

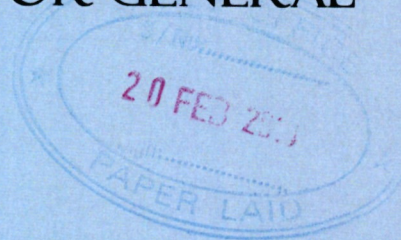
REPUBLIC OF KENYA



*Paper laid
By LOMP, Hon Daudi
On 20/2/2018 at the
Table*



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL WATER CONSERVATION AND
PIPELINE CORPORATION**

**FOR THE YEAR
ENDED 30 JUNE 2016**



***NATIONAL WATER CONSERVATION AND PIPELINE
CORPORATION***

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30th June 2016.

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

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KEY INFORMATION AND MANAGEMENT

Background information

National Water Conservation & Pipeline Corporation is a State Corporation established under the State Corporations Act vide Legal Notice No. 270 of 24th June 1988 Cap 446 of the Laws of Kenya. Following the implementation of the Water Act 2002, the Corporation which was previously retailing water in several water supplies across the country, is today the Implementation Arm of the Ministry of Water & Irrigation.

Principal Activities

The core mandate of the corporation is to;

- Develop state schemes and spearhead dam construction for water supplies, flood control and other multi-purpose uses, land drainage and construction of dykes.
- Carry out ground water recharge using flood water.
- Develop, retain existing and expand bulk water supply to water service boards and other water services providers.
- Drill and equip boreholes

Key Management

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

- ❖ Managing Director;
- ❖ General Manager Construction & Electromechanical;
- ❖ General Manager Finance;
- ❖ General Manager Planning & Design;
- ❖ General Manager Legal Services;
- ❖ General Manager Human Resource & Administration;
- ❖ Chief Procurement Officer; and
- ❖ Chief Internal Auditor

Fiduciary Management

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

❖ Ag. Managing Director;	- Mr. Andrew Wanyonyi
❖ General Manager Construction & Electromechanical;	- Eng. Ibrahim Ali Hassan
❖ Ag. General Manager Finance;	- Job Kiprotich
❖ General Manager Planning & Design;	- Eng. Joseph Muchiri
❖ General Manager Corporate & Legal Services;	- Joyce Ronoh
❖ Ag. General Manager Human Resource & Administration;	- Mr. Joseph Ojiambo
❖ Ag. Chief Procurement Officer;	- Mr. Lawrence Mutembei
❖ Ag. Chief Internal Auditor	- CPA Phillip Nzengu

Fiduciary Oversight Arrangements Committees of the Board

Human Resource & General Purposes Committee

The Committee comprises of four non-executive directors (one of them as Chairman) and the Managing Director as the Secretary.

The Board of Directors of the National Water Conservation and Pipeline Corporation has established the Human Resources and General Purposes Committee to review, and as appropriate, act on behalf of the Board, or make recommendations to the Board concerning staff, corporate communication, corporate social responsibility and legal issues.

The Committee has the following duties and responsibilities as directed by the Board:

- a) Human Resource Planning by ensuring there is a staff establishment; the right number and quality of staff with relevant skills; and succession planning
- b) Development of the Corporation's organizational Structure
- c) Recruitment and selection and retention of staff with the relevant skills
- d) Training and development of employees to improve organizational productivity
- e) Ensure that the employees are rewarded through an Employee Merit Reward System and that the employees' salaries are constantly reviewed and they are provided with better incentives and benefits
- f) Ensure that there are disciplinary and grievance-handling procedures in place outlining how they are administered
- g) General Staff Welfare – Ensure that the employees have conducive work environment, health and safety
- h) Review and approve terms and conditions of service for Corporation employees;
- i) Handle policy issues on Human Resource and Administration; and performance management
- j) Oversee the implementation of change process plans in the organization;

- k) Ensure compliance with the State Corporations Act Cap. 446, Water Act of 2002, provisions of the Legal Notice No 270 of 1998 and any written law
- l) Interpret regulations that may be issued from time to time by the Ministry of Water and Irrigation and the Government;
- m) Handle policy issues on Corporate communications and corporate social responsibility
- n) Review all litigation matters.
- o) Promote effective communication within and with all stakeholders.

The Committee meets on quarterly or need basis.

Finance Committee

The Committee comprises of four non-executive directors (one of them as Chairman) and the Managing Director as the Secretary.

The Committee has the following duties and responsibilities as directed by the Board:

- a) Develop, review and monitor implementation of the resource mobilization strategy of the Corporation
- b) Review and make recommendations to the Board of Directors regarding the Corporation's annual financial plans;
- c) Review the financial condition of the Corporation and its requirements for funds.
- d) Review and make recommendations to the Board of Directors regarding any proposed capital project which is required to be approved by the Board of Directors;
- e) Review and make recommendations to the Board where appropriate regarding Corporation's financial and risk management policies and practices, including cash investment policies; debt limitations; annual and longer-term operating plans; long-term capital expenditure projects; financing plans; and other financial transactions or issues that management desires to have reviewed by the Committee;

Risk & Audit Committee

This Committee comprises of four non-executive directors (one of them as Chairman) excluding the Managing Director and the secretary is the Chief Internal Auditor

The Board of Directors of the National Water Conservation and Pipeline Corporation has established the Risk & Audit Committee to discharge duties related to safeguarding the Corporation's assets; operation of adequate systems; control processes and preparation of accurate financial reporting and statements in compliance with legal requirements and accounting standards

The Committee shall have the following duties and responsibilities, as well as such other duties and responsibilities as it deems appropriate to carry out its purposes or as directed by the Board:

- a) Deal with appointment and termination of the Chief Internal Auditor. The Committee shall recommend this to the Board of Directors for approval.

- b) Discuss problems and reservation arising from the final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary)
- c) Review the external auditor's report(s) to the Management and Management's response.
- d) Consider the major findings in internal investigations and Management's response.
- e) Have explicit authority to investigate any matter within its terms of reference, the resources that it needs to do so and full access to information,
- f) Obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary;
- g) Consider other topics as defined by the Board including regular review of the capacity of the internal audit function; and
- h) The Committee must ensure that all legal provisions are followed. In addition to the various statutes that apply to the corporation's operations, these should include:
 - Code of conduct
 - Water Act 2002
 - The Government's Rules and Regulations
 - State Corporations Act
 - Policies, Rules and Regulations established by the Board
- i) Establish an internal audit function and the Risk & Audit Committee's function in relation to Internal Audit functions, to include:
 - Review of the adequacy, scope, functions and resources of the Internal Audit function and ensure that it has the necessary corporation to carry out its work.
 - Review the Internal Audit Program and results of the Internal Audit process and, where necessary ensure that appropriate actions are taken on the recommendations of the Internal Audit function.
 - Review any appraisal or assessment of the performance of members of the Internal Audit function.
 - Approve any appointment or termination of senior staff members of the Internal Audit function.
 - Ensure that the Internal Audit function is independent of the activities of the Corporation and is performed with impartiality, proficiency and due professional care.

Strategy, Technical & Business Development Committee

The Committee comprises of five non-executive directors (one of them as Chairman) and the Managing Director as the Secretary.

The Board of Directors of the National Water Conservation and Pipeline Corporation has established the Strategy, Technical and Business Development Committee to review, and as appropriate, act on behalf of the Board, or make recommendations to the Board concerning planning, strategy, technical, ICT and business development issues.

The Committee has the following duties and responsibilities, as directed by the Board:

- a) Review strategies, plans and service charters for attaining the Corporation's Service Delivery Objectives.

- b) Give policy direction in the development of the Corporation's Strategic Plan/ Business Plan and monitoring its implementation
- c) Review ISO certification procedures manuals
- d) Give policy direction in development of pro-poor approaches and community involvement in projects
- e) Approval of project work plans and Performance Contract targets
- f) Approve the Quarterly Performance Contract Progress Reports.
- g) Review proposals and plans for infrastructure development and improvement.
- h) Consider, evaluate and review progress of implementation for infrastructure development programs.
- i) Consider, evaluate and review performance of outsourced works
- j) Consider and evaluate the use of new and appropriate technologies in provision of water storage facilities
- k) Ensure compliance by the Corporation with statutory regulations relating to the Environment and Water Resources Management
- l) Review and give policy direction on proposals for gazettelement and implementation of state schemes
- m) To receive, examine and approve implementation of new/proposed projects as well as reports on the applications of new technologies.
- n) Where necessary on sample basis visit projects under implementation to access progress and recommend the way forward or any action plans.
- o) To receive deliberate on and give guidance on policy matters with respect to progress reports on the on-going projects;
- p) To discuss any other relevant matters that pertains to the technical operations of the company.
- q) To discuss any other business arising from the Strategy, Technical and Business Development committee.

Headquarters

P.O. Box 30173
GPO 00100
Dunga road, Industrial Area
Nairobi, Kenya.

Contacts

Telephone: (254) 020 65310, (020) 556600/1
Hotline: (254) 020 6531047
Fax: +254 020 531049
E-mail: info@nwpc.go.ke
Website: www.nwpc.go.ke

Bankers

Kenya Commercial Bank Ltd
KCB Moi Avenue
Account Numbers (1114280593, 1114280488, 1114279978, 1114279889, 1124316329)
P. O. Box 30081
GPO 00100
Nairobi, Kenya

Independent Auditors

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

Principal Legal Adviser

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

THE BOARD OF DIRECTORS



Chairman
Hon. Julius Kones
Re-appointed on 9th
March 2016

Personal Information:

Born 1972

Academic Qualifications:

PhD in Mathematics
Master and Bachelor of Science degrees in Mathematics and Statistics

Work Experience:

The former statistics lecturer at the University of Nairobi is the immediate former MP for Konoin Constituency in Bomet County.



