in terms of approving the Authority’s strategy and ensuring best practice of corporate governance.

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

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

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

Table 2a: Board and committee meetings attendance

Board Committee Meetings				
Date	Audit & Risk	Finance and Support Services	Resource Mobilization	Technical
17-07-2020				Meeting
18-07-2020	Meeting			
19-07-2020			Meeting	
20-07-2020		Meeting		
21-07-2020		Meeting		
25-07-2020	Management Board meeting			
25-09-2020		Special Meeting		
29-09-2020	Special Management Board meeting			
5-10-2020				Meeting
6-10-2020	Meeting			
7-10-2020			Meeting	
8-10-2020		Meeting		
12-10-2020	Management Board meeting			
18-01-2021		Meeting		
19-01-2021		Meeting		
19-01-2021				Meeting
20-01-2021	Meeting			
21-01-2021			Meeting	
26-01-2021	Management Board meeting			
6-04-2021		Meeting		
7-04-2021				Meeting
8-04-2021	Meeting			

9-04-2021			Meeting	
14-04-2021	Management Board meeting			

Evaluation

The performance of the Board is a fundamental component of the Water Resources Authority's success. A corporate governance evaluation of performance for the period 2020/2021 was undertaken after the close of the financial year in order to have a formal and rigorous review of the entire Board as a collective unit and that of individual directors. The purpose of the evaluation was to acknowledge strengths and achievements and to recognize areas that needed improvement to enhance effectiveness and efficiency. The evaluation inspired Directors to improve in the application of their roles and responsibilities and to ensure that they are on track. The results of the evaluation were useful in putting in place a plan of action to improve effectiveness of each director and that of the Board as a collective unit.

Director's remuneration

In accordance with guidelines provided in the State Corporations Act, the Directors are paid a taxable sitting allowance for every meeting attended, as well as travel and accommodation allowance while on the Authority's duty.

Statement of Compliance

The Management Board confirms that the Authority has throughout the period ending 30th June 2021 complied with the Statutory and Regulatory requirements and that it has been managed in accordance with the principles of Corporate Governance.

Internal control and risk management:

Internal Control Framework

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

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

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

Organization Structure

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

Strategic Plan

The business of the Authority is determined by the Strategic Plan. The Strategic Plan sets out the objectives of the Authority, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly and annual basis. The Authority's 5-year Strategic Plan running from 2018-2022 was reviewed and presented to key stakeholders as shown in the picture below.

Risk Management

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

Management Team

The management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently. The action plans for the year include the Annual Work Plan, Annual Budget Estimates, Annual Procurement Plan, Annual Performance Contract, among others.

MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

During the financial year 2020/2021 the Authority put in place measures to ensure financial sustainability in its operations. The allocations received from the exchequer have been low over the years. This has put pressure on the Authority to improve on revenue collection to sustain its operations which is still not enough.

During the financial year ending 30th June 2021 the Authority was able to collect cumulatively KES 793,855,155 Million as internally generated funds (AIA). The Management intends to intensify efforts and improve on the level of revenue collections in future in order to reduce the current financing gap.

A setback to realization of set targets is Water service providers requested for waiver on the basis of fighting the covid-19 pandemic where Government directives led to Cessation of disconnections to water users which in the long run affected operational income/Cash inflow). Flower farms countrywide who are major contributor to the Authority revenue cut on production or even closed shop due to lack of international market demand.

Learning institutions since closure recorded the least abstractions levels /water use levels ever since the pandemic hit. Large scale irrigation schemes.-nib, tarda, kvda irr.scheme have remained non-compliant to payment of water use invoices issued.

During the year under review the Authority's expenses were cumulatively KES 1.538Billion of which staff costs salaries and other remunerations still remains the major cost component accounting for 57% of the total expenses.

Achievements:

The Authority managed to achieve the following during the year ending 30th June 2021 in line with its mandate

Permitting Activities

1. Improve compliance to regulation of water use by increasing the volume of water abstracted under permit by **(100,000 m³/d from 87,927,519m³/d)**

During the 4th quarter 2020/2021 year under 321No.Water permits were issued. The cumulative volume of 88,345,915.7M³/day as at 30th June 2021. New Volume of water abstractions issued in the quarter 4 was 181,486.47m³/day.

Compliance

No.of Authorizations issued =1087

No.of permits issued =321

Cumulative No of permits and authorization issued= 9757

Quarter 4 percentage permit compliance $(321 / (9757+321)) \times 100 = 3.20\%$

Increasing compliance level inQ4= $18.2\% \text{ (Baseline)} + 3.20\% = 21.4\%$

SECTION B

Tax and Statutory Compliance

Material arrears in statutory Requirements

The tax dues payable to KRA amounting to Kshs.1.368b comprises of Kshs. 882M as principal amount and Kshs.481M representing interest and penalties. The dues relate to unremitted PAYE deductions made from staff salaries, VAT deductions and Withholding tax from merchants and contractors/consultants. The debt has accumulated over the last five years, i.e. between the period September 2011 and June 2016, an amount of Kshs.826m was deducted from staff and merchants as taxes relating to PAYE, withholding tax and VAT but the same was not remitted to KRA as required due to cash flow limitations.

In May 2016 Kenya Revenue Authority undertook a Tax audit on Water Resources Management Authority and established that the total unremitted funds amounted to Kshs.882, 171,134. Further a penalty of Kshs.214, 375,967 and interest of Kshs.270, 207,113 were imposed on the said principle making the total amount due to KRA to be Kshs.1, 366,754,214.

The Authority has sought for support from the Ministry of Water and Sanitation to settle this debt on behalf of the Authority.

SECTION C

During the period under review Water Resources Authority undertook the following projects which are funded by the government under development grant.

a) Lamu Ground Water Conservation

The following activities were undertaken in the above project

Implementation of Lamu groundwater management plan by undertaking the following activities :

- i. Conduct a water abstraction and pollution surveys in the sand dunes and give recommendation
- ii. Planting of 5000 and establishment of a tree nursery in the sand dunes

b) Kikuyu springs groundwater conservation

In the above project the following activities were undertaken

The delineation of the Ondiri and Manguo swamp some of the activities undertaken include:

- i. Inspection and calibration of procured data loggers for Limuru dual piezometer undertaken.
- ii. Installation of telemetric data loggers for Limuru dual piezometer undertaken.
- iii. Planting of 2500 trees in Ondiri Swamp undertaken by Nairobi sub Region and a report compiled.

c) Abstraction Survey and pollution control

This projects main objective is to ascertain water resources status with regard to quantity and quality, point and non-point sources of pollution, the compliance to the water regulations and develop Water Allocation Plans for equitable and sustainable use of water resources.

Enforce the guidelines for water allocation and apportionment plan in Lake Naivasha & Lake Nakuru Ecosystems.

- i. Lake Elementiata water quality and pollution surveillance conducted and water quality analysis done
- ii. The river health assessment completed
- iii. Lake level assesement and outcomes undertaken

Enforce the water quality and pollution standards for the protection of water resources in Artisan Gold mining areas in Macalda and Ikolomani

- i. The Macalder and Ikolomani AGM assesement report presented to stakeholder in forum for their engagement and Partnership in pollution controls
- ii. Final report received Water Resources Authority.
- iii. Report shared with stakeholders for implementation of recommendation.

Conduct 4No. Water Abstraction and pollution surveys

- i. Six abstraction and pollution surveys conducted Kimilili River, Timau, Thika River, Ndakaini Ecosystems and Lower Tana reports finalized. Additional 2 abstraction and pollution surveys conducted for Ena and Nyamindi

d) Implementation of Sub Catchment Management plans (SCMPs).

During the FY 20/21 3 No WRUAs were selected to undertake implementation of the capital projects. They include the following

1. Onkaru WRUA in Kiambu County
 - The WRUA has planted 70000 trees and reviewed their Sub Catchment Management Plans, installed 5 roof Water Harvesting tanks
 - Protected Baniki springs
2. Kula Mawe WRUA in Isiolo County
 - Kula Mawe dam was constructed
 - Sitting of Kulamawe borehole and hydrogeological survey done.
3. Mawira Ndati WRUA in Kisumu County.
 - Rehabilitated Sirenge water pan
 - Installed 5 rain water tanks
 - Kamigot water pan survey and design was done.

