

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

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Deputy Majority Party Whip  
Halima Ahmed

**THE AUDITOR-GENERAL**

**ON**

**WATER SECTOR TRUST FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2024**



**WATER SECTOR TRUST FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

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

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WATER SECTOR TRUST FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024

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## GLOSSARY OF TERMS

<b>Acronym</b>	<b>Description</b>
AfDB	African Development Bank
AOD	Aid on Delivery
ASAL	Arid and Semi-Arid Lands
BMGF	Bill and Melinda Gates Foundation
CBOs	Community Based Organizations
CFA	Community Forest Associations
COVID-19	Corona Virus Disease-2019
DANIDA	Danish International Development Agency
EU	European Union
GDP	Gross Domestic Product
GoK	Government of Kenya
HOA	Horn of Africa for Ground Water Resilience
IFAD	International Fund for Agricultural Development
ISO	International Organisation for Standardization
KfW	Kreditanstalt fuer Wiederaufbau (German Government Bank)
KShs	Kenya Shillings
MoU	Memorandum of Understanding
MOWSI	Ministry of Water, Sanitation & Irrigation
NCBA	NCBA Bank Kenya Plc
OBA	Output Based Aid
QMS	Quality Management Systems
SFD	Saudi Fund for Development
SWASAP	Sustainable Management and Access to Water and Sanitation in the ASAL Programme
UBSUP	Upscaling Basic Sanitation for the Urban Poor
UNICEF	United Nations Children's Fund
UPC	Urban Project Concept
USD	United States Dollar
WASH	Water and Sanitation for Hygiene
WASREB	Water Services Regulatory Board
WRA	Water Resources Authority
WRUA	Water Resources Users Association
WSDP	Water & Sanitation Development Programme
WSPs	Water Services Providers
WSTF	Water Sector Trust Fund
WUA	Water Users Associations

## 1. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) BACKGROUND INFORMATION

Water Sector Trust Fund (formerly Water Services Trust Fund) – WSTF, is a corporate body established under section 113 (1) of the Water Act, 2016 of the Laws of Kenya and it is domiciled in Kenya.

### (b) PRINCIPAL ACTIVITIES

The objective of the WaterFund is to provide conditional and unconditional grants to counties and to assist in financing the development and management of water services in marginalized areas or any area which is considered by the Board of Trustees to be underserved including: -

- a) Community level initiatives for the sustainable management of water resources;
- b) Development of water services in rural areas considered not to be commercially viable for provision of water services by licensees;
- c) Development of water services in the under-served poor urban areas; and
- d) Research activities in the area of water resources management and water services, sewerage and sanitation.

#### **Vision:**

“To be the institution of choice in financing the improvement of access to water and sanitation for the underserved in Kenya”

#### **Mission:**

“To finance the development of sustainable water and sanitation services and water resources management”

#### **Core Values**

- a) **Sustainability** - The Fund strives to ensure that the funded projects are financially, socially and environmentally sound and sustainable through innovative mechanisms.
- b) **Integrity** - The Fund ascribes to high standards of personal and professional ethics and integrity in the conduct of its affairs.
- c) **Good Governance** - The process is as good as the product. The Fund promotes the virtues of equity and fair play for equitable sustainable development through consultations as well as effective communication, coordination and public participation in all undertakings.
- d) **Human Dignity** - The Fund is committed to uphold reasonable standards of access to water and sanitation for the citizens of Kenya to meet its constitutional mandate.
- e) **Teamwork** - The Fund relentlessly pursues timely attainment of targeted results at all levels through high level coordination, networking and collaboration within WSTF and its partners.