Director
Walubengo Waningilo
Appointed on 26th April
2015

Personal Information:

Born: 1965

Academic Qualifications:

MA
BA (Hons)
LLB (Hons)
Post Graduate Diploma (KSL)

Work Experience:

Worked at National Hospital Insurance Funds for 15 years in Operations and prosecutions.

He is also a practicing advocate.



Director
Ms. Halima Kiniti
 Appointed on 26th April
 2015

Personal Information:

Born 1965

Academic Qualifications:

Customer Service Training
 Institutional Management Certificate

Work Experience:

Ms. Halima is a leading business woman and entrepreneur. For the last seven years she has run an infrastructure construction company that has successfully built and rehabilitated road infrastructure across Kenya.

Prior to this, she had worked for sixteen years in the hospitality industry with global brands like Diners club and Hilton Hotels as well as leading blue chips companies like Kenya Airways offering extensive skills in hospitality and natural affinity for superior customer care.

Ms. Halima is also the founder of a children's home providing food, shelter and education to disadvantaged children. Together with her family, she has also endowed a scholarship fund that pays tuition for orphaned primary and high school children who have demonstrated academic excellence, inspiring moments of optimism and an opportunity for academic and personal growth.



Director
Moses J.K. Ndwiga
 Appointed on 26th April
 2015

Personal Information:

Born: 1952

Academic Qualifications:

Bachelor of Education Science (University of Nairobi)

Work Experience:

Mr. Ndwiga has vast experience in the Education Sector having previously worked through the ranks to Senior Principal Teacher in various institutions including Siakago High School, Kegong High School, Kiangugi High School and Kithegi Secondary School.



Director
John Kangogo
Appointed on 26th April
2015

Personal Information:

Born : 1960

Academic Qualifications:

Bachelors of Arts in Leadership and Management
Diploma in Real Estate and Estates Management
Diploma in Criminology
Ministry of Finance Customs Training certificate

Work Experience:

Mr. Kangogo worked with the Elgeyo/Marakwet county council before moving to the National Irrigation Board. Later he moved to Ministry of Finance at the Customs Department.

He founded Cornerstone Security Services Ltd, Flagon Ltd and North Rift Wood & Timber Company Ltd where he serves the positions of Executive Chairman and Executive Director respectively.



Director
**Eng. Vincent Sidai
Esyepet**
Appointed on 26th April
2015

Personal Information:

Born: 1974

Academic Qualifications:

M.A Project Planning & Management UoN
BSc (Hons) degree in Civil Engineering - JKUAT
Post Graduate in Program for Management Development – Strathmore/GIBS
Diploma in Advanced Concrete Technology – Institute of Concrete Tech. UK
Certificate in Concrete Technology – Cement & Concrete Institute
Certificate in Corporate Governance – Centre for Corporate Governance

He is a Registered Engineer, Engineers Registration Board, Corporate Member, Institution of Engineers of Kenya and Member Institute of Concrete Technology - UK

Work Experience:

Eng Sidai has over sixteen years of progressive experience in the construction industry, business management, and logistical management and people skills gained through working with various organizations. He has held increasingly responsible positions both in the private sector and corporate world both locally and internationally working in Countries such as Kenya, Uganda, Tanzania, Madagascar, South Africa, Egypt, Malawi, Zambia, France, South Sudan.



Director
Mrs. Alome Achayo
 Appointed on 26th April
 2015

Personal Information:

Born: 1968

Academic Qualifications:

PhD – Strategic Management (Pursuing)
 Masters in Business Administration – Finance/Management
 Bachelor of Science - Microbiology

Work Experience:

Ms. Achayo has over 15 years combined senior and middle level management experience acquired through working in various capacities in various institutions. She has previously headed Mombasa Water supply and Sanitation Co. Ltd, as the managing director. Worked as a general manager in E & A industries Ltd among others. She also worked as General Manager Business Development at Agricultural Finance Corporation (AFC). Prior to that she worked as product manager in various international pharmaceutical firms.



Director
CPA. Geoffrey Malombe
(HSC)
*Alternate to Principal
 Secretary National
 Treasury*

Personal Information:

Born:

Academic Qualifications:

MBA (Finance Option)
 Bachelor Degree (Agriculture and Economics)
 Certified Public Accountant (Kenya)
 Member of the Institute of Certified Public Accountants of Kenya (ICPAK)

Work Experience:

CPA Malombe joined Government in 1997 and rose through the ranks to Senior Deputy Accountant General in 2016. He has over 20 years' experience in various Government ministries. He has also been involved in other Public Financial Management reforms in the National Treasury.



Director
Eng. Lawrence Simitu
Director of Water Services

Personal Information:

Born:

Academic Qualifications:

BSc in Civil Engineering (UoN)
 MSc in Civil Engineering (UoN)

Work Experience:

He is currently the Director of Water Services in the Ministry of Water & Irrigation.

He has over 20 years' experience in the Water Sector.



Director
Ms Margaret Ratemo
Representing the Inspector of State Corporation

Personal Information:

Born:

Academic Qualifications:

Bachelor of Education(UON)
 Master of Arts(UON)

Work Experience:

She is currently the Director Human Resource Management and Development in the public service. She has served as a GOK Director in many reputable government institutions for over 14years.

MANAGEMENT TEAM



Ag. Managing Director
**Mr. Andrew Mkhisa
Wanyonyi**
Appointed on February 2016

Personal Information:

Born: 25th August, 1977

Academic Qualifications:

PHD in Finance (undertaking)
Master's in Business Administration (Finance)
Bachelor of Commerce – Accounts Option
Certified Public Accountant

Work Experience:

After serving the Corporation as the Ag. Finance Manager. Wanyonyi also served in the ministry of Water and Irrigation as the Advisor, Strategy and Institutional Reforms hence has vast knowledge in the water sector. With over 15 years 'working experience in Local Authorities treasuries and as an executive committee member in Trans-Nzoia County Government, Wanyonyi now leads the Corporation's operations and gives strategic guidance and direction to the Board, to ensure that the Corporation achieves its mission and objectives



Ag. General Manager,
Human Resource &
Administration.
Joseph Ojiambo

Personal Information:

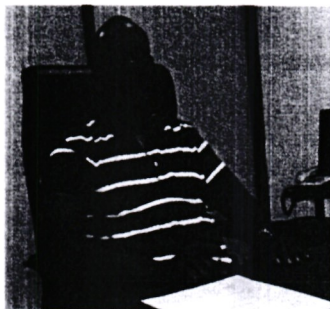
Born: 1972

Academic Qualifications:

MBA in Human Resources Management-(UON)
BA(Hons) in sociology & economics-(UON)
Post Graduate Diploma in Human Resources management-(KIM)
CPS(K)
Human Resource and Development Course,-ESAMI

Work Experience:

He has More than 15 years' experience in the public and private sector in the areas of corporate governance, Human Resource management and Administration.



General Manager,
Construction & Electro-
Mechanical.
Eng. Ali Hassan

Personal Information:

Born: 1965

Academic Qualifications:

PHD in Project management
MSc in Project Management
Master's in Business Administration
BSc Civil Engineering
Diploma in Irrigation Engineering
Certificate in Strategic Leadership Development
Certificate in Corporate Governance
Member of the institute of engineers of Kenya(MIEK)

Work Experience:

He has 28years work experience in various ministries such as Roads, Public works and agriculture.



Ag. General Manager,
Finance and Corporate
Planning
Job Kiprotich

Personal Information:

Born: 1969

Academic Qualifications:

MBA Esami/Maastricht
BA Economics-(UON)

Work Experience:

He has 20years experience in project planning management, project feasibility studies, budget forecasting, Financial reporting, Environmental impact assessment, and Socio-economic analysis.



General Manager, Planning &
Design.
Eng. Joseph Muchiri

Personal Information:

Born: 1964

Academic Qualifications:

MBA-JKUAT

BSc (Civil Engineering)-UON

Diploma in business management

Strategic leadership development programme

Work Experience:

He has 22 years of experience in design of water projects (Ministry of water), Operation and Maintenance(DWE) and Project management(WUAS)



Ag. Chief Procurement
Officer.
Lawrence Mutembei

Personal Information:

Born: 1968

Academic Qualifications:

BA (ECON)

Diploma in procurement

Diploma in Business Administration

Work Experience:

He has worked as a procurement officer at the ministry of transport, Meteorological Department, District procurement officer and the Judiciary as the head of procurement.



Ag. Chief Internal Auditor.
CPA. Philip Ngovi Nzengu

Personal Information:

Born: 1968

Academic Qualifications:

Master of Arts in Procurement and Logistics
Bachelor of Business Administration
CPA-K

Work Experience:

Nzengu is the Senior Internal Auditor and currently the Ag. Chief Internal Auditor. Born in 1969, he is a self-made and educated professional having risen from a clerical officer to his current position. He is holder of a Masters' Degree in Procurement, and a Bachelors' Degree Apart from the advanced college education, he has gone through all the accounting training stages. He is also a member of ICPAK.

He started his career with M/s Njoroge & Musyoka Advocates; followed by a stint at the Mwingi County Council in various positions between 1995 to 2005 and finally at the defunct Kenya Anti-Corruption Commission before joining National Water Conservation & Pipeline Corporation.