A total of 29 WRUA proposals were received and evaluated at the HQ and 24 were submitted to WSTF during the year.

e) Drilling of Exploratory wells

Drilling of 6 deep exploratory boreholes for data collection, mapping, and classification of aquifers in the following areas: Kampi Graba in Isiolo, Wajir bor Center in Wajir, Muserechi in Baringo, Changamwe in Mombasa Njumbi in Muranga and Nuu in Kitui

- i. Evaluation of 4 No. exploratory boreholes at Kambi Graba, Changamwe, Muserechu and Wajir bor undertaken.
- ii. Nuu borehole in Kitui county and Njumbi in Muranga County have been drilled

f) Athi River Restoration Programme

Developing a plan for the protection of water resources in Upper Athi-Nairobi River Basin

- i. The plan has involved a number of stakeholders who include Onkaru, Kirichwa and ngong, Ruai Wruas

Implement the plan for protection of Water resources in Upper Athi River-Nairobi River Basin

- i. Conducted enforcement of water resources compliance measures that included: riparian reserve marking, and pegging, effluent discharge Control Plans awareness creation.
- ii. The above WRUAs and stakeholders are involved in campaigns and mobilization for removing solid waste dumpsite on Ngong River riparian reserve in Karagita – Mihango, Tassia estate and mavoko areas .

G) Construction and Rehabilitation of Water Monitoring Stations.

- i. Under the capital project, construction and rehabilitation of water monitoring stations the Authority has been able to rehabilitate a total of 51 No. stations
- ii. Establish 8 telemetric stations for Water Resources Monitoring with parameter for Surface Water in the following areas: Isiukhu, Daua River at Mandera, Ainamutua , Perkerra , Mosiro, Athi at Thwake Dam , Thiba and Nyando River at Muhoroni.
- iii. Upgrading of 16 No. River gauging stations as follows
1EBO2, Isiukhu, AEG02, Wuoroya, 1GB03 Ainamutua , 1GD07 Nyando at Muhoroni, 1GE01A Cherongit, 2ee09 Perkerra, 2FA08 Ereroni, 2K03B Enkare Narok, 3AA06 Athi at Kitengela, 3DB01 Athi at Wamunyu, 3GA02 Tsavo, 4BE01 Marangua, 4BC02 Tana at Sagana, 4DA10 Thiba, 5AC15, Ewaso Daua, 4BE11 Maara.

Compliance to statutory requirements and Material arrears to financial obligations

The Authority has since July 2016, consistently remitted its current tax obligations as they fall due. However, it has an outstanding KRA debt of Kshs 1.368b which was incurred between September 2011 to June 2016. The Authority has sought for support from the Ministry of Water and Sanitation to settle this debt on behalf of the Authority.

Unremitted salary deduction dues include pension contributions of Kshs 536,569,110 SACCO contributions, among others. However, the Authority is currently up to date with the remittances on account of NHIF, HELB and NSSF. The statutory deductions for the current period are being remitted as they fall due.

Major risks

- **Liquidity**

Low funding: Lack of adequate financial support and several supplementary Budget cuts from the government slows down the implementation of Authority's Mandate

Revenue Defaulters: A number of Water Service Providers and Government institutions are defaulting on payment of water bills thus exposing the Authority to risk related to cash flow and costs for debt recovery.

Despite the Authorities plans to meet some of the obligations a setback to realization of set cash flow targets is Water service providers have requested for waiver on the basis of fighting the covid-19 pandemic where Government directives led to Cessation of disconnections to water users which in the long run affected operational income/Cash inflow).

- **Operational**

Retirement of most of the technical staff exposes the organization to a major operations risk due to loss of institutional experts who have progressive skills in technical matters, among others.

Security Threats to Authority's Equipment -Vandalism of Authority's devices and equipment for measuring river flows, weather stations and master meters leading to loss of water resource data and revenue.

Political interference in implementing our mandate: e.g. by the county government due to conflicting mandate on management of water resources.

Floods washing away water monitoring stations

- **Financial risks**

Failure to pay the NRM loan has already attracted interest on loan thus increasing the Authority liability

Environmental

Risk Matrix

s.no	Risk Events	Risk Level	Mitigation Strategy
Description of the undesirable outcome / potential loss that may impact on operations of the WRMA (L x I)			
1.	Risk of inadequate & Low quality data.	HH	Av & C
2.	Inability to carry out WRMA's Mandate effectively due to financial resources constraints.	HH	C
3.	Destruction of Water Resource	MH	C
4.	Water Stress and Conflicts	MH	
5.	Loss of key staff / disruption of operations	MH	C
6.	Cash flow constraint	MH	C

WRA has established, documented and implemented a QMS in accordance with the requirements of ISO 9001:2015. The system is maintained and continually improved through the use of the quality policy, quality objectives, audit results, analysis of data, corrective and preventive action, and management review. To design and implement the QMS, WRA has

This together with the expanding population has reduced the water catchment size and hence caused reduction of fresh water recharge in the Kenyan Coast.

3. WRA participation during the 2nd First Lady Marathon

The First Lady's Half Marathon has been the key conduit for raising funds for Beyond Zero in addition to the current donor base of private foundations and the UN Family. Towards leveraging on the positive impact and mobilisation potential, this marathon has been institutionalized as an annual event to coincide with the International Women's Day Celebration. To date, this event has mobilized nationwide participation of over 100,000 Kenyans. WRA participated by sponsoring a corporate team to participate during the Beyond Zero Marathon. WRA has been partnering with the Beyond Zero secretariat for the last three years as Corporate sponsors in a bid to promote maternal well being with regards to child deaths, maternal death, female genital mutilation and access to better health care.

4. Catchment conservation - tree planting exercise

The Authority in support of catchment conservation initiatives through its Regional and Sub-region offices is working in collaboration with the National and County Governments, other government agencies, partners, students, Water Resources Users Associations (WRUAs), community members and stakeholders in carrying out tree planting activities. A total of 69, 194 indigenous trees were planted.



Employee welfare

WRA is implementing its Human Resource Policy and Procedures Manual that sets the guidelines on recruitment, Gender ratio, and selection of members of staff. The Authority observes gender mainstreaming, balance on appointments, promotions and ensures that the rule on a minimum of a third (1/3) are of either gender is adhered to. In carrying out its mandate, we involve public consultation and stakeholder engagements i.e. licensing, enforcement and community engagement.

The Authority has career guidelines developed and approved by the SCAC. We also have training plans, Skills inventory, training needs assessments and skills gap analysis. There is also a Reward and Sanctions policy whose overall purpose is to encourage a positive work ethic that enhances the growth, efficiency and productivity.

To provide a good working environment for the internal stakeholders, we are in compliant with the OSHA mechanisms and this is part of our Certified ISO 9001:2015 QMS implementation.

Environmental performance

WRA has an environmental policy in place which outlines the commitment to responsible stewardship of existing resources and the environment. During the period under review, WRA disposed Expired Laboratory Chemicals and Reagents through E-Waste Management method and a Certificate of Destruction issued by NEMA.

The Authority in keeping with environmental protection as part of its mandate has registered the following successes; Identification and enforcement on waste dumpsites; Riparian reserve marking and pegging; Integrated Water Resources Monitoring network; Collaboration with other stakeholders on development of Kenya National Chemicals Policy that includes waste management through Circular Economy approaches; Undertook assessment and evaluation of the rising water levels phenomenon in the Rift valley Lakes and Lake Victoria.

Market place practices-

The organization should outline its efforts to:

a) Responsible competition practice

The Authority has put in place a Framework for corruption prevention and eradication in its work places that helps to promote ethics, Integrity, National values on service delivery and prevent corruption. Corruption Risk Assessment (CRA) and Management is an essential part of WRA's corruption prevention plan.

During the year under review, the Authority achieved a score of **98%** by the Ethics and Anti-Corruption Commission on the implementation of the corruption prevention indicator.

REPORT OF THE MANAGEMENT BOARD

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of Water Resources Authority.

Principal activities

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

Results

The results of the Authority for the year ending June 30th, 2021 are set out on page 1 and the Authority had a deficit of KES .24, 772,013 Million compared to last year's financial performance of a deficit of KES 6,843,007 Million.

Directors

The members of the Management Board who served during the year are shown on page vi and were appointed with effect from 8th February 2019.

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 entity did not make any surplus in the year FY 2020/21, hence no remittance to the Consolidated Fund.

Auditors

The Auditor General is responsible for the statutory audit of *Water Resource Authority* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Janet Olewe Ochieng
Chief legal officer / Corporation Secretary

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 WRA, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the WRA.