## 1. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

### (c) Key Management

#### Board of Trustees

Dr Erick Kipkoech Rutto	Board Chairperson
Mr. Julius Korir, CBS	Principal Secretary, State Department for Water and Sanitation (effective 7 <sup>th</sup> October 2023)
Dr. Chris K. Kiptoo CBS	PS, The National Treasury and Planning (TNT)
Mr. Fredrick Odhiambo Josiah	Independent Trustee (up to 21 <sup>st</sup> July 2023)
Mr. Daniel Mutua	Alternate Trustee to CS: Ministry of Treasury and Planning
Mr. Kevin Opiyo	Member (effective 05 <sup>th</sup> July 2022 up to 21 <sup>st</sup> July 2023)
Dr. Mary Wambui Kimani, (PhD), MBS	Member (effective 05 <sup>th</sup> July 2022 up to 21 <sup>st</sup> July 2023)
Eng. Musa Ndeto	Member (effective 05 <sup>th</sup> July 2022 up to 21 <sup>st</sup> July 2023)
Ms. Theresa Wasike	Alternate Trustee to PS: Ministry of Water & Sanitation and Irrigation (up to 10 <sup>th</sup> July 2023)
Mr. Kimani Mbatia	Member (effective 05 <sup>th</sup> July 2022 up to 21 <sup>st</sup> July 2023)
Mr. Abdalla Hassan Abdalla	Member (effective 05 <sup>th</sup> August 2022 up to 16 <sup>th</sup> June 2023)
Eng. Joseph Kimani Ngacha	Member
Ms. Gladys Wekesa, OGW	Alternate Trustee to the Principal Secretary, Ministry of Water, Sanitation and Irrigation (effective 11 <sup>th</sup> July 2023)
Mr. Barako Qatamur	Member
Mr. Andrew Mbithi	Member (effective 21 <sup>st</sup> July 2023)
Mr. Lucas Chepkitony	Member (effective 21 <sup>st</sup> July 2023)
Ms. Maryan Ubah Mohamed	Member (effective 21 <sup>st</sup> July 2023)
Ms. Winfred Wanjiku Njoroge	Member
Ms. Josphine Eregae	Member (effective 21 <sup>st</sup> July 2023)
Mr. Marselino Malimo Arbelle	Member (effective 01 <sup>st</sup> September 2023)
Ms Halima Ali	Corporation Secretary

#### Management Team

Mr. Willis Okello Ombai, BSc (Forestry), MA (Project Planning & Management)	Chief Executive Officer
Mr. Edwin Korir, B.Ed. (Arts), MBA, CPA (K)	General Manager, Internal Audit & Risk Management
Mr. Samwel Gitau Mbugua, B. Com (Accounting), MBA, CPA (K)	General Manager, Corporate Services
Mrs. Halima Ali Abdullahi, Bachelor of Laws (LLB), LLM, CIARB, CPS	General Manager, Legal & Corporation Secretary
Mrs. Ruth Nganga, BA (Theology), PGC, Ed	General Manager, Partnership Development and Resource Mobilization
Mr. Isaac Kega, BA (Econ), MEcon, PMP, MESK	General Manager, Programmes
Mr. Bernard Njenga, B. Com (Business Information Systems), MBA (MIS)	Manager, ICT & Corporate Affairs
Mr. Paul Atwa, BA (HR), Higher Dip. HR, MBA(Ongoing)	Manager, Human Resources and Administration
Mr. Thomas Nyangau BSC. Eng, MBA Strategy	Manager, Urban Investments/ Commercial financing
Mr. Paniel Nyaga, MSC, Procurement & Logistics, BCOM (Marketing), Diploma in Purchasing & Supplies	Manager, Supply Chain Management
Eng. Rose Nyikuri, BSc. Eng (Civil), MSc (WREM), R. Eng., MIEK	Manager, Water Resources and Climate Change Investments
Mr. Peter Koech, BSC. Eng, (Civil)	Manager, Rural Investments
Mr. Elly Ochere, MBA, BSC Actuarial Sciences with IT	Ag. Manager, Research, Planning and M&E

## 1. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were;

Name	Designation
Mr. Willis Okello Ombai	Chief Executive Officer
Mr. Samwel Gitau Mbugua	General Manager, Corporate Services
Mr. Isaac Kega	General Manager, Programmes
Mr. Edwin Korir	General Manager, Internal Audit & Risk Management

### (e) Fiduciary Oversight Arrangements

The key fiduciary oversight arrangements were;

#### Audit and Risk Committee

The committee assists the Board of Trustees in fulfilling its oversight role with objectivity, independence and effectiveness by;

- Obtaining assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably
- Providing an independent review of an entity's reporting functions to ensure the integrity of financial reports
- Monitoring the effectiveness of the entity's performance management and performance information
- Providing strong and effective oversight of an entity's internal audit function
- Providing effective liaison and facilitate communication between management and external audit
- Providing oversight of the implementation of accepted audit recommendations
- Ensuring the entity effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behaviour.

#### Finance and Corporate Services Committee

The committee ensures effective systems that provide leadership in management, resource rationalization and professional performance that endeavour in realizing the achievement of goals by providing the following;

- Reviewing and recommending WSTF policies relating to Finance, Human Resources, Planning & Research, Procurement and ICT for efficient and effective function of the Fund.
- Ensuring that the Fund has effective and efficient internal control systems.
- Reviewing and recommending the Fund's long, medium and short-term plans that are consistent with the Strategic Plan.
- Ensuring that the Fund has optimal liquidity to enable the smooth flow of operations for working capital and development.
- Ensuring there are adequate financial reporting structures in place.
- Reviewing financial reports and making appropriate recommendations to the Board.