CHAIRMAN'S STATEMENT

The constitution of Kenya guarantees every citizen the right to clean and safe water in adequate quantities. This right comes at the back drop of a nation which is water scarce.

National Water Conservation and Pipeline Corporation which was formed in 1988 has over the years tried to stand in the gap by developing water infrastructure such as dams, pans and boreholes while at the same time mitigating the effects of floods by building dykes amongst other things.

To achieve its mandate, the Corporation has fully embraced performance contracting which involves freely negotiated arrangements between the Board of Directors which I chair and the Government of the Republic of Kenya on Service delivery. The same performance Contract is cascaded to management whereby the Managing Director signed a contract with the Board and in turn signed similar contracts with the Heads of Departments. The Heads of Department on their part signed similar contracts with Divisional Heads.

The Performance Contracts have been useful tools to set targets and monitor performance of the Corporation's activities. In the last financial year, the Corporation performed well and met targets on most of the performance indicators.

The Corporation is fully committed to its vision of becoming a world class institution in water infrastructure development and management. By engaging with county governments, the Corporation will endeavour to increase the storage capacity of water especially in the arid and semi-arid areas of the county with a view of enhancing water security nationally and mitigate against the effects of floods and drought in vulnerable areas.

My Board will continue to engage with Government, the public and other stakeholders to rebrand the Corporation and make it relevant under the water act 2016 and the new constitution dispensation of devolution.

In conclusion, I wish to state that the organization is ready to face the future and that the activities captured in this Annual Report and Financial statements represent the true status of the Corporation.

Hon. Dr. Julius Kones
Chairman of the Board



Date:.....13/9/2017.....

REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Financial Statements of the Corporation for the period 2015-2016. During the year the institution depicted good financial health despite operating in a very challenging environment.

The soaring inflation rates and high cost of construction materials impacted drastically on the execution of some of the projects. The Corporation also faced budget constraints as it did not secure full funding from the Government as expected. Nonetheless, we managed to surmount the challenges to meet the annual targets.

In line with vision 2030, the Corporation continued to oversee construction of multi-billion large reservoirs namely, Kiserian Dam, Chemususu Dam, Kalundu Dam and Badasa Dam. The first three are complete and will soon be handed over to respective Water Services Boards. A number of dams were planned for the year namely; Siyoi – Muruny, Rare, Rumuruti, Upper Narok and Koru. The Corporation commenced construction works on the Siyoi-Muruny dam while compensation funds were released to the National Lands Commission for the Koru Dam. The dams form bulk of the operating expenses of the Corporation in line with its mandate.


Besides these dams, the Corporation managed to construct 9 medium size dams and also undertook flood control works across the country including along River Kuja, River Nzoia, River Nyando, River Tende, Njoro Kubwa and in Turkana.

The Corporation has engaged a consultant to upgrade the Enterprise Resource Planning (ERP) accounting system to enhance integration of the Corporation's operations. This will ultimately aid in the integration with the E-Procurement portal. With this system the Corporation will be able to increase its efficiency and accountability.

The corporation has developed a strategic plan 2015-2020 to guide the roadmap for the next five (5) years. This will be used to prepare for the transformation as we await the new proposed water bill 2014 which is expected to give us new responsibility as National Water Harvesting and Storage Authority (NWHSA).

Human Resources remain the greatest asset of the Corporation. In order to fully harness this important resource, the Institution organized and managed to send a number of Directors and officers at all cadres to various trainings as a way of building capacity. Finally, on customer satisfaction, the Corporation continues to be attentive to our customers.

The Report provides in summary the activities of the Corporation for the 2015-2016 financial year and provides a true and accurate status of the financial affairs of the Corporation for the period ending 30th June 2016.


Eng Ibrahim Ali Hassan
Ag. Managing Director

Date:


CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process by which corporations are directed and controlled with the objective of increasing stakeholder's value and satisfying them. This is achieved by establishing a system of clearly defined authorities and responsibilities, which result in a system of internal controls that is regularly tested to ensure effectiveness.

The Board of Directors and Senior Management staff of the National Water Conservation & Pipeline Corporation have undergone a comprehensive 5-day Corporate Governance Training Course which broadened their knowledge and understanding of Corporate Governance and provided an insight into the importance of good Corporate Governance in Corporate performance and productivity. In addition, their capacity on strategic direction setting and the interpretation of the best principles and practices in Corporate Governance was enhanced.

With the above knowledge, Corporate Governance has been exercised to required standards resulting increasing the Stakeholder's values and stratifying them as confirmed in the customer satisfaction survey. At National Water Conservation and Pipeline Corporation, the Board places a high degree of importance on maintaining a sound control environment and applying the highest standards of business integrity and professionalism in all areas of the Corporation's activities. The Board has adopted the Code of Best Practice for Corporate Governance issued by the Centre of Corporate Governance (Kenya) as its benchmark in developing its corporate governance principles.

The Board of Directors have continuously embraced the values embodied in our Strategic Plan of the Corporation: Integrity, Accountability, Transparency, Professionalism, team work and Innovativeness. Consistent with these values, we take corporate governance seriously.

The Corporation has strengthened its corporate governance with more detailed Corporate Governance Principles, reviewed committee charters and provided multiple means for stakeholders to contact the Board.

Our Governance strengths include:

- Our board of directors consists of independent Directors with mix skills from the private sector, Directors from Government Institutions and the Managing Director.
- Our board holds quarterly scheduled meetings as provided for by the State Corporations Act Cap 446 and have access to information as required.
- All Committees of the Board have charters to guide their activities.

In conclusion the Board is responsible for the governance of the Corporation and conducts the business and operations of the Corporation with integrity and in accordance with generally accepted corporate practices, in a manner based on transparency, accountability and responsibility.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Corporation's affairs.

Principal activities

The principal activities of the entity are to:

- Develop state schemes and spearhead dam construction for water supplies, flood control and other multi-purpose uses, land drainage and construction of dykes.
- Carry out ground water recharge using flood water.
- Develop, retain existing and expand bulk water supply to water service boards and other water services providers.
- Drill and equip boreholes

Results

The results of the entity for the year ended June 30, 2016 are set out on page 20-35

Directors

The members of the Board of Directors who served during the year are shown on page iv – vii. The directors are appointed by the Cabinet Secretary in charge of Ministry of Environment Water & Natural Resources on three year terms while the Chairman is appointed by The President of the Republic of Kenya through a gazette notice.

Auditors

The Auditor General is responsible for the statutory audit of the Corporation in accordance with the Section 81 of the Public Finance Management (PFM) Act, 2012.

The Auditor General carried out the audit of the Corporation for the year ended June 30, 2016.

By Order of the Board



Eng Ibrahim Ali Hassan
Ag. Managing Director

Date: 12/09/2017

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

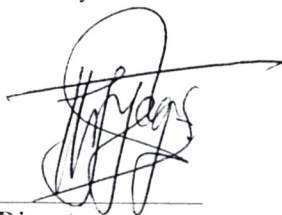
The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with The Accrual Basis of Accounting method under the International Public Accounting Sector Standards (IPSAS) and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2016, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation'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 Corporation 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 Corporation's financial statements were approved by the Board on 23rd September, 2016 and signed on its behalf by:



Director

Director

Director

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Water Conservation and Pipeline Corporation set out on pages 24 to 50, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparative 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.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

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

Report of The Auditor-General on the Financial Statements of National Water Conservation and Pipeline Corporation for the year ended 30 June 2016

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

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

Basis for Adverse Opinion

1.0 Property, Plant and Equipment - Transfers to Water Service Boards

As similarly reported in previous years, the property plant and Equipment balance of Kshs.829,382,282 as at 30 June 2016 excludes various assets valued at Kshs.16,781,832 earmarked for transfers to various Water Service Boards. However, the agreements although drafted more than eight years ago had not been signed as at 30 June 2016.

2.0 Capital Work-in-Progress-Headquarters Building

Similarly as reported in the previous years, the Corporation in March 2008 awarded a contract for construction of its Headquarter building to a firm at a contract sum of Kshs.485,400,820. However, the contractor abandoned the project after being paid a total sum of Kshs.80,660,480. The Corporation thereafter instituted a claim of Kshs.24,270,401 5% performance bond as provided for in the terms of the contract. The insurance firm however declined to honor the claim and the matter was still pending in a court of law as at 30 June 2016.

So far, the Corporation has incurred a total of Kshs.832,354,937 on the project after contracting another firm to undertake the outstanding works. Under the circumstance, the Corporation may not have received value-for-money in the two contracts due to the delay in completion of the project and large increase in its costs, including legal expenses.

3.0 Receivables from Exchange Transactions

3.1 Water Service Board Debts

As similarly reported in previous years, the receivables from exchange transaction balance of Kshs.894,196,872 as at 30 June 2016 exclude water supply debts of Kshs.1,377,265,028 and payments totaling to Kshs.754,400 transferred to Water Service Boards under various agreements signed between the Corporation and the Water Service Boards in the year 2005/2006. These agreements have not been formalized and therefore the legal status of the debts is uncertain.

3.2 Long Outstanding Debts

Included in the receivables from exchange transaction balance of Kshs.894,196,872 as at 30 June 2016 are long outstanding trade debtors totaling Kshs.65,357,537. Though management has made a provision of Kshs. 4,335,884, the provision appears inadequate. Further, management has not shown any effort to recover the outstanding

debts especially those from Government institutions and private firms before making the provisions.