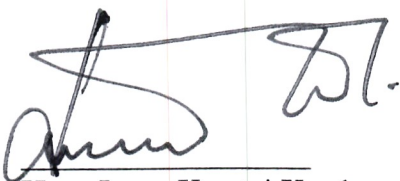
The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – entities should quote applicable legislation as indicated under). The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2021, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

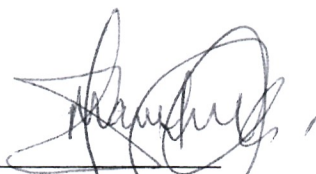
Nothing has come to the attention of the Directors to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

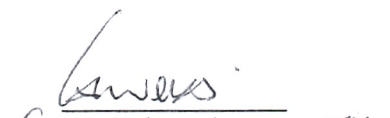
The entity's financial statements were approved by the Board on 29th September 2021 and signed on its behalf by:



Hon. Isaac Kuntai Kool
Chairman



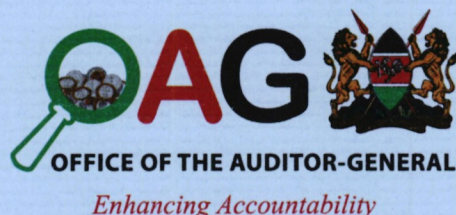
Samuel Masoo Mwati
Director



GLADYS WAKESIA
Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON WATER RESOURCES AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, 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 Water Resources Authority set out on pages 1 to 51, which comprise of the statement of financial position as at

30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Water Resources Authority as at 30 June, 2021, 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 Public Finance Management Act, 2012 and the Water Act, 2016.

Basis for Qualified Opinion

1. Lack of Fixed Assets' Ownership Documents

The statement of financial position reflects property, plant, and equipment balance of Kshs.262,766,450 as at 30 June, 2021 and as disclosed in Note 20 to the financial statements. However, as previously reported, the balance does not include eleven (11) parcels of land with buildings and related infrastructure located in Laikipia, Embu, Murang'a, Kirinyaga, Kitui, Nakuru, West Pokot, Kisumu, Mombasa, and Siaya counties and cumulatively measuring 23.7296 acres. Further, the Authority did not have in its possession ownership documents for the parcels of land.

Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.262,766,450 as at 30 June, 2021 could not be confirmed.

2. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.2,572,347,214 as at 30 June, 2021 and as disclosed in Note 18 to the financial statements. Included in the balance, are long outstanding debts amounting to Kshs.2,346,296,049 which have been outstanding for a period exceeding 12 months (over 365 days). The provision for bad debts of Kshs.285,816,357 is inadequate for the growing balance of receivables from exchange transactions. Additionally, the Authority has not adhered to its own debt collection policy, which requires debts to be recovered as and when they fall due, and outstanding debts should be stated as nominal value less provisions of 10% and 50% for debts older than 8 and 12 months respectively.

Consequently, the recoverability of the receivables from exchange transactions balance of Kshs.2,572,347,214 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Water Resources 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

Un-Serviced Long-Term Loan

The statement of financial position reflects current portion of borrowing and long-term loan of Kshs.99,809,036 and Kshs.308,220,455 respectively all totalling Kshs.408,029,491 as reflected in Note 25 to the financial statements. The loan relates to an on-lent loan from the Government of Kenya arising from a credit granted by the World Bank (IDA) earmarked for Natural Resources Management (NRM) Project with various effective dates of repayments starting on 30 March, 2017. However, although the repayment period fell due, the Authority did not make repayments totalling to Kshs.54,391,845 (principal amount) and Kshs.45,417,191 (interest) in the year under review.

Management explained that the failure to repay the loan was due to lack of budgetary allocations for the purpose. Any further delay in servicing the loan is likely to make its repayment even more strenuous to the Authority due to compounding of interest and penalties.

My Opinion is not qualified in regard to this matter.

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 are no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

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. Over Commitment of Employees' Salaries

Analysis of the payroll for the twelve (12) months under review, revealed that various employees received net pay which was below a third ($\frac{1}{3}$) of their basic pay contrary to Section 19 (3) of the Employment Act, 2007, Section C.1(3) of the Public Service Human Resource Policies and Procedures Manual, 2016 and Section 3 (3.4.6) of Water Resources Authority's Human Resource Policy and Procedures Manual, which state that public officers shall not over-commit their salaries beyond two thirds ($\frac{2}{3}$) of their basic salaries and heads of human resource units should ensure compliance.

Consequently, the Management is therefore in breach of the Regulations.

2. Budget Over-Expenditure

The statement of comparison of budget and actual amounts reflects that Management spent Kshs.1,538,336,433 against actual budget of Kshs.1,212,500,000 resulting to an over expenditure of Kshs.325,836,433 of the budget. The Management operated over and above the approved budget for the year under review contrary to Section 43(b) of Public Finance Management (National Government) Regulations, 2015 which provides that an Accounting Officer shall ensure that public funds entrusted to their care are applied for purposes for only which they were intended and appropriated by the National Assembly.

Consequently, the Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Management Board

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 Authority 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 the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's

ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 July, 2022

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021**

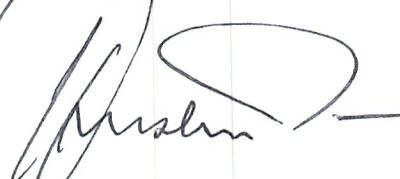
	Note	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Public Contribution and Donations	6	92,900	0
Licenses and Permits	7	75,544,886	52,427,767
Transfer from other Governments and agencies	8	583,981,068	771,977,552
Revenue from exchange transactions			
Sale of water and electricity	10	806,155,228	504,817,497
Rendering services	9	31,818,043	24,080,231
Other incomes	11	17,847,359	14,968,126
Total revenue		1,515,439,484	1,368,271,173
Expenses			
Employee costs	12	875,929,830	868,053,340
General expenses	14	246,035,347	163,071,704
Water Resources Management Expense	15	311,041,761	264,802,528
Board Expense	13	17,764,189	23,518,732
Depreciations and Amortization Expense	20C	77,472,597	45,575,167
Finance cost	16	10,092,709	10,092,709
Total expenses		1,538,336,433	1,375,114,180
Surplus /(deficit) for the period		(22,896,949)	(6,843,007)


The notes set out on pages 7 to 46 form an integral part of these Financial Statements

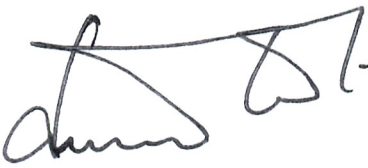
**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

		2020-2021	2019-2020
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	17	39,851,288	119,174,628
Receivables from exchange transactions	18	2,572,347,214	2,397,502,974
Receivables from non-exchange transactions	19	109,452,107	67,750,718
Total Current Assets		2,721,650,609	2,584,428,320
Non-Current Assets			
Property, plant and equipment	20	262,766,450	320,950,941
Intangible assets-software	20	1,330,132	7,669,572
Total Non-Current Assets		264,096,582	328,620,513
Total Assets		2,985,747,192	2,913,048,833
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions-	21	1,357,959,325	1,254,271,377
Provisions	22	29,379,021	33,252,962
Deferred income	23	76,467,238	92,683,650
Current portion of borrowing	25	99,809,036	77,629,250
Total Current Liabilities		1,563,614,620	1,457,837,238
Non-current liabilities			
Long Term Loan- Restated	25	308,220,455	320,307,532
Total Liabilities		1,871,835,075	1,778,144,770
General Fund			
Capital Funds	24	206,900,863	198,495,861
Revenue Reserves		907,011,254	936,408,203
Total General Funds		1,113,912,117	1,134,904,064
Total Liabilities and General Funds		2,985,747,192	2,913,048,833

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


CEO WRA
Mohamed M. Shurie


Principal Finance Officer
Ashton Mulupi
ICPAK Member No 23689


Chairman of the Board
Hon. Isaac Kuntai Kool

Date.. 2-6-2022

Date.. 2-6-2022

Date.. 2-6-2022

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

	Capital Funds Kshs	Revenue Reserves Kshs	TOTAL Kshs
Balance 01.07.2019	198,495,860	944,251,210	1,142,747,070
Adjustments in Reserves		(1,000,000)	(1,000,000)
Surplus for the year	-	(6,843,007)	(6,843,007)
Balances 30.06.2020	198,495,860	936,408,203	1,134,904,063
Balance 01.07.2020	198,495,860	936,408,203	1,134,904,063
Transfer to Capital funds- Boat Purchase	8,405,002		8,405,002
Adjustments in Reserves		(6,500,000)	(6,500,000)
Surplus for the period	-	(22,896,949)	(22,896,949)
Balance as at 30 June 2021	206,900,862	907,011,254	1,113,912,116