## 1. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

### (e) Fiduciary Oversight Arrangements

#### Investment and Monitoring Committee

The Committee provide guidance, advice and recommendations to the Board for the realization of access to Water and Sanitation services through financing of viable projects by;

- Developing and reviewing funding mechanisms and make recommendations as appropriate to the BOT for approval.
- Ensuring compliance with developed systems in terms of appraising, funding, implementation and monitoring of sustainable water and sanitation projects.
- Reviewing project proposals and/or investment briefs recommended by the Management and recommend as appropriate to the Board of Trustees for approval.
- Strengthening and sustaining the Fund's relationship with the parent ministry, other water institutions and relevant stakeholders.

#### Public Investment Committees

This is a select Committee established pursuant to Standing Order No. 206 of the National Assembly and is mandated to among other things, examine the reports and accounts of Public Investments as submitted by the Auditor-General and also examine whether the affairs of public investments are managed in accordance with sound financial or business principles and prudent commercial practices, Article 229 of the Constitution of Kenya also mandates Parliament to consider the report of the Auditor-General. The Committee invites the Fund to appear before it to adduce evidence on the Reports of the Auditor -General on the Financial Statements of the Water Sector Trust Fund for specified period.

#### Development partners

Development Partners provide oversight through quarterly steering committees and bilateral meetings held from time to time. WaterFund prepares and submits quarterly and annual reports to Partners regarding status and progress of the programmes, including statements of expenditure for funds received from each partner. The Fund receives and addresses Partners feedback on reports and during meetings and often organizes field visits for partners to inspect projects they have funded. They also provide Technical Assistants who help to enhance WaterFund's capacity. WaterFund utilizes the funds against a work plan and budget allocated by the National Treasury.

### (f) Registered Offices

CIC Plaza First Floor,  
Mara Road, Upper Hill,  
P.O. Box 49699 - 00100  
Nairobi, Kenya.

### (g) Entity Contacts

Tel: +254 - 20-2720696/9017/9018/9019  
Fax: +254 - 20-2724357  
E-mail: [info@waterfund.go.ke](mailto:info@waterfund.go.ke)  
Website: [www.waterfund.go.ke](http://www.waterfund.go.ke)

### (h) Bankers

Central Bank of Kenya  
Haile Selassie Avenue  
P.O Box 60000 – 00200  
Nairobi, Kenya.

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

**(h) Bankers (Continued)**

National Bank of Kenya Limited  
Hill Plaza Branch,  
P.O. Box 45219 - 00100  
Nairobi, Kenya.

Kenya Commercial Bank Limited  
Capitol Hill Branch  
P.O. Box 69695 - 00100  
Nairobi, Kenya.

NCBA Bank Limited  
NCBA House, Masaba Road  
P.O. Box 44599 - 00100  
Nairobi, Kenya.

Cooperative Bank of Kenya  
Upper hill Branch  
P.O. Box 48231 – 00100  
Nairobi, Kenya

Equity Bank Kenya Limited  
Supreme Branch Upper hill  
P.O. Box 75104 – 00200  
Nairobi, Kenya

**(i) Independent Auditor**

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

**(j) Principal Legal Advisors**

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

## 2. BOARD OF TRUSTEES

The Board of Trustees' who served the Fund during the financial year are:

### **Dr Erick Kipkoech Rutto – Board Chairman**

Erick Kipkoech Rutto holds a Master's of Science degree in Tropical and Infectious Diseases, as well as a Bachelor of Science degree in Medicine and Surgery. Dr Rutto is currently pursuing a Ph.D. in Medical Microbiology.

In addition to his role as Chairperson of the WaterFund, Dr Rutto is a distinguished entrepreneur and serves as the 1<sup>st</sup> Vice President of the Kenya National Chamber of Commerce. In this capacity, he actively promotes and safeguards the commercial and industrial interests of the Chamber's members and the country as a whole. Dr Rutto plays a crucial role in facilitating domestic and international trade by organizing finance trade and industrial exhibitions, which contribute to fostering economic growth.

Dr Rutto is a strong advocate for favourable legislation and effective bureaucratic measures that protect the interests of Chamber members. Acting as a liaison, he connects foreign investors with opportunities in Kenya, stimulating partnerships and contributing to the country's economic development.

With over fifteen years of experience in senior management, Dr Rutto has demonstrated expertise in strategic leadership, operations management, finance management, organizational development, administration, stakeholder relations, and client relationship management. He has also contributed to the promotion of high educational standards through his teaching experience in higher education institutions.