3.3 Recoverable Advances

Included in the receivables from exchange transactions balance of Kshs.894,196,872 as at 30 June 2016 is a balance of Kshs.789,018,357 described as recoverable advances made to contractors. No explanation has been provided as to why the Corporation made advance payments to contractors contrary to the Public Procurement and Disposal Act, 2005.

Under the circumstance, it has not been possible to confirm the receivables from exchange transaction balance of Kshs.889,860,988 as fairly stated.

4.0 Receivables from Non Exchange Transactions

4.1 Outstanding Temporary and staff claimables

The receivables from non-exchange transactions balance of Kshs.67,028,109 as at 30 June 2016 includes temporary imprests totaling Kshs.39,958,321 that have been outstanding for over 90 days but whose recoverability is doubtful. Though management has made a provision for doubtful debts of Kshs.20,965,420, the provision appears inadequate. Further the provision for bad debts is understated by Kshs.7,653,193 being imprests held by ex-staff who have either left the Corporation or who are diseased. Management has not explained any efforts being made to recover the outstanding imprests. Further, staff claimables of Kshs.6,406,231 are not supported with any documentation and as a result it has not been possible to confirm their validity.

In addition, the supporting schedule for temporary imprests provided for audit had a total of Kshs.72,768,684 resulting into an unreconciled difference of Kshs.5,740,575. Consequently, the recovery ability of the temporary imprest and staff claimables balances cannot be confirmed.

4.2 Furniture Advance

Included in the receivables from non-exchange transactions balance of Kshs.67,028,109 as at 30 June 2016 is an amount of Kshs.14,472 which has been outstanding for long and whose recoverability appears doubtful. Management has not explained how it intends to recover the same.

In the circumstances, the receivables from non-exchange transactions balance of Kshs.67,028,109 as at 30 June 2016 cannot be confirmed as fairly stated.

5.0 Construction of Dams

5.1 Umaa Dam

As previously reported, a contractor was paid Kshs.2,000,000 for the purchase of Yamaha motor cycles (125cc) and a further sum of Kshs.320,000 in respect of overheads and profit. The motor cycles were to be used by the contractor during site visits. However, a market survey of the price in December 2010 for this type of motor

cycles indicated that the purchase price may have been inflated by over 300%. Although the management explained that the payment could be reversed in the subsequent interim payment certificate as provided for in Clause 60.4 of the general conditions of the contract, no reversal has been effected as at 30 June 2016.

As was previously reported, in September 2009, eight months after the commencement of the contract, the contractor submitted a request for variation of the contract price by Kshs.442,920,633.

The variation request by the contractor represented an increase of 53% of the original contract price of Kshs.824,457,120. The Corporation in turn declined to approve the variation or settle the contractor's claims on the grounds that they were invalid and unjustifiable. The project therefore stalled due to the disagreement and the dispute was referred to the Courts. At the time of this report, the case had not been determined and thus no value-for-money has been obtained from the expenditure of Kshs.824,457,120 as at 30 June 2016.

5.2 Badasa Dam

As reported in the previous year, progress of work reported as at September 2010 indicated that the overall project completion was 33% while 52% of the contract period had lapsed. Available information indicates that in the year 2012/2013, the contractor was unable to complete the project within the contract period despite the Corporation having spent an amount of Kshs.1,853,757,235 as at 30 June 2013. The Corporation subsequently entered in to an agreement with a contractor on 20 August 2013 which released both parties from performance of the contract on the account of convenience without the project being completed. No justification has been provided for this action nor has the Corporation realized value for money for the expenditure of Kshs.1,853,757,235 incurred on the project.

5.3 Construction of Narok Dam

The Corporation contracted Z&AP Antonopoulos and Associates to conduct a feasibility study on the proposed Narok Dam at a contract sum of Kshs.96,935,328.

However, no feasibility final report has been provided for audit scrutiny. Consequently, the future of the project could not be ascertained even after spending Kshs.96,935,328. As a result, value for money and propriety of the expenditure of Kshs.96,935,328 cannot be confirmed.

5.4 Construction of Nzoia Dam

The Corporation contracted East African Consulting Engineers to conduct a feasibility study on the proposed Nzoia Dam at a contract sum of Kshs.153,631,760. However, no feasibility final report was provided for audit review. Further, the future of the project could not be determined even after Kshs.153,631,760 was spent on it.

Under the circumstance, the propriety of the total expenditure of Kshs.2,106,644,323 incurred as at 30 June 2016 cannot be confirmed.

6.0 Cash and Bank Balances

The cash and cash equivalents balance of Kshs.185,127,141 as at 30 June 2016 is arrived at after providing for unposted items amounting to Kshs.35,700,250, long outstanding lodgment of Kshs.2,313,147 and overcast of Kshs.2,049,966 in the bank reconciliation statements that were not supported nor explained. Further, included in the cash and bank balance of Kshs.185,127,141 as at 30 June 2016, are under-bankings amounting to Kshs.1,496,450. Management has not explained the cause of the under-bankings and whether the unbanked money was spent for the activities of the Corporation.

Further, the Corporation does not prepare monthly bank reconciliation statements as required under the Public Finance Management Act 2012.

In view of the foregoing, it has not been possible to confirm the accuracy and completeness of the cash and cash equivalents balance of Kshs.185,127,141 as at 30 June 2016

7.0 Irregular Payment of Acting Allowances

During the year under review the Corporation paid a total of Kshs.897,438 as acting allowances to officers on acting capacity. However, contrary to the Code of Regulation Sub section J 4 Clause 7 some of the officers were paid allowances assigned to posts higher than those they were appointed in acting capacity. As a result, the propriety of the allowances totaling to Kshs.897,438 cannot be confirmed.

8.0 Nugatory Court Employee Compensations

The Corporation dismissed from office some of its staff on various disciplinary grounds. The dismissed employees subsequently filed cases with the Industrial court and the courts determined some cases in favor of the employees and awarded them Kshs.42,638,986. Therefore decision to terminate the services of the staff cost the Corporation Kshs.42,638,986 which had not been budgeted for. Further, some cases are still pending in Court and thus the Corporation could incur additional losses. As a result, the propriety and value for money of the court cases, employee compensation expenses of Kshs.42,638,986 cannot be ascertained.

9.0 Inventories

The inventory balance of Kshs.69,002,747 as at 30 June 2016 was not supported with any stock sheets. Further, Management did not provide evidence of stock taking and how the balance was computed. In addition, management did not disclose the inventory valuation method as required under IPSAS 12. In the circumstance, it has not been possible to ascertain the accuracy and completeness of the inventory balance of Kshs.69,002,747 as at 30 June 2016

10.0 Long Outstanding Loan

The Corporation received loans from the Government totaling to Kshs.2,460,874,897 with various effective dates of repayment. However, the loan balance is not reflected in the books of the Corporation. Further, although the loan repayments are due, the

Corporation has not made any repayment nor has it recognized in the books interest due together with the arrears. Consequently, it has not been possible to ascertain the current status and accuracy, completeness of the outstanding loans of Kshs.2,460,874,897 as at 30 June 2016.

11.0 Contingent Liabilities

The Corporation has many court cases whose contingent liabilities amounts to Kshs.795,684,836 but which have not been disclosed Note 1 (h) in the financial statements in accordance with International Public Sector Accounting Standards (IPSAS – Accrual) 19 (100) - Contingent Liabilities and Contingent Assets. Further, no analysis details were provided for the amount as at 30 June 2016.

12.0 Trade and Other Payables from Exchange Transactions

12.1 Trade Payables

The trade and other payables from exchange transactions balance of Kshs.473,464,809 as at 30 June 2016 includes trade payables totaling Kshs.215,577,342 whose supporting schedule provided for audit was Kshs.232,344,418 resulting to an unreconciled variance of Kshs.16,767,076. Further, included in the trade payables balance is an amount of Kshs.114,694,316 which has been outstanding for over 90 days. No reason has been given for failure to settle the long outstanding payables.

12.2 Retention Money

Trade and other payables from exchange transactions balance of Kshs.473,464,809 as at 30 June 2016 include retention money amounting to Kshs.180,241,439 out of which retentions totaling Kshs.104,177,857 has been outstanding for over four (4) years. No documents were made available to support the amount.

12.3 Debit Balances

Included in trade and other payables balance of Kshs.473,464,809 as at 30 June 2016 are debit balances amounting to Kshs.367,362,678 contrary to IPSAS 1 (Accrual). The creditors balance is therefore understated by the same amount.

12.4 Un-remitted Statutory Deductions

Included in the trade payables balance of Kshs.473,464,809 as at 30 June 2016 are third party payments totaling Kshs.12,589,120 being unremitted statutory deductions and other staff deductions not remitted to their respective institutions.

Under the circumstance, it has not been possible to ascertain the accuracy and completeness of the trade and other payables balance of Kshs.473,464,809 outstanding as at 30 June 2016.

13.0 Employees Seconded From the Ministry of Water

The Corporation received 423 employees of various cadre seconded from the Ministry of Water and Irrigation in various core operations they included drilling, electro

mechanical, land survey and water technicians. Although the management has explained that the officers were seconded when the Ministry ceased to implement technical projects attached to the Water Service Boards, it is not clear and management have not explained why it has not absorbed them as they continue to draw their salaries from the Ministry.

In view of the foregoing, it has not been possible to ascertain the completeness, accuracy and propriety of the compensation to employee's expenditure of Kshs.288,837,545 outstanding as at 30 June 2016.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of National Water Conservation and Pipeline Corporation as at 30 June 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the State Corporations Act and Water Act, 2002 of the Laws of Kenya.