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

		2020-2021	2019-2020
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations	6	92,900	0
Licenses and permits	7	75,544,886	52,427,767
Transfer from other governments	8	583,981,068	771,977,552
Sale of water and Electricity	10	806,155,228	504,817,497
Rendering of services	9	31,818,043	24,080,231
Other Income	11	17,847,359	14,968,126
Total Receipts		1,515,439,484	1,368,271,173
Payments			
Employee Costs	12	875,929,830	868,053,340
General Expenses	14	246,035,347	163,071,704
Water Resources Management Expenses	15	311,041,761	264,802,528
Board Expenses	13	17,764,189	23,518,732
Finance Cost	16	10,092,709	10,092,709
Total payments		1,460,863,836	1,329,539,013
Net Cash generated from/(used in) Operating Activities		54,575,648	38,732,160
Adjusted for Changes in working capital			
(Increase)/Decrease in Debtors	18	(174,844,240)	(15,096,037)
Increase/(decrease) in prepayments	19	(41,701,389)	25,160,585
Increase/(Decrease) in Payables	21	103,687,948	44,024,458
Increase/(Decrease) in Payables- Deferred income	23	(16,216,412)	(125,502,478)
Increase in accounts payables	25	10,092,709	10,092,709
Increase/(Decrease) in Provisions	22	(3,873,940)	4,414,006
Net changes in working capital items		(122,855,325)	(56,906,758)
Net Cash flows from Operating activities		(68,279,676)	(18,174,598)
Cash flows from investing activities			
Purchase of PPE and intangible assets	20	(12,948,666)	(661,040)
Net cash flows used in investing activities		(12,948,666)	(661,040)
Cash flows from financing activities			
Adjustments in reserves-KRA		(6,500,000)	(1,000,000)
Net cash flows used in financing activities			
Other Proceeds- Transfer to capital funds	24	8,405,002	
Net cash generated from/ (used in) Financing activities		(1,905,002)	(1,000,000)
Increase/(Decrease) in cash and cash equivalents		(79,323,340)	(19,835,637)
Cash and cash equivalents at 1 st July		119,174,629	139,010,266
Cash and cash equivalents at 30 JUNE 2021	17	39,851,288	119,174,629

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation	Explanation
	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs		
Revenue							
Property taxes	0	-	0	0	-		
Public contributions and donations	0	0	0	92,900	(92,900)	0	
Fines, penalties and levies	0	0	0	0	0		
Licenses and permits	40,000,000	0	40,000,000	75,544,886	(35,544,886)	189	
Transfer from other government	691,000,000	(78,500,000)	612,500,000	583,981,068	28,518,932	95	
Rendering of services-Misc.	20,000,000	0	20,000,000	31,818,043	(11,818,043)	152	
Sale of goods-Water	530,900,000	0	530,900,000	806,155,228	(275,255,228)	159	
Other Income	9,100,000	0	9,100,000	17,847,359	(8,747,3599)	196	
Gains on disposal, rental income and agency fees	0	0	0	0	0		
Total income	1,291,000,000	(78,500,000)	1,212,500,000	1,515,439,484	(302,939,484)	125	
Expenses							
Compensation of employees	820,750,000	53,940,000	874,690,000	875,929,830	(1,239,830)	100	Provision for Gratuity and leave
General expenses	135,890,000	(400,000)	135,490,000	246,035,347	(110,545,347)	182	provision for bad debts.
Board expenses	21,360,000	(3,360,000)	18,000,000	17,764,189	235,811	99	

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation	Explanation
Depreciation and Amortisation	0	0	0	77,472,597	(77,472,597)	0	Non Cash item
Water Resource Management Expense	313,000,000	(128,680,000)	184,320,000	311,041,761	(126,721,761)	169	Deferred income utilized.
Finance cost	0	0	0	10,092,709	(10,092,709)	0	Non cash .
Grants and subsidies paid		0		0	0		
Total expenditure	1,291,000,000	(78,500,000)	1,212,500,000	1,538,336,433	(325,836,433)	127	
Surplus/(Deficit) for the period	0	0	0	(22,896,949)			

Budget notes.

- i. The difference between the original and final budget was due to budget cuts by the National treasury
- ii. For the item of depreciation and amortization the there was no budget allocation due to limited resources
- iii. For the item of finance cost there was no budget allocation due to limited resources
- iv. For the item on sale of water the revenue collected was based on billings but the budget was based on actual collections.
- v. The item on water resources has a variance of 126M due to utilization of prior year deferred income of 92M and incorporation of KWSCR expenses of 26M.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Water Resources Authority is established by and derives its authority and accountability from section 11 of the Water Act 2016. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 1

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

ii. Early adoption of standards

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of water

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

Interest income

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

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly on 23rd April, 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

c) Taxes

Current income tax

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

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

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its 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 is calculated on straight line basis to write down the cost of each asset to its residual value over its estimated useful life using the following per annum rates:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Intangible assets

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

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

f) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity 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
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Research and development costs (Continued)

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.

g) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

i) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Provisions

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

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

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

WRA has made provisions for staff gratuity which is based on yearly contributions for staff on contract at the rate of 31% of the basic pay. Subsequent gratuity payment at the end of the contract shall be paid against this provision. At the end of the financial year leave allowance payable for the period shall also be based on the actual leave allowance payable hence a provision of the same amount is provided for.

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of revenue reserves and capital funds.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Related parties

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

p) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Comparative figures

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

s) 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, 2020.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

6. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2020-2021	2019-2020
	KShs	KShs
Other Donor Funds	92,900	0
Total	0	0
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year		
Current year receipts		
Conditions met - transferred to revenue		
Conditions to be met - remain liabilities		

7. Licenses and Permits

Description	2020-2021	2019-2020
	KShs	KShs
Application & Authorization Fee	34,610,797	22,346,294
G/Water Permit Fee	31,720,183	24,798,864
S/Water Permit Fee	9,213,906	5,282,609
Total	75,544,886	52,427,767

8. TRANSFERS FROM OTHER GOVERNMENTS

These are funds received from development GOK through Ministry of water and Sanitation and other state agencies for financing development programs.

Description	2020-2021	2019-2020
	KShs	KShs
Unconditional grants		
Recurrent Grants- MoWS	393,999,996	399,999,998
Development Grants- MoWS	153,966,783	304,538,740
KWSCRPF Funds	26,600,664	48,963,738
Water Sector Trust Fund- WSTF	9,413,626	18,475,076
Conditional grants	0	0
Total government grants and subsidies	583,981,068	771,977,552

8b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES.

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2019-2020
			KShs	KShs	KShs
Recurrent Grants-MOWS	393,999,996	-	-	393,999,996	399,999,998
Development Grants- MOWS	153,966,783	74,821,532	8,405,002	237,193,317	304,538,740
KWSCRIP Grants	26,600,664	1,645,706		28,246,370	48,963,738
WSTF	9,413,626			9,413,626	18,963,738
Total	583,981,069	76,467,238	8,405,002	668,853,309	771,977,552

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. RENDERING OF SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Laboratory Service charges	26,207,667	22,597,740
Waste Disposal Charges	5,610,376	1,482,491
Total revenue from the rendering of services	31,818,043	24,080,231

This represents revenue realized from offering laboratory service to clients undertaking water quality testing. Waste disposal charges are given to users of have Effluent discharge permits.

10. SALE OF GOODS

Description	2020-2021	2019-2020
	KShs	KShs
Sale of goods		
S/Water use charges	590,470,772	407,170,009
G/Water use charges	215,684,456	97,647,488
Total revenue from the sale of goods	806,155,228	504,817,497

This represents revenue realized from water use charges.

11. OTHER INCOME

Description	2020-2021	2019-2020
	KShs	KShs
Interest Income	1,381,178	2,077,078
Penalties	10,551,156	8,147,732
Data Sales	4,202,501	3,253,200
Other Incomes	1,712,524	1,490,116
Vehicle Disposal	0	0
Total other income	17,847,359	14,968,126

This are non-regular funds earned from Penalties and interest on bank balances negotiated with our banks on revenue collection accounts, sale of data and other miscellaneous receipts.

12. EMPLOYEE COSTS

	2020-2021	2019-2020
	KShs	KShs
Basic Salaries	554,596,687	549,574,816
House Allowances	132,551,900	132,221,160
Other Allowances	32,791,452	30,364,296
Gratuity & Pension Contribution	89,378,619	88,878,280
Leave Allowance	15,099,972	15,501,725
Commuter Allowance	50,136,000	50,302,000
Honoraria	1,375,200	1,153,633
Transfer Allowances	0	57,430
Employee costs	875,929,830	868,053,340

13. REMUNERATION OF DIRECTORS

Description	2020-2021	2019-2020
	KShs	KShs
Chairman's Honoraria	644,000	960,000
Board Workshops and Seminars	800,006	144,981
Board Travel and Accommodation	11,703,217	16,758,383
Other allowances	4,616,967	5,655,368
Total director emoluments	17,764,189	23,518,732

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. GENERAL EXPENSES

Description	2020-2021	2019-2020
	KShs	KShs
Staff Training Expenses	6,851,470	0
Medical Expenses	307,200	665,187
Motor Vehicle Expenses	17,714,882	13,256,366
Travelling and Accommodation	32,589,595	39,868,614
Conferences and Meetings	33,000	103,300
Telephone & Internet costs	7,077,604	22,186,572
Postal & Courier Services	672,522	735,239
Official Entertainment	96,153	91,478
Staff Welfare Expenses	654,963	394,589
Hospitality Costs-Purchase of Coffin	400,000	187,400
Catering Expenses	1,105,129	1,569,482
Advertising Expenses	387,776	988,665
Uniform & Clothing	16,500	0
Insurance Costs	64,317,616	3,655,920
Membership Fees and Subscription to Professional Bodies	12,479,483	15,360,750
Legal Dues & Professional Bodies	25,041,843	21,109,427
Show Expenses	0	0
Office Rent and Rates	21,522,099	21,452,675
Electricity Expenses	1,915,691	1,945,693
Water and Conservancy Expenses	400,260	735,004
General Office Expenses	5,367,471	3,970,256
Computer Stationery & Accessories	8,030,705	4,197,421
Office General Stationery	7,338,580	2,990,081
Publishing and Printing	872,465	385,469
Library Expenses	293,112	159,079
Maintenance of Furniture and Office Equipment	530,000	335,661
Plant & Machinery	2,823,526	283,320
Maintenance of Buildings and Stations	857,277	275,272
Minor Alterations & Maintenance works	2,307,623	115,923
Bank Charges & Commissions	1,020,205	977,075
Laboratory & Reagents Supplies	2,076,660	1,898,450
First aid Kit supplies	6,800	0
Audit fees	1,500,000	1,500,000
Provision for bad debts	19,427,137	1,677,337
Total general expenses	246,035,347	163,071,704

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Water Resources Management Expenditure

Description	2020-2021	2019-2020
	KShs	KShs
Gender Sensitive & Human Resource Development	339,300	0
Workshop and Seminars	1,652,470	4,815,760
Publicity & Information Dissemination	1,230,450	1,627,875
Regulatory functions	15,110,094	18,867,929
Water abstraction system expenses	32,896,485	22,849,820
CAACs Expenses	143,000	0
WRUA's Establishment and Support	55,211,319	43,726,339
Catchment Management Strategy	2,266,728	1,918,427
Catchment monitoring plan-technical equipment		10,008,125
Catchment monitoring plan-other activities	3,830,205	
Catchment monitoring, Protection, & other water resources mgt measures	157,841,810	52,301,292
Feasibility study and project design	92,310	14,082,006
Preventive Water Resources Mgt. Measures	0	0
Water Quality Laboratory capacity enhancement	52,700	751,150
Roof Catchment Structures	100,800	313,000
Project Planning and Supervision	2,560,700	1,419,550
Rehabilitation of Water Monitoring Stations	10,452,726	43,157,517
Livelihood Based Investments	660,000	0
KWSCRП activities	26,600,664	48,963,738
Total	311,041,761	264,802,528

16. FINANCE COSTS

Description	2020-2021	2019-2020
	KShs	KShs
Borrowings (amortized cost)*	10,092,709	10,092,709
Finance leases (amortized cost)		
Unwinding of discount		
Interest on Bank overdrafts		
Interest on loans from commercial banks		
Total finance costs	10,092,709	10,092,709

*Borrowing costs that relate to interest expense on acquisition of non-current assets and do not qualify for Capitalization as per IPSAS 5: on borrowing costs. This cost relates to interest payable on NRM loan.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	KShs	KShs
Bank Current accounts	39,799,991	113,805,161
Cash in hand	20,265	32,509
Mpesa	31,032	5,336,958
Total cash and cash equivalents	39,851,288	119,174,628

17 (a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2020-2021	2019-2020
		KShs	KShs
a) Current account			
KCB- Athi Catchment Area-Mombasa	1106580001	424,844	185,445
National Bank of Kenya-HQ Nairobi	0100332099000	9,150,304	44,048,723
KCB-Athi Catchment Area-Machakos-General	1106448626	487,098	54,131
KCB- Athi Catchment Area-Nairobi Sub Region-KWSP	1102550973	1,477,593	1,666,032
KCB- Athi Catchment Area-Kibwezi Sub Region-KWSP	1102832561	36,092	131,891
KCB- Athi Catchment Area-Kiambu Sub Region -KWSP	1101981598	313,572	14,241
KCB- Athi Catchment Area-Loitoktok Sub Region-KWSP	1117354792	161	59,111
KCB- Athi CatchmentS Area-Machakos-Revenue	1106233980	4,088,997	6,911,869
KCB-Tana Catchment Area-Embu-General	1102960209	928,589	1,016,204
KCB-Tana Catchment Area-Meru Sub Region-KWSP	1103304062	7,779	1,155,552
KCB-Tana Catchment Area-Kerugoya Sub Region-KWSP	1104078783	896	914,105
KCB-Tana Catchment Area-Kitui Sub Region-KWSP	1121495869	99,734	4,429
KCB-Tana Catchment Area-Murang'a Sub Region-KWSP	1107235472	8,716	591,956
KCB-Tana Catchment Area-Garissa Sub Region-KWSP	1107841909	133,726	1,947
KCB-Ewaso Nyiro Catchment Area-Nanyuki-General	1103184620	61,233	341,169
KCB-Ewaso Nyiro Catchment Area-Nanyuki Sub Region-KWSP	1103189786	572,878	386,405

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

KCB-Ewaso Nyiro Catchment Area-Mandera Sub Region-KWSP	090-201800656	1,260	121,067
KCB-Ewaso Nyiro Catchment Area-Marsabit Sub Region-KWSP	1102669059	3,187	186,014
KCB-Ewaso Nyiro Catchment Area-Nyahururu Sub Region-KWSP	1102173134	187,512	6,632
KCB-Ewaso Nyiro Catchment Area-Isiolo Sub Region-KWSP	1107754755	20,680	121,509
NBK-Rift Valley Catchment Area-Nakuru-General	01003020443300	531,814	78,372
KCB-Rift Valley Catchment Area-Nakuru-KWSP	1101853697	5,064	109,071
KCB-Rift Valley Catchment Area-Baringo Sub Region-KWSP	11037500909	81,823	2,204
KCB-Rift Valley Catchment Area-Kapenguria Sub Region-KWSP	1106272730	505,493	11,183
KCB-Rift Valley Catchment Area-Narok Sub Region-KWSP	1102025720	1,649	67,297
KCB-Rift Valley Catchment Area-Lodwar Sub Region-KWSP	1107588286	1,695	51,705
KCB-Rift Valley Catchment Area-Naivasha Sub Region-KWSP	1105274195	5,776	107,205
KCB-Lake Victoria North Catchment Area-Kakamega-General	1101946644	9,148	18,983
KCB-Lake Victoria North Catchment Area-Siaya SubRegionKWSP	1106904591	1,712	103,180
KCB-Lake Victoria North Catchment Area-Eldoret Sub-Region KWSP	1107762480	301,800	1,710
KCB-Lake Victoria North Catchment Area-Kitale Sub Region KWSP	1109121865	57,375	23,818
KCB-Lake Victoria South Catchment Area-Kisii Sub Region-KWSP	1102024740	5,509	2,138
KCB-Lake Victoria South Catchment Area-Kisumu Sub Region-KWSP	1103994050	1,871	2,351
KCB-Lake Victoria South Catchment Area-Kericho Sub Region-KWSP	1103619098	10,570	111,942
KCB-General Operations A/C – HQ Nairobi	11366676678	571,532	23,693,317

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

KCB-Revenue A/C –HQ Nairobi	1109066295	9,699,621	18,950,212
NBK-Lake Victoria South Catchment Area- Kisumu – General	0100324733700	892	97,060
KCB-Lake Victoria South Catchment Area-Kisumu- Revenue	1104037513	771,720	1,753,636
KCB-Lake Victoria North Catchment Area-Kakamega- Revenue	1101923040	4,919,565	112,102
KCB-Rift Valley Catchment Area-Nakuru-Revenue	1101852062	1,462,249	3,503,229
KCB-Ewaso Nyiro Catchment Area-Nanyuki	1103187198	238,594	778,810
KCB- Tana Catchment Area- Embu	1102962643	963,962	2,316,871
Equity Bank –KWSCRPIU Account	0269867060	1,645,706	3,990,333
		39,799,991	113,805,401
b) Others			
Cash in Hand			
Cash in Hand Head office		0	105
LVNCA			30,000
Cash in Hand Athi Catchment area		20,265	2,404
cash in hand Total		20,265	32,509
M pesa			
LVNCA			402,881
LVSCA			174,169
RVCA		5,000	229,302
Tana CA		5,000	345,520
Athi CA		14,032	2,793,466
HQ		7,000	1,391,620
Sub- total		31,032	5,336,958
Grand total		39,851,288	119,174,868

18. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
General Debtors	2,858,163,571	2,663,892,193
Less Provision for bad debts	285,816,357	266,389,219
Total receivables	2,572,347,214	2,397,502,974

These are amounts owed to the Authority by various water users where 80% of them are water service providers.

19. RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Staff Advances	1,623,954	2,005,897
Deposits	744,821	744,821
Prepayments	107,083,333	65,000,000
	109,452,107	67,750,718

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 a PROPERTY, PLANT AND EQUIPMENT

FY2019/20

Cost	Buildings	Furniture & Fittings and Office Equipment	Motor vehicles	Computers, Printers & IT Equipment	Water Supply Infrastructure	Capital Work In Progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
	10%	12.5%	25%	33%	2.5%	0%	
As at 1st July 2019	393,706,080	316,492,365	189,538,396	154,729,056	33,262,521	0	1,087,728,418
adjustments		0	0	0	0	0	0
Additions	0	201,040	0	460,000	0	0	661,040
Disposals/ W/O	0	0	0	0	0	0	0
As at 30 June 2020	393,706,080	316,693,405	189,538,396	155,189,056	33,262,520	0	1,088,389,458
Depreciation							
As at 1st July 2019	177,251,939	244,744,105	184,978,175	119,445,381	3,090,358	0	729,509,959
Adjustments							0
Charge for the year	24,050,460	8,149,398	80,074	5,244,600	404,027	0	37,928,558
Disposals	0	0	0	0	0	0	0
As at 30 June 2020	201,302,399	252,893,503	185,058,249	124,689,981	3,494,384	0	767,438,517
Net Book Value 30 June 2020	192,403,681	63,799,903	4,480,147	30,499,075	29,768,136	0	320,950,941
Net Book Value at 30 June 2019	216,454,141	71,748,260	4,560,220	35,283,675	30,172,163	0	337,412,827

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

FY2020/21

Cost	Buildings	Furniture & Fittings and Office Equipment	Motor vehicles	Computers, Printers & IT Equipment	Water Supply Infrastructure	Capital Work In Progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
	10%	12.5%	25%	33%	2.5%	0%	
As at 1st July 2020	393,706,080	316,492,365	189,538,396	155,189,056	33,262,521	0	1,088,389,458
Adjustments		0	0	0	0	0	0
Additions	0	1,488,550	8,405,002	1,059,914	0	0	10,953,466
Disposals/ W/O	0	0	0	0	0	0	0
As at 30 June 2021	393,706,080	318,181,955	197,943,398	156,248,970	33,262,520	0	1,099,342,925
Depreciation							
As at 1st July 2020	201,302,399	252,893,503	185,058,249	124,689,981	3,494,384	0	767,438,517
Adjustments							0
Charge for the year	41,805,608	10,382,864	3,249,410	12,964,510	735,565	0	69,137,957
Disposals	0	0	0	0	0	0	0
As at 30 June 2021	243,108,007	263,276,367	188,307,659	137,654,492	4,229,949	0	836,576,474
Net Book Value 30 June 2021	150,598,073	54,905,589	9,635,739	18,594,479	29,032,571	0	262,766,450
Net Book Value at 30 June 2020	192,403,681	63,799,903	4,480,147	30,499,075	29,768,136	0	320,950,941

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 B. INTANGIBLE ASSETS-SOFTWARE

Description	2020-2021	2019-2020
	KShs	KShs
Cost		
At beginning of the year	97,627,595	97,627,595
Additions	1,995,200	0
At end of the year	99,622,795	97,627,595
Additions-internal development	0	0
At end of the year	89,958,023	82,311,414
Amortization Charge for the Year		
At beginning of the year		
As at 30 June 2021	98,292,663	89,958,023
At end of the year June 2021	1,330,132	7,669,572
Impairment loss		0
NBV as at June 2020	7,669,,572	15,316,181

20. C DEPRECIATION AND AMORTIZATION EXPENSE.

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	69,137,957	53,972,456
Intangible assets	8,334,640	7,646,609
Total depreciation and amortization	77,472,597	61,619,065

21. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021	2019-2020
	KShs	KShs
Trade Creditors-	1,357,409,185	1,254,191,377
Laboratory Clients Prepayments and Accrued expenses	550,140	80,000
Total trade and other payables	1,357,959,325	1,254,271,377

22. CURRENT PROVISIONS.

Description	2020-2021	2019-2020
	KShs	KShs
Provisions	29,379,021	33,252,962
Total trade and other payables	29,379,021	33,252,962

This are payables originating from leave allowance and gratuity payable for the period. Gratuity is payable after the contract period but provided for at the end of financial year while leave allowance is a paid before the close of the financial year but when not paid it is provided for.

Description	Leave provision	Gratuity provision	Total
	KShs	KShs	KShs
Balance b/d (1.07.2020)	13,929,658	19,323,304	33,252,962
Additional Provisions	15,099,973	15,151,306	30,251,279
Provision utilized	(30,420,285)	(3,704,934)	(34,125,219)
Change due to discount and time value for money	-		-
Transfers from non-current provisions			
Total provisions as at 30.6.2021	(1,390,655)	30,769,676	29,379,021

23. DEFERRED INCOME

Description	2020-2021	2019-2020
	KShs	KShs
National government	74,821,532	88,693,317
Transfers from other Governments-KWSCRIP	1,645,706	3,990,333
Public contributions and donations		0
Total deferred income	76,467,238	92,683,650

The deferred income movement is as follows:

	National government	GOK-KWSCRIP	Total
Balance brought forward	88,693,317	3,990,333	92,683,650
Additions	148,500,000	24,256,037	172,756,037
Transfers to Capital fund	8,405,002		8,405,002
Transfers to income statement	153,966,783	26,600,664	180,567,446
Other transfers	0		-
Balance carried forward	74,821,532	1,645,706	76,467,238

24. CAPITAL FUNDS

This represents capital funds and assets given to the Authority by GOK, development partners namely; GTZ, AWF, SIDA/DANIDA under Water Sector Reform Programme and the Kenya Water and Sanitation Programme and KWSCRP respectively. During the Period GOK capital projects funds facilitated purchase of assets worth Kshs. 8,405,002 hence increase in capital funds

Description	2020-2021	2019-2020
	Kshs	Kshs
Capital Assets Transfer-GOK	32,262,705	23,857,702
GIZ	4,053,315	4,053,315
Kenya Water and Sanitation Programme	35,349,589	35,349,589
AWF	770,000	770,000
MTAP Fund	50,000,000	50,000,000
KWSCRP	78,705,254	78,705,254
LAY Volunteers	5,760,000	5,760,000
Total	206,900,863	198,495,861

25. BORROWINGS

Description	2020-2021	2019-2020
	KShs	KShs
Balance at beginning of the period	362,612,300	362,612,300
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the period	0	0
Repayments of domestics borrowings during the period	0	0
Balance at end of the period	362,612,300	362,612,300

The principal amount has been split into two parts; current principal payable as a current liability and long term borrowing due,
The analyses of both external and domestic borrowings are as follows:

Description	2020-2021	2019-2020
	KShs	KShs
Short term borrowings(current portion)	54,391,845	42,304,768
Long term borrowings	308,220,455	320,307,532
Interest and penalties	45,417,191	35,324,482
Total	408,029,491	397,936,782

26. CASH GENERATED FROM OPERATIONS

	2020-2021	2019-2020
	KShs	KShs
Surplus for the year before tax	(24,669,738)	(6,843,007)
Adjusted for:		
Depreciation	77,472,597	45,575,167
Non-cash grants received		
Contributed assets		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Finance income		
Finance cost		
Working Capital adjustments		
Increase in inventory		
Increase in receivables	(172,969,176)	(15,096,037)
Increase in deferred income	(16,216,412)	(125,502,478)
Increase in payables	103,585,673	58,531,172
Increase in payments received in advance	(41,701,389)	25,160,585
Net cash flow from operating activities	(74,498,445)	(18,174,598)

27. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

27. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	2,570,472,150	0	0	0
Receivables from non-exchange transactions	109,452,107	0	0	0
Bank balances	39,851,288	0	0	0
Total	2,719,775,545	0		0
At 30 June 2020		0		0
Receivables from exchange transactions	2,397,502,974	0		0
Receivables from non exchange transactions	67,750,718	0		0
Bank balances	119,174,628	0		0
Total	2,584,428,320	0		0

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 entity has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from water sector institutions.