Other Matter

1. Information Technology Environment

The Corporation does not have an Information Technology (IT) Policy and strategic plan but is currently using an upgraded Enterprise Resource Programme namely (ERP) Navision 2015. The system does not have project management module which is key to its operations. The Corporation is yet to implement formal documented and tested emergency procedures. Further, the Corporation is yet to complete an offsite data recovery plan. As a result, there are no copies of the IT continuity plan and disaster recovery plans kept off-site. Management does not keep records of IT assets like servers, printers, and desktop computers. In addition, all employees of the Corporation were given super-user rights contrary to the principle of least privileges. In the circumstance, the integrity and recoverability of the Corporations data in case of disaster is doubtful.

2. Lack of Credit Policy

The corporation has no credit policy to guide its operations resulting into large trade receivables and payables that may lead to penalties and interest charges.



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

Nairobi

09 November 2017


**STATEMENT OF FINANCIAL
PERFORMANCE**

For the year ended 30th June 2016

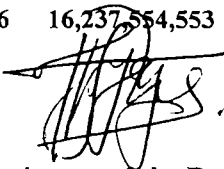
		2015-2016	2014-2015
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from other governments	2	158,308,333	172,700,000
		158,308,333	172,700,000
Revenue from exchange transactions			
Rendering of services	3	74,352,982	41,225,122
Rental revenue from facilities and equipment	4	432,000	432,000
Finance income - external investments	5	50,022,489	125,084,805
Other income	6	15,000	6,842,487
		124,822,471	173,584,414
Total revenue		283,130,804	346,284,414
Expenses			
Employee costs	7	298,857,761	279,669,253
Board Members Remuneration & Related Costs	8	34,426,641	21,916,902
Depreciation and amortization expense	9	86,054,880	29,274,030
Repairs and maintenance	10	0	50,625
Rendering of services	11	39,591,586	71,588,192
General expenses	12	14,400,070	21,261,871
Increase in Provision for Doubtful Debts	13	7,281,399	0
Total expenses		480,612,337	423,760,873
Surplus before tax		(197,481,533)	(77,476,459)
Taxation		0	0
Surplus for the period		(197,481,533)	(77,476,459)

STATEMENT OF FINANCIAL POSITION
As at 30th June 2016

		2015-2016	2014-2015
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	185,127,141	1,916,390,639
Receivables from exchange transactions	15	894,196,872	856,189,729
Receivables from non-exchange transactions	16	67,028,109	44,107,409
Inventories	17	69,002,747	75,555,344
		1,215,354,869	2,892,243,122
Non-current assets			
Property, plant and equipment	18	829,382,282	547,352,619
Intangible assets	19	2,196,122	3,294,183
Capital Work in Progress	20	14,456,761,263	12,794,664,628
		15,288,339,667	13,345,311,430
Total assets		16,503,694,536	16,237,554,552
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	21	473,464,809	411,301,370
Trade and other payables from non-exchange transactions	22	6,406,230	3,615,216
		479,871,040	414,916,586
Non-current liabilities			
Deferred income - Project Funds	23	14,941,755,500	14,901,168,470
		14,941,755,500	14,901,168,470
Total liabilities		15,421,626,540	15,316,085,056
Net assets			
Capital Reserves		848,612,700	848,612,700
Accumulated surplus		(124,624,736)	72,856,797
Revaluation Reserve		358,080,032	0
Total net assets and liabilities		16,503,694,536	16,237,554,553


Managing Director

Date.....12/09/2017


Chairman of the Board

Date.....13/9/2017

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2016

	Capital Reserves	Accumulated Surplus	Revaluation Reserve	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30 JUNE 2014	848,612,700	150,333,255	0	998,945,955
Surplus for the period	0	(77,476,458)	0	(77,476,458)
Balance as at 30 JUNE 2015	848,612,700	72,856,797	0	921,469,497
Surplus for the period	0	(197,481,533)	0	(197,481,533)
Transfers from PPE	0	0	358,080,032	358,080,032
Balance as at 30 JUNE 2016	848,612,700	(124,624,736)	358,080,032	1,082,067,996

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

Note	2015-2016 Kshs	2014-2015 Kshs
Cash flows from operating activities		
Receipts		
Government grants and subsidies	158,308,333	172,700,000
Rendering of services - Private Works	34,976,457	38,592,832
Rental revenue from facilities and equipment	324,000	(36,000)
Finance income - external investments	50,022,489	125,426,559
Other income	15,000	5,273,300
	243,646,279	341,956,691
Payments		
Employee costs	298,857,761	279,669,253
Board Members Remuneration & Related Costs	34,426,641	21,916,902
Rendering of services - Cost of private works	39,591,586	71,588,192
Other payments	(28,382,266)	984,717,848
	344,493,723	1,357,892,195
Net cash flows from operating activities	23 (100,847,444)	(1,015,935,504)
Cash flows from investing activities		
Buildings	0	(1,023,060)
Purchase of Motor Vehicles	0	1,851,981
Purchase of Furniture and Office Equipment	0	(1,748,860)
Purchase of Field Equipment	(8,906,450)	0
Computers & Accessories	0	(4,623,803)
Increase in Capital Works in Progress	(1,662,096,635)	(1,359,236,267)
Net cash flows used in investing activities	(1,671,003,085)	(1,364,780,009)
Cash flows from financing activities		
Government Grants	40,587,030	2,363,122,861
Net cash flows used in financing activities	40,587,030	2,363,122,861
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at 1 JULY	13 1,916,390,639	1,933,983,290
Cash and cash equivalents at 30 JUNE	13 185,127,141	1,916,390,639

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2016

	Original budget		Adjustments		Final budget		Recurrent Actual on comparable basis		Development Actual on comparable basis		Performance difference	
	2015-2016	Kshs	2015-2016	Kshs	2015-2016	Kshs	2015-2016	Kshs	2015-2017	Kshs	2015-2016	Kshs
Revenue												
Government grants and subsidies - recurrent	172,700,000		-7,195,834		165,504,166		158,308,333		498,000,000		-7,195,833	
Government grants and subsidies - Development	1,156,000,000		-658,000,000		498,000,000						0	
Other income A.I.A	100,000,000		0		100,000,000		124,822,471				24,822,471	
Total income	1,428,700,000		-665,195,834		763,504,166		283,130,804		498,000,000		17,626,638	
Expenses												
Employee costs	246,700,000		43,294,719		289,994,719		298,857,761				-8,863,042	
Board Members Remuneration & Related Costs	26,000,000				26,000,000		34,426,641				-8,426,641	
General expenses	0		0		0		14,400,070				-14,400,070	
Finance costs	0		0		0		0				0	
110020500- Dams & Pans	868,690,791				868,690,791				868,690,791		0	
110020400- Drilling	45,500,000				45,500,000				44,985,000		515,000	
110020300- Flood control	133,809,209				133,809,209				132,978,897		830,312	
Construction of Buildings	108,000,000				108,000,000				104,452,652		3,547,348	
Depreciation & Amortization Expenses	87,000,000		0		87,000,000		86,054,880		0		945,120	
Provision for Bad Debt	7,500,000		0		7,500,000		7,281,399		0		591,586	
Rendering of Services	39,000,000		0		39,000,000		39,591,586		0		218,399	
Total expenditure	1,428,700,000		43,294,719		1,471,994,719		480,612,337		1,151,107,340		(25,041,989)	
Surplus for the period	0		-708,490,553		-708,490,553		(197,481,533)		(653,107,340)		7,415,350	

NOTES TO THE FINANCIAL STATEMENTS

Statement of compliance and basis of preparation

The Corporation's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh 000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

Summary of significant accounting policies

1. Revenue Recognition

a) Revenue from non-exchange transactions

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.

b) Revenue from exchange transactions

(i) Rendering of services

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

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

(ii) 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.

(iii) Rental income

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

c) Budget information

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

d) Property, plant and equipment

All property, plant and equipment are stated at cost/revaluation 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. When a revaluation is done on a class of assets, the assets is recognized as revaluation amount less depreciation.

The depreciation is recognized on a straight line basis with the applicable rates of:

<i>Class Name</i>	<i>Estimated Useful life</i>	<i>Depreciation rate</i>
Leasehold Land	99years	1.22%
Building	40 years	2.5%
Motor Vehicles & Cycles	4 years	25.0%
Computers & Peripherals	3 years	33.3%
Furniture, Fixture & Fitting	8 years	12.5%
Office Equipment	8 years	12.5%
Plant & Field Equipment	20 years	5.0%

Depreciation methods, useful lives and residual values, if not significant, are reassessed annually at each reporting date.

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 intangible assets are amortized on a reducing balance basis at a rate of 33.3% per annum.

f) Inventories

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

g) Provisions

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

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

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

h) 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.

The Corporation has contingent liabilities of Kes.795,686,835.86 arising from various instances where the Corporation has been taken to court by parties. The Corporation projects that in the foreseeable future there is a risk of the Corporation becoming liable to the above tune.

i) Changes in accounting policies and estimates

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

j) Employee benefits

Retirement benefit plans

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

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

k) 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.

l) Comparative figures

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

m) 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.

n) 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.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

o) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

p) Related party transactions

The remuneration of key management who received remuneration directly from the corporation during the year is as follows:

	2015-2016	2014-2015
	Kshs	Kshs
Director's emoluments	30,109,388	16,596,977
Key management compensation		
CEO's salary and benefits	4,317,253	2,071,000
	34,426,641	18,667,977

q) Financial Risk Management

Exposure to currency, commodity, interest rate, liquidity and credit risk arises in the normal course of the corporation's operations. This note presents information about the corporation's exposure to each of the above risks, policies and processes for measuring and managing risk, and the corporation's management of capital. Further quantitative disclosures are included throughout these financial statements.

i) Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the corporation's financial instruments.