The Management Board sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables			1,357,857,050	1,357,857,050
Current portion of borrowings			99,809,036	99,809,036
Provisions				0
Deferred income	76,467,238			76,467,238
Employee benefit obligation				0
Total	76,467,238	-	1,457,666,086	1,534,133,324
At 30 June 2020				
Trade payables			1,254,271,377	1,254,271,377
Current portion of borrowings			77,629,250	77,629,250
Provisions				0
Deferred income	92,683,650			92,683,650
Employee benefit obligation				0
Total	92,683,650	-	1,331,900,627	1,424,584,277

(iii) Market risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	905,238,465	936,408,203
Capital reserve	206,900,862	198,495,860
		0
Total funds	1,112,139,328	1,134,904,063
Total borrowings	408,029,491	397,936,782
Less: cash and bank balances	(39,851,288)	(119,174,628)
Net debt/(excess cash and cash equivalents)	368,178,203	278,762,153
Gearing Ratio	33.1	24.6

28. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Management Board;

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods		
Sales of services		
Total		
b) Grants from the Government		
Grants from National Govt	583,981,069	771,977,552
Grants from County Government	0	0
Donations in kind	0	0
Total	583,981,069	771,977,552
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees		
Payments for goods and services for xxx		
Total		
d) Key management compensation		
Directors' emoluments	17,764,189	23,518,732
Compensation to the CEO	4,560,000	4,560,000
Compensation to key management	7,262,400	7,262,400
Total	29,586,589	35,341,132

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

File Ref.	Particulars	Brief Facts	Contingent Liability FY 2020/21
WRA/4/106	HCCC NO. 754 OF 2012 Juanco Contech Ltd vs. WRMA	Suit alleging breach of contract by WRMA in failing to pay fully for construction works of certain office premises.	Kshs. 26,213,025.83
WRMA/HQ/LA/1/12/1/1	Nairobi JR No 69 Of 2014: WRMA V Commissioner For Co-Operative Development & Another	The Commissioner of Cooperative's irregularly issued Agency Notices freezing all the Bank Accounts operated by the Authority on the alleged grounds that the Sacco dues belonging to <i>Ukulima Sacco</i> had not been paid. Upon the Authority's instructions, we moved to court and obtained orders staying the operation of the Agency Notices. Suit withdrawn.	Outstanding arrears of Kshs.34,112,444 to <i>Ukulima Sacco</i> and half of the costs incurred by <i>Ukulima Sacco</i> in the case once assessed by court. (this can be estimated at Kshs.750,000)
WRA/4/32	HCCC No. 319 of 2013 WRMA VS. Nairobi City Water & Sewerage Company	Claim for Water Use Charges	Legal fees of Kshs. 26,341,423.00
WRA/4/137	Nairobi CMCC 8241 of 2018: Optace Limited vs. WRA & Others.	Suit alleging breach of contract by WRA in failing to pay fully for items ordered for and not paid for under an LSO.	Kshs. 1,624,232.00

**Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021**

WRA/4/87	CHR No. 11 of 2018:	Claim for lifting of WRA Order for demolition of 8 houses falling within riparian reserve of Stony Athi River	Although the Petitioner seeks an award of Kshs 466, 955, 673.00 in special damages, this is not likely to be awarded since a claim for special damages must be specifically pleaded in court Pleadings and strictly proved.
WRA/4/157	Superior Homes PLC vs. WRA Machakos ELC, Judicial Review Misc. 2 of 2020: Erdemann Property Ltd vs Export Processing Zone & 2 Others and London Distillers (K) Ltd & 3 Others	A Judicial Review matter filed by Erdemann Limited against several institutions with main contention being the discharge of effluence into the environment by London Distillers (K) Limited	
WRA/4/160	Thika (ELC) Pt. no. 14 of 2020: Prof. Francis Muregi & Steel Mill Limited & 9 others	Injunctive orders are sought by the Petitioners against the 1 st and 2 nd Respondents following an alleged encroachment on water catchment area in Uplands, Nyambari area, Kiambu	

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

WRA/4/161	Kajiado (ELC), Constitutional Petition No. E003 of 2021: Hon. Peter Ole Tirishe & 2 Others v Tata Chemicals Magadi Limited & 2 Others	Constitutional Petition by the Petitioners on behalf of Mosiro Ward In Kajiado West contending that the diversion of River Kisamis into Ordorko Swamp and construction of dykes by Tata Chemicals was done illegally and without regard to the environmental impact on the affected parties.	
WRA/4/162	Nyahururu (ELC) Pt. no. 120 of 2019: David Wang'ombe Karanja & 2 others vs County Government of Laikipia & 3 others	Suit seeking injunctive orders against the 1 st Defendant. Furthermore, there is an order sought directing WRA to protect the wetlands within the jurisdiction of the County Government of Laikipia, and particularly, the suit properties L.R LAIKIPIA/UASO NAROK B/51, L.R LAIKIPIA/UASO NAROK B/69 and L.R LAIKIPIA/UASO/NAROK/1381	
WRA/4/163	Migori (ELC) Petition No. E4 of 2020: Mathew Awuor Dimo & Others v The Hon. AG & 7 Others	Constitutional petition by several residents of Kabondo/Kadumo West Region in Homabay contending that Kendu Bay Water Project was done without public participation and is affecting the flow of River Awach Kabuony.	
WRA/4/164	Machakos (HC) Pt. no. 149 of 2012: Oasis Park Self Help Group vs Joinven Investments Ltd & 2 others	The Applicant seeks to enjoin WRA as a party to the suit for the purpose of enforcement of a court order	
WRA/4/166	Nairobi [ELC] Constitutional Pt. no. E0107 2021: Sultan Palace Development Limited Vs. WRMA-Albright Holdings	Gazettement of Dik Dik Gardens as a wetland.	

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

	Limited[interested party]		
WRA/4/167	In The National Environment Tribunal Appeal No. 9 of 2021. Westlands Garden Limited Vs. NEMA – WRA and Westlands Cottage Apartments Limited(Magnate Ventures Limited)	Sinking of boreholes too close together	
WRA/4/169	In The Environment and Land Court at Nairobi. Petition No. E031 of 2021: Lone Tree Limited Vs. The Water Resources Authority	Demolition of development by the petitioner on parcel of land <i>L.R No. 21/1/22</i>	
WRA/4/171	In the High Court of Kenya at Nairobi. ELC Constitutional Petition No. E032/2021: Antony Mwangi & 35 others Kenya Urban Roads Authority & 6 others	Petitioners are seeking Court's assistance to stop future encroachment and erecting of illegal structures that will/ may be erected on the road.	

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

WRA/4/172	In the High Court of Kenya at Nairobi. Petition No. 184 of 2020: Legal Advice Centre & 3 others vs WRA & 9 others	The Petitioners allege that the Respondents have failed to take adequate steps towards the realization of the right to water by failing to provide the residents of Marsabit County with safe water.	
WRA/4/173	In The Environment and Land Court at Nyeri. ELC Case no. 15 of 2021: Richard Maina Mwangi & Another vs Phares Kabugu Njogu & Others	The Plaintiffs are seeking orders restraining Ragati River WRUA from interfering with the Plaintiffs' water intake situated at Gichichi River and converting it into a common intake for other water projects.	
WRA/4/174	In the Environment and Land court of Kenya at Kisumu. ELC Petition No. E022/2021: Calvin Oluoch Olang' & 18 others vs. Lake Victoria south water works & 7 others	The Petitioner alleges that Lake Victoria South Water Works Developments Agency Limited is implementing the construction of a Kshs. 7.5 billion wastewater treatment plant in Korando, Kisumu County without following due process.	
WRA /4/175	In The Environment and Land Court at Mombasa. ELC Petition No. 50 of 2021: Ainea Ragen & Anwaral Brothers and others vs Chief land registrar & others.	The Petitioner alleges that the 1 st Respondent has encroached a wetland and constructed permanent structures on it. The petitioner also alleges that the authorizations issued by various state agencies were done so irregularly.	

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

WRA/4/176	In the High Court at Garissa. Petition No. 09/2021: Hoko and Shalete Shallow Wells Co-Operative Society Ltd vs WRA & Others	The petitioner is seeking conservatory orders restraining Wajir Water, Sewerage & Sanitation Co. Ltd from drilling, proceeding to drill and/or operate the boreholes in Lan Bib South, Umbi, Rifed and Shalete or Wajir South within Wajir County.	
-----------	---	--	--

30. 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.