	Carrying amount Kshs	Fair value Kshs
Financial Assets		
As at 30th June 2016		
Cash and cash equivalents	185,127,141	185,127,141
Receivables from exchange transactions	894,196,872	894,196,872
Receivables from non-exchange transactions	67,028,109	67,028,109
	1,146,352,122	1,146,352,122

	Carrying amount Kshs	Fair value Kshs
Financial Assets		
As at 30th June 2015		
Cash and cash equivalents	1,916,390,639	1,916,390,639
Receivables from exchange transactions	856,189,729	856,189,729
Receivables from non-exchange transactions	44,107,409	44,107,409
	2,816,687,777	2,816,687,777

	Carrying amount Kshs	Fair value Kshs
Financial Liabilities		
As at 30th June 2016		
Trade and other payables from exchange transactions	473,464,809	451,963,887
Trade and other payables from non-exchange transactions	6,406,230	6,406,230
	479,871,040	483,370,117

	Carrying amount Kshs	Fair value Kshs
Financial Liabilities		
As at 30th June 2015		
Trade and other payables from exchange transactions	411,301,370	411,301,370
Trade and other payables from non-exchange transactions	3,615,216	3,615,216
	414,916,586	414,916,586

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Cash and

short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

ii) Credit risk

Credit risk is the risk of financial loss to the corporation if customers or counterparties to financial instruments fail to meet their contractual obligations. The corporation's credit risk is primarily attributable to its receivables and cash and cash equivalents. The company's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors before extending credit. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties is a bank (KCB) with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2016 was:

As at 30th June 2016	Fully performing Kshs	Past due Kshs	Impaired Kshs	Total Kshs
Cash and cash equivalents	185,127,141	0	0	185,127,141
Receivables from exchange transactions	894,196,872	0	0	894,196,872
Receivables from non-exchange transactions	67,028,109	51,803,264	0	67,412,650
Maximum exposure to credit risk	1,096,414,480	51,803,264	0	1,150,156,890

The average credit period on services rendered is 90 days from date of invoice. Debts above 90 days old are classified as past due. The Corporation provides fully for all receivables outstanding over 365 days where there is no evidence of expected recovery. The customers under the fully performing category are paying their debts as they continue dealing with the corporation. The default rate is low. The debt that is overdue is not impaired and continues to be paid.

iii) Credit quality

Credit quality is assessed risk of default attached to counterparties to which the corporation extends credit and also those parties with whom the corporation invests. As such, the credit quality assessed extends to the customers and banks of the corporation. For financial statement purposes, the investments and balances with banks are limited to the receivable and cash and cash equivalents line items in the statement of financial position. The corporation determines credit quality of the banks from past dealings with them and from information readily available from the regulatory authority, the Central Bank of Kenya.

The client base of the corporation is diverse and consists mainly of companies, individuals and government entities. For the purpose of determining the credit quality of clients, the corporation applies its past experience with them in determining the risk of default they pose.

iv) Receivables

Receivable amounts are owed by clients and the government of Kenya and are presented net of any impairment losses. There were no material changes in the exposure to credit risk and its objectives, policies and processes

for managing and measuring the risk during the year under review. The corporation's exposure to credit risk is monitored on an ongoing basis. The corporation's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance.

v) *Cash and cash equivalents*

The corporation limits its exposure to credit risk by investing cash and cash equivalents with only reputable financial institutions that have a sound credit rating. Consequently, the corporation does not consider there to be any significant exposure to credit risk.

vi) *Liquidity risk*

Liquidity risk is the risk of the corporation not being able to meet its obligations as they fall due. The corporation's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the corporation's reputation. Prudent liquidity risk management includes maintaining sufficient cash to meet the corporation's obligations.

The table below analyses the corporation's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 3 months Kshs	Total Kshs
As at 30th June 2016				
Receivables from exchange transactions	576,000		893,620,872	894,196,872
Receivables from non-exchange transactions			67,028,109	67,028,109
	576,000	0	960,648,981	961,224,981

vii) *Market risk*

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, affecting the corporation's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the risk.

(i) *Price risk*

The corporation does not hold investments that would be subject to price risk; hence this risk is not relevant.

(ii) *Interest rate risk*

The corporation does not hold any interest bearing liabilities or assets; hence this risk is not relevant.

(iii) *Foreign currency risk*

The corporation is exposed to foreign-currency risk through foreign currency denominated bank balances. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

viii) Capital risk management policies

The primary objective of managing the corporation's capital is to ensure that there is sufficient cash available to support the corporation's funding requirements, including capital expenditure, to ensure that the corporation remains financially sound. The corporation monitors capital using a gearing ratio, which is net debt, divided by total capital, plus net debt. As at the end of the year, the corporation had no debt.

The capital structure of the corporation consists only of a capital fund and accumulated general fund. The capital fund caters for replacement of assets and the general fund accommodates the surplus/deficit generated by the organization. The gearing ratio of the corporation is therefore 0%.

r) Budget Analysis

The recurrent budget changes between the original budget (Kshs. 272,700,000.00) and final budget (Kshs. 365,504,166) is as a result of the budget being revised downwards by Parliament. In addition, the actual receipts by the Corporation were Kshs. 158,308,333 against the budgeted amount of Kshs. 165,504,166. As such the Development budget was reduced by Kshs. 658,000,000.00.

2. Transfers from GoK

	2015-2016	2014-2015
<u>Unconditional grants</u>	Kshs	Kshs
Recurrent grant	158,308,333	172,700,000
Total Transfers from GoK	158,308,333	172,700,000

3. Rendering of services

	2015-2016	2014-2015
	Kshs	Kshs
Drilling of Private Boreholes	74,352,982	41,225,122
Total revenue from the rendering of services	74,352,982	41,225,122

4. Rental revenue from facilities and equipment

	2015-2016	2014-2015
	Kshs	Kshs
Renting of Premises	432,000	432,000
Total rentals	432,000	432,000

5. Finance income - external investments

	2015-2016	2014-2015
	Kshs	Kshs
Interest earned on kcb current accounts	50,022,489	125,084,805
Total finance income – external investments	50,022,489	125,084,805

6. Other income

	2015-2016	2014-2015
	Kshs	Kshs
Insurance recoveries	-	5,265,000
Other income	-	5,300
Sale of Tenders	15,000	3,000
Gain on Disposal	-	1,569,187
Total other income	15,000	6,842,487

7. Employee costs

<i>No. of Employees</i>	2015-2016	2014-2015
	Kshs	Kshs
	228	224
Salaries and Wages	147,170,059	140,264,748
Contribution to Pension	18,254,676	19,855,532
Contribution to NSSF	540,800	535,600
Medical Insurance & Allowances	33,002,630	35,335,139
Commuter Allowances	18,875,355	12,667,962
House Allowance	61,833,500	50,735,629
Leave Allowance	3,331,691	5,283,119
Acting Allowance	897,438	1,312,652
Non-Practicing Allowance	510,000	600,000
Responsibility Allowance	1,977,333	2,558,666
Special Duty Allowance	325,600	152,429
Other Renumerative Allowances	-	240,000
Assistant Allowance	270,000	-
Overtime Allowance	118,070	-
Gratuity to Employee on Contracts	5,564,810	4,269,631
Staff Welfare	6,185,799	5,858,147
Employee costs	298,857,761	279,669,254

8. Board Members Remuneration & Related Costs

	2015-2016	2014-2015
	Kshs	Kshs
Allowances	29,876,086	18,667,977
Catering	1,073,750	1,256,643
Honoraria	806,060	888,000
Others	2,670,745	1,104,282
Total Board Members Remuneration & Related Costs	34,426,641	21,916,902

9. Depreciation and amortization expense

	2015-2016	2014-2015
	Kshs	Kshs
Property, plant and equipment (<i>Ref Note 17</i>)	84,956,819	27,626,938

Intangible assets (<i>Ref Note 18</i>)	1,098,061	1,647,092
Total depreciation and amortization	86,054,880	29,274,030

	2015-2016	2014-2015
	Kshs	Kshs
10. Repairs, running and maintenance		
Office Equipment	-	50,625
Total repairs and maintenance	-	50,625

	2015-2016	2014-2015
	Kshs	Kshs
11. Rendering of services		
Cost of Private works	39,591,586	71,588,192
	39,591,586	71,588,192

12. General expenses

The following are included in general expenses:

	2015-2016	2014-2015
	Kshs	Kshs
Communication	2,174,457	3,346,345
Travel	717,633	1,563,549
Publicity and Advertising	-	1,060,200
Staff Training	72,310	22,500
Professional Consultancies	-	4,431,200
Cleaning and Sanitation	957,406	54,630
Security	752,150	452,000
Membership Fees and Subscriptions	99,360	54,700
Legal	2,083,936	4,486,642
Audit	1,751,283	1,451,920
Corporate Insurance	-	2,239,645
Group Life	2,704,043	1,387,525
Licenses	4,400	-
Office Tea, Beverages and Consumables	1,766,633	-
Printing and Stationery	345,078	-
Bank Charges	971,381	711,015
Total general expenses	14,400,070	21,261,871

13. Changes in Specific Provision for Bad Debts

	2015-2016	2014-2015
Specific Provision for Bad Debts at Beg of Year	13,684,021	13,684,021
Specific Provision for Bad Debts at End of Year	20,965,420	13,684,021
Increase in Specific Provision for Bad Debts	7,281,399	0

14. Cash and cash equivalents

	2015-2016	2014-2015
	Kshs	Kshs
Bank	185,040,111	1,916,272,219

Cash in Hand and in transit	87,030	118,420
Total cash and cash equivalents	185,127,141	1,916,390,639

15. Receivables from exchange transactions

	2015-2016	2014-2015
	Kshs	Kshs
Current receivables		
Rent Receivable	576,000	468,000
Prepaid Insurance & others	3,950,002	5,427,386
Business Unit Debtors	104,988,396	65,611,871
<i>Specific Provision for Bad Debts</i>	(4,335,884)	(4,335,884)
Net Business Unit Debtors	100,652,512	61,275,987
Recoverable Advances	789,018,357	789,018,357
Total receivables	894,196,872	856,189,730

16. Receivables from non-exchange transactions

	2015-2016	2014-2015
	Kshs	Kshs
Current receivables		
Temporary Imprests to staff	72,768,684	45,094,653
<i>Specific Provision for Bad Debts</i>	(20,965,420)	(13,684,021)
Net Temporary Imprests to staff	51,803,264	31,410,632
Salary Advances to Staff	1,192,898	1,572,030
Furniture Advances to staff	14,472	14,472
Deposit with the Courts	14,017,475	11,110,275
Total current receivables	67,028,109	44,107,409

17. Inventories

	2015-2016	2014-2015
	Kshs	Kshs
Stocks	69,002,747	75,555,344
Total inventories at net realizable value	69,002,747	75,555,344

**PROPERTY, PLANT AND EQUIPMENT
FINANCIAL YEAR ENDED 30TH JUNE 2016**

	Leasehold Land Kshs	Buildings Kshs	Plant & Field Equipment Kshs	Motor Vehicles & Cycles Kshs	Furniture & Fittings Kshs	Office Equipment Kshs	Computer & Accessories Kshs	Total Kshs
FINANCIAL YEAR 2014/2015								
COST/VALUATION								
As at 1 st July 2014	84,000,000	67,473,764	462,150,375	284,051,090	50,484,379	-	-	948,159,608
Additions	-	1,023,060	-	-	1,748,860	-	4,623,803	7,395,723
Disposals	-	-	-	(11,480,000)	-	-	-	(11,480,000)
30th June 2015	84,000,000	68,496,824	462,150,375	272,571,090	52,233,239	-	4,623,803	944,075,331
DEPRECIATION:								
1 st July 2014	8,129,032	12,808,374	98,682,597	233,612,839	27,060,137	-	-	380,292,979
Charge	903,226	1,392,211	10,904,033	9,739,563	3,146,638	-	1,541,268	27,626,939
Disposal	-	-	-	(11,197,206)	-	-	-	(11,197,206)
30 th June 2015	9,032,258	14,200,585	109,586,630	232,155,196	30,206,775	-	1,541,268	396,722,712
N.B.V 30 th June 2015	74,967,742	54,296,239	352,563,745	40,415,894	22,026,464	-	3,082,535	547,352,619
FINANCIAL YEAR 2015/2016								
COST 1st July 2015								
Elimination on Revaluation	84,000,000	68,496,824	462,150,375	272,571,090	52,233,239	-	4,623,803	944,075,331
Additions	-	-	8,906,450	-	(52,233,239)	-	(4,623,803)	8,906,450
Revaluation Amount	340,000,000	68,597,700	221,136,000	258,855,000	5,973,201	7,162,700	3,708,050	905,432,651
As at 30th June 2016	340,000,000	68,597,700	230,042,450	258,855,000	5,973,201	7,162,700	3,708,050	914,339,101
DEPRECIATION:								
1 st July 2015	9,032,258	14,200,586	109,586,630	232,155,195	30,206,775	-	1,541,268	396,722,712
Elimination on Revaluation	(9,032,258)	(14,200,586)	(109,586,630)	(232,155,195)	(30,206,775)	-	(1,541,268)	(396,722,712)
Charge for the Year	4,148,000	1,714,943	11,502,123	64,713,750	746,650	895,338	1,236,017	84,956,819
As at 30th June 2016	4,148,000	1,714,943	11,502,123	64,713,750	746,650	895,338	1,236,017	84,956,819
N.B.V 30 th June 2016	335,852,000	66,882,758	218,540,328	194,141,250	5,226,551	6,267,363	2,472,033	829,382,282
Dep Policy Rate	1.22%	2.50%	5.00%	25.00%	12.50%	12.50%	33.33%	

INTANGIBLE ASSET MOVEMENT SCHEDULE
FINANCIAL YEAR ENDED 30TH JUNE 2016

	INTANGIBLE ASSET	TOTAL
	Kshs	Kshs
<u>FINANCIAL YEAR 2014/2015</u>		
<u>COST/VALUATION</u>		
As at 1 st July 2014	27,101,555	27,101,555
Additions	-	-
Disposals	-	-
Revaluation	-	-
30th June 2015	27,101,555	27,101,555
<u>AMORTIZATION:</u>		
1 st July 2014	22,160,280	22,160,280
Charge	1,647,092	1,647,092
Revaluation	-	-
Disposal	-	-
30th June 2015	23,807,372	23,807,372
N.B.V 30th June 2015	3,294,183	3,294,183
<u>FINANCIAL YEAR 2015/2016</u>		
<u>COST 1st July 2015</u>		
As at 1 st July 2015	27,101,555	27,101,555
Additions	-	-
Disposals	-	-
Revaluation	-	-
30th June 2016	27,101,555	27,101,555
<u>DEPRECIATION:</u>		
1 st July 2015	23,807,372	23,807,372
Charge	1,098,061	1,098,061
Revaluation	-	-
Disposal	-	-
30th June 2016	24,905,433	24,905,433
N.B.V 30th June 2016	2,196,122	2,196,122
Dep Policy Rate	33%	

20 Capital Work in Progress			
	2015-2016	Adjustments	2014-2015
	Kshs	Kshs	Kshs
Large Dams	12,502,830,921	1,325,714,970	11,177,115,951
Small Dams & Pans	0	(23,126,150)	23,126,150
Dykes & Canals	971,683,669	186,619,282	785,064,387
Water Pipelines	141,028,611	0	141,028,611
Construction of HQ Office Block	832,354,937	164,025,408	668,329,529
Intangible Assets - ERP Microsoft Accn System	8,863,125	8,863,125	0
Total	14,456,761,263	1,662,096,635	12,794,664,628
21. Trade and other payables from exchange transactions			
		2015-2016	2014-2015
		Kshs	Kshs
Trade payables		255,247,857	161,260,024
Payments received in advance		9,870,983	5,473,619
Third-party payments		12,589,120	3,176,322
Retentions held on behalf of suppliers		180,241,439	238,239,894
Disposal Collections		79,000	114,500
Accruals		15,436,410	3,037,011
Total trade and other payables		473,464,809	411,301,370
22. Trade and other payables from non-exchange transactions			
		2015-2016	2014-2015
		Kshs	Kshs
Staff Claimables		6,406,230	3,615,216
Total trade and other payables from non-exchange transactions		6,406,230	3,615,216
23. Deferred income - Project Funds			
		2015-2016	2014-2015
		Kshs	Kshs
Bal B/f from previous year		14,901,168,475	12,538,045,610
Grants received from GoK during year		498,000,000	3,409,000,000
Transfer to Water Service Board		(5,957,520)	(310,000,000)
Small Dams Expensed & handed over to Water Service Board		(385,591,923)	(308,274,665)
Boreholes Expensed & handed over to Water Service Board		(65,863,532)	(427,602,470)
Total deferred income - project funds		14,941,755,500	14,901,168,475

24. Cash generated from operations			
		2015-2016	2014-2015
		Kshs	Kshs
Surplus for the year before tax		(197,481,533)	(77,476,459)
Adjusted for:			
Depreciation and Impairment		86,054,880	29,274,031
Gain on Disposal		0	(1,569,187)
Increase in Provision for Bad Debts		7,281,399	
Working capital adjustments:			
Change in Inventories		6,552,597	35,870,158
Change in Receivables from exchange transactions		(38,007,142)	(792,157,697)
Change in Receivables from non-exchange txn		(30,202,099)	14,718,729
Change in Trade and other payables from exchange txn		62,163,439	(226,908,203)
Changes in Trade and other payables from non-exh txn		2,791,014	2,313,125
Net cash flows from operating activities		(100,847,444)	(1,015,935,503)

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref. No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Focal Point	Status	Time Frame
1.	<p>Property, Plant & Equipment Carrying value of Kshs. 547,352,619 could not be confirmed as it excluded various assets valued at Kshs.16,781,832,000 transferred to WSBs yet the transfer agreements are unsigned</p>	<p>The Corporation has sought the intervention of the Cabinet Secretary, Ministry of Water and Irrigation (CS, MWI). The CS, MWI directed vide letter Ref. No. MWI/IDD/1/10/VOL.VII/(2) dated 11th November , 2016 the various WSBs to have the transfer agreements signed.</p>	Managing Director	Not resolved	1 st December, 2017
2.	<p>Capital W.1.P-HQ Building The first contractor abandoned works yet the Corporation has not had their claim under performance bond honoured. The project was delayed and there was a significant increase in cost.</p>	<p>The Court case related to unhonoured claim is still pending in Court. The project has been completed and the final account is being analysed. The same will be presented to the auditors for verification.</p>	Managing Director	Not Resolved	30 th September, 2017
3 3.1	<p>Receivables from Exchequer Transactions Water Service Boards Debtors Carrying value of Kshs.856,189,729 excludes water supply debt of Kshs. 1,377,265,028 yet the transfer agreements, transferring the same to WSBs are unsigned.</p>	<p>The Corporation has sought the intervention of the Cabinet Secretary, Ministry of Water and Irrigation (CS, MWI). The CS, MWI directed vide letter Ref. No. MWI/IDD/1/10/VOL.VII/(2) dated 11th November , 2016 the various WSBs to have the transfer agreements signed.</p>	Managing Director	Not Resolved	1 st December, 2017