31. EVENTS AFTER THE REPORTING PERIOD

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

32. ULTIMATE AND HOLDING ENTITY

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

33. Currency

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

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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Property Plant and Equipment Kshs 337,412,827	The Authority's financial statements reflect Property, Plant and Equipment with a net book value of Kshs. 320,950,941. However, as previously reported, the balance does not include eleven(11) parcels of land with buildings and related infrastructure located in Laikipia, Embu, Muranga, Kirinyaga, Kitui, Nakuru, West pokot, Kisumu, Mombasa and Siaya Counties cumulatively measuring 23.7296 acres. Further, the authority did not have ownership documents for the lands.	<i>We concur with the observation that we has unvalued parcels of land across the country on which Water Resources Authority has put various developments is excluded from property, plants and equipment. Currently land for most of the offices has been demarcated and fenced off and ownership acquisition process is ongoing at county physical planning offices</i>	CAO/ CEO	On going	
2. Receivables from Exchange	The statement of financial position reflect receivables from exchange transactions amounting to	<i>The above observations have been noted. WRA has struggled in debt collection since it has a lot of</i>	Chief commercial officer/FA M		

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Transactions</p>	<p>Kshs. 2,397,502,974, as disclosed in note 19. Included in this balance is Kshs. 2,207,962,378 (96%) relating to amounts owed to the Authority by various companies and counties for periods of over nine months. As a result, recoverability of the balance is doubtful. The reason for failure by government institution to pay the debts we not clear. In view of the long outstanding debts, the extend of recoverability of debtors balance totaling kshs. 2,397,502,974 as at 30th June 2020 could not be confirmed. In addition, delay in recovery of debts may constrain the authority's ability to fund its operations and programmed and attain its statutory objectives.</p>	<p><i>interest in the funding its operations. Much effort has been put in place in order to ensure that revenue collection is enhanced. The authority has entered into Mous with most debtors and in some cases has had to undertake court battles with the debtors. Commercial Department has already come up with a draft credit policy which is awaiting validation before approval alongside other policy manuals that are under development A Credit committee has also been established and tasked with reviewing of debt settlement agreements, disputes resolution of water use bills and enforcement of disconnection orders.</i></p>			
<p>Other issues</p>					

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.0 Trade and other Payables	<p>The financial statements of the Authority reflect trade and other payables from exchange transactions amounting to Kshs. 1,254,271,377, as disclosed in note 23 to the financial statements. The balance includes long outstanding employee deductions totalling Kshs. 1,162,026,290 due for remittance to Commisioner of Domestic taxes, WRA pension scheme and Ukulima savings and Credit Cooperative society. Records provided for audit indicated a commitment by the ministry of water and irrigation in April 2017 to remit Kshs.10 million to Kenya Revenue Authority (KRA) monthly on behalf of the authority to offset the outstanding amount had not been honored. Further, the Authority has not</p>	<p><i>The above concerns have been noted. WRA management has undertaken measures to ensure that all staff Payroll deductions are remitted on time for period under audit 2020/21. Current salaries and other payroll by products are being settled on time and none is in arrears. The arrears relates to the period 2011- 2016 and management has made strides in settling theses debts by writing various requisitions for support from the parent ministry and the National treasury. The management has also prepared a cabinet memo requesting for improved funding to WRA in order to settle these debts and properly undertake its mandate.</i></p>			

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	made any provision for penalties and interest chargeable for delays or failure to remit the deducted amounts to the relevant authorities. As a result the actual amount of remittances outstanding as at 30 th June 2020 could not be confirmed.				
4. Un-Serviced Long Term Loan	The statement of financial Position reflects a long term loan restated totaling Kshs. 320,307,532, as further reflected in Note 27 to the financial statement s. the amounts relates to on-lent from the Government of Kenya out of proceeds of a World Bank (IDA) credit and was earmarked for the Natural Resources Management Project in 2007. The terms of the loan provided for repayments commencing	<i>The above observations have been noted. WRA endeavors to comply with the subsidiary loan agreement and being a non-commercial government agency, it has written to the PS Ministry of Water and Sanitary and the investment secretary informing them of the inability to pay and requesting them for the financial support in repayment or waiver of the same facility. For the institution has included in its budget a loan repayment item but due to rationalization, funding to WRA</i>			

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>March 2017. The Noted reflects outstanding expenses on the loan relating to interest and Penalties (Kshs. 35,324,482) and Short term borrowings- Current portion (kshs. 42,304,768) raising the total liability to 397,936,782. Management explained the failure to repay the loan due to lack of budgetary allocations for the purpose. Any further delay in servicing the loan is likely to make its repayment even more strenuous to the authority due to compounding of payable interest.</p>	<p><i>has been drastically been reduced Making it difficult for it to access funds to fully operationalize and undertake its mandate.</i></p>			


CEO WRA

Date.....21/6/2022.....


Chairman of the Board

APPENDIX II: PROJECTS IMPLEMENTED BY THE WRA

Kenya Water Security and Climate Resilience Project

Kenya Water Security and Climate Resilience Project is a World Bank funded project implemented by the Ministry of Water, Sanitation and Irrigation (MoWSI). Water Resources Authority (WRA) is one of the executing agencies of the project and has Project Implementation Unit (PIU) within the institution. The PIU reports to the Project Management Unit (PMU) of the MoWSI and WRA management. The project account and auditing is done at the PMU during the review of various implementing agencies.

Project Title	Project Number	Donor	Period/duration	Donor commitment ('000 USD)	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these Financial Statements (Yes/No)
Kenya Water Security and Climate Resilience (Loan)	5268-KE TF0A0761	World Bank	8yrs	29,603	Yes	Yes
		Korea World Bank Group Partnership Facility (KWPF)	4yrs	3,500	Yes	Yes
Total				33,103		

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

Status of Projects Completion

The project total cost is USD '000 33,103 after restructuring, this includes USD '000 3,500 from Korean Trust Fund to support upgrading of Nzoia Flood Early Warning. All the bulk procurements for consultancies and contractors are done at the PMU. WRA received project operational costs/activity budgets amounting to **291,238,821.00** and so far the completion rate is 90% (SC 2;2 =100%, FFEWS 95% and NWSM 60%)

Project Title	Total Project Cost ('000 USD)	Total expended to date(Ksh)	Completion % to date	Budget(Ksh)	Actual(Ksh)	Sources of funds
Kenya Water Security and Climate Resilience (Loan)	33,103	291,238,821.00*	85	2,666,878,153.00*	291,238,821.00	World Bank and Korean Trust Fund

APPENDIX III: INTER-ENTITY TRANSFERS

		Water Resources Authority		
	ENTITY NAME:			
Break down of Transfers from the State Department of Water				
a.	Recurrent Grants	FY 2020/2021		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		08-09-20	32,833,333.00	20/21
		08-10-20	32,833,333.00	20/21
		05-10-20	32,833,333.00	20/21
		06-11-20	32,833,333.00	20/21
		07-12-21	32,833,333.00	20/21
		18-01-21	32,833,333.00	20/21
		04-02-21	32,833,333.00	20/21
		04-03-21	32,833,333.00	20/21
		09-04-21	32,833,333.00	20/21
		05-05-21	32,833,333.00	20/21
		23-06-21	32,833,333.00	20/21
		05-07-21	32,833,333.00	20/21
		Total	393,999,996	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		17-09-20	74,250,000	20/21
		08-07-21	74,250,000	20/21
		Total	148,500,000	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	0	
d.	Other development grants			
		Total	0	
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	WDC			
		06-07-20	366,556.00	20/21
		23-07-20	624,907.50	20/21
		08-09-20	202,349.45	20/21
		30-10-20	368,466.00	20/21

Water Resources Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

	10-12-20	2,088,114.00	20/21
	17-12-20	854,079.00	20/21
	17-12-20	134,340.00	20/21
	17-12-20	645,702.10	20/21
	21-12-20	745,048.50	20/21
	08-09-20	453,579.00	20/21
	31-03-21	423,000.00	20/21
	12-04-21	371,220.00	20/21
	27-04-21	1,065,211.50	20/21
	28-05-21	657,000.00	20/21
	02-06-21	217,342.50	20/21
	14-06-21	196,710.00	20/21
	Total	9,413,625.55	

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

Principal Finance Officer
 Water Resources Authority

Head of Accounting Unit
 Ministry of Water and Sanitation

Sign 

Sign-----

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Ministry of Water and Sanitation	393,999,996	Recurrent	393,999,996	-	-	-	-	393,999,996
Ministry of Water and Sanitation	148,500,000	Development	148,500,000	153,966,783	8,405,002	74,821,532		148,500,000
KWSCRIP	24,251,917	Development	24,251,917	26,600,664		1,645,706		24,251,917
WDC	9,413,626	Development	9,413,626	9,413,626				9,413,626
Total	576,165,539		576,165,539	583,981,069	8,405,002	76,467,238	-	576,165,539