3.2	<p><u>Long Outstanding Debts</u></p> <p>Trade debtors totaling to Kshs.58,449,462.00 are aged over 90 days. The provision of Kshs.4,335,884 seemed inadequate. No efforts were shown to recover.</p>	The provision on outstanding debts is made on debts over 150 days. The debt, save for those provided for were considered recoverable.	Managing Director	Not resolved	30 th November, 2018
3.3.	<p><u>Recoverable Advances</u></p> <p>No explanation was provided as to why the Corporation made advance payments to Kshs. 789,018,357 to contractors contrary to PPDA, 2005</p>	<p>The advance was in compliance with signed contracts between Toddy Civil Eng. Co. Ltd. And China Jiangxi Int. K Ltd. Who are the Siyoi (Muruny) Dam water contractors in West Pokot County. Currently, Kshs. 55,930,900.08 has been recovered in line with interim certificates issued.</p> <p>Advance payments for mobilization of the contractors are allowed by the PPADA 2015 where an advance guarantee is provided, which in this case was provided.</p>	Managing Director	Not resolved	30 th March, 2019
4	<p><u>Receivable from Non-Exchange Transactions</u></p>				
4.1	<p><u>Temporary Imprest</u></p> <p>Imprest aged over 90 days of Kshs.30,630,577 has only been provided at Kshs.13,684,021 which appears in adequate.</p>	The imprest has been reduced through officers surrendering. However, the provision has been increased to Kshs. 21,337,214. This is specific to staff who left the Corporation or are deceased. The Management has engaged the BOD on the writing off for the deceased persons and recovery for those who left the Corporation	Managing Director	Not resolved	1 st November, 2017.
4.2	<p><u>Furniture Advance</u></p> <p>Long outstanding furniture advance of Kshs. 14,472</p>	The furniture advance has been fully recovered. Evidence of cash Receipts are available for audit	Managing Director	Resolved	

5	Construction of Dams				
5.1 (i)	Umaa Dam Inflated motor cycle cost. Reversal of costs was to be done on final certificate	The Umaa Dam dispute has been resolved amicably and a final exit figure of Kshs.536,464,310.58 determined. After allocation by Parliament, the amount was paid vide PV-16-17:1675 effectively resolving the dispute. The project is poised to be allocated funds in FY 2017-2018.	Managing Director	Resolved	
(ii)	The project stalled and no value for money had been obtained from the expenditure incurred of Kshs.824,457,120				
5.2	Badasa Dam The project stalled an no value for money had been obtained from the expenditure incurred of Kshs. 1,853,757,235.00	The Badasa Dam dispute had been resolved amicably and a final exist figure of Kshs.194,219,651.24 determined. After allocation by Parliament in the Estimates of 2016/2017, the amount was paid and the contractor vacated site. The project is poised to be allocated funds in FY 2017-18.	Managing Director	Resolved	
6.	Cash & Cash Equivalent Reconciliations with reconciling items	The Finance Committee of the Board resolved to write-off the same and it awaits full Board Resolutions	Managing Director	Not resolved	30 th November, 2017.
7.	Payment of Acting Allowance Allowances of Kshs. 1,312,652 were paid to officers assigned higher posts than those they were appointed to act.	The matter has been referred to the BoD for Direction as they had granted approval to pay the above allowances	Managing Director	Not resolved	1 st November, 2017
8.	Court Compensation Decision to terminate officers costed the Corporation Kshs. 42,638,986. Other similar cases were still pending before the Court and the Corporation may suffer huge losses	The Corporation budgeted for legal expenses during the year of audit. These funds are normally requested on an adhoc basis as Court decisions are difficult to predict.	Managing Director	Not resolved	1 st December, 2019

9.	<p><u>Inventories</u></p> <p>Stock taking reports were not provided and the accuracy and completeness of the inventory balance of Kshs. 75,555,344 could not be confirmed.</p>	<p>However, the Corporation will continue to appoint competent lawyers to ensure they get favourable outcomes in Court</p>	Managing Director	Resolved	
10.	<p><u>Long Outstanding Loan</u></p> <p>An on-lent loan of Kshs. 2,460,874,897 and the interest accrued for late payment has not been reflected in the financial statements</p>	<p>The stock taking reports are available for verification</p>	Managing Director	Not resolved	1 st June, 2018
	<p>The Corporation had obtained three loans through various subsidiary agreements with the Government of Kenya for various projects. The loans were disbursed through the National Treasury who in turn disbursed to the Ministry of Water and Irrigation and thereafter the same was disbursed to the Corporation. The loans were to be serviced as per indicated repayment plans at the indicated interest rates. The proceeds obtained from water sales were to be partly used in defraying the same. However, the water tariffs were to be adjusted to accommodate the repayment but this was never done.</p> <p>On 12th August 2005, the then Minister for Water and Irrigation gazetted (Legal Notice No. 101 in the Kenya Gazette Supplement No. 61) the water (plan of transfer of water services) rules, 2005 to guide on the enactment of the Water Act 2002. The Notice required that the Corporation finalizes the transfer of certain roles relating to sale of water to Water Service Boards in their jurisdictions. The deadline for such execution</p>				

		<p>of transfer agreements was 30th June 2006. The transfer was to be in the form of signed transfer agreements. Though drafted, the transfer agreements were not signed. However, the Water Service Boards assumed the assets and the ensuing liabilities.</p> <p>Severally, the National Treasury has continued to claim from the Corporation, and the Corporation has written to the Ministry of Water seeking on its intervention for both the signing of the transfer agreements and assistance on repayment of the loan due before handing over. Through a letter dated 19th October, 2016 (See Annex 10), the Principal Secretary in the State Department of Water directed the Corporation to hand over the loan portfolio taken by the Corporation to the relevant Water Service Board as per the Transfer Plan.</p>		
11.	<p>Under Funding There was an underfunding of Kshs. 531,000,000 thereby affecting budgeted activities</p>	<p>The Corporation continues to engage the Parent Ministry on this matter.</p>	<p>Managing Director</p>	<p>Not resolved 1st June, 2018</p>

Managing Director

Date.....

Chairman of the Board

Date.....



NG-CDF BOARD

Paper
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on 20/2/2018 at
the table

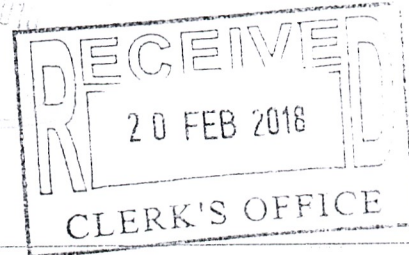
National Government Constituencies Development Fund Board
Harambee Plaza, 10th Floor
Junction of Haile Selassie Avenue & Uhuru Highway
P.O Box 46682-00100
Nairobi, Kenya
Tel: 020-2230015/9, 2230027, 2230032 | Cell: 0709894000
Email: info@cdf.go.ke | Website: www.ngcdf.go.ke

OUR REF: NG-CDFB-CEO/KNA/VOL IV (8)

February 19th, 2018

Mr. Michael Sialai (EBS), ✓
Clerk of the National Assembly,
Parliament Buildings,
Parliament Road,
P O Box 41842-00200,
NAIROBI

20 FEB 2018



Dear Sir,

**RE: SUBMISSION OF NOMINEES TO THE NATIONAL GOVERNMENT
CONSTITUENCIES DEVELOPMENT FUND COMMITTEES**

Further to our letter Ref: NG-CDFB/CEO/KNA/VOL IV (6) of 13th December 2017 that communicated our tenth list of nominees to the National Government Constituency Fund Committees for 2 constituencies, we wish to forward the following additional names from Kitutu Chache South Constituency for National Assembly approval in line with Section 43(4) of the National Government Constituencies Development Fund(NG-CDF) Act of 2015 & Regulation 5(10) of the NG-CDF Regulations 2016 to facilitate gazettelement by the National Government Constituencies Development Fund Board:-

1. KITUTU CHACHE SOUTH CONSTITUENCY

- | | |
|------------------------------|--|
| 1. Matundura Geoffrey Mose | Male Youth Representative |
| 2. James Maobe Mokaya | Male Adult Representative |
| 3. Winfridah Kemunto Maisiba | Female Youth Representative |
| 4. Mellen Nyomenda Kebati | Female Adult Representative |
| 5. John Ongeru Ondieki | Representative of Persons Living with Disability |
| 6. James Orito Omonywa | Nominee of the Constituency Office (Male) |
| 7. Pacifica Moraa Onyango | Nominee of the Constituency Office (Female) |

Yours *Sincerely* 2016



YUSUF MBUNO
AG. CHIEF EXECUTIVE OFFICER

Copy to: Principal Secretary,
State Department of Planning and Statistics,
Ministry of Devolution and Planning,
P.O. Box 30005-00100,
NAIROBI