Professionally, Dr Rutto is an active member of the Kenya Medical Association (KMA), the Kenya Association of Private Hospitals (KAPH), and serves as the Chairman of the Eldoret Private Hospital Owners Association (EPHOA). His involvement in these professional organizations reflects his commitment to the advancement of healthcare and the improvement of medical services.

Dr Rutto's research experience focuses on Translational Research, which involves leveraging knowledge from basic sciences and research to develop new drugs, medical devices, diagnoses, and treatment options. His specific research interests include in-house genotype antiretroviral drug resistance in therapy-naive HIV-1 positive patients, interactions between malaria and HIV co-infections in malaria endemic zones, and antibacterial sensitivity patterns, trends, and antibiotic use stewardship in Kenya.

Outside of his professional commitments, Dr Rutto serves as an advisor and Board Member to the Tegla Lorupe Peace Foundation, contributing his expertise to promote health and well-being. He has also previously held positions as a member of the Board of Directors of the Water Services Regulatory Board (WASREB) and Chairman of the Eldama Ravine Sub County Referral Hospital in Eldoret.

Dr Rutto's extensive experience, entrepreneurial mindset, and dedication to research and community service make him a valuable asset as Chairperson of the Water Sector Trust Fund. His combination of medical knowledge, management skills, and commitment to the advancement of the water sector in Kenya ensures impactful contributions to the country's sustainable development.



**Mr. Willis Ombai – Chief Executive Officer**

Mr. Ombai is a Developmental Expert with a bias in Natural Resource Management and with over 20 years' experience in various countries in Africa serving in different capacities. He holds Masters of Arts Degree in Project Planning and Management from Maseno University, Bachelor of Science Degree in Forestry from Moi University. He is currently pursuing a PhD in Environment Policy from University of Nairobi.



Mr. Ombai has extensive experience in management of development projects financed by bilateral, global and national agencies including World Bank, European Union, DANIDA, German Development Bank, International Fund for Agricultural Development, The Gates Foundation, Government of Sweden, Government of Finland and Government of Kenya.

In his previous portfolio as a Chief Manager, Investments and Programmes, Mr. Ombai's key role was overall supervision of implementation of investments across WaterFund through monitoring and development of quality and timely reporting to Development Partners, Board of Trustees and other key stakeholders. He led in development of short to long term investment strategies, development and review of proposals for resource mobilisation, establishment and strengthening of partnerships.

Mr. Ombai previously worked as a Project Coordinator at Open Society Initiative for Southern Africa, a Civil Society Organisation on Sustainable Land Management (SLM) Project for Sub-Saharan Africa funded by the United Nations Development Programme (UNDP). Key among his responsibilities was to provide strategic leadership to the project teams in budgeting, stakeholder engagement, grant management risk assessment and assurance. High-level reporting for transparency and accountability in compliance to best practices, national and international environmental laws was also part of his responsibilities.

Mr. Ombai has been serving as the Secretary and Advisor to the WaterFund Board of Trustees (Investments & Monitoring Committee) on broader issues pertaining investments in water, sanitation and water resources management projects, monitoring, evaluation accountability and learning. Mr. Ombai has also previously worked for World Agro Forestry Centre (International Centre for Agroforestry-ICRAF), Danish International Development Agency and National Environment Trust Fund amongst others.

Mr. Ombai is a member of Forestry Society of Kenya, Environmental Institute of Kenya and Institute of Directors (Kenya).



**Mr. Julius Korir, CBS, Principal Secretary, State Department for Water and Sanitation**

Mr. Julius Korir is the Principal Secretary in the State Department for Water and Sanitation since October 2023. Before this posting, Mr. Korir served in the Office of the Deputy President, State Department for Cabinet Affairs (December 2022 – September 2023) He has also served in other different Government Ministries and Departments that include; Ministry of Devolution (February-2021- December-2022, State Department for Youth in the Ministry of ICT, Innovation and Youth Affairs (September 2019 – February 2021), State Department for Infrastructure in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works (February 2018 - September 2019).

In the State Department of Infrastructure, he Spearheaded the implementation of the Low Volume Sealed Roads (LVSR) Programme aimed at upgrading 10,000km of gravel Rural Roads to Bitumen Standards.

Mr. Julius Korir has also served as the Principal Secretary in the Ministry of Health (March 2017 - February 2018). Here, he facilitated the restoration of Donor confidence through demonstrable strengthening of financial management and controls systems in the utilization of financial resources of GoK and Donor funds. He also oversaw the rollout of the Managed Equipment Services (MES).

Mr. Korir has served as the Principal Secretary State Department of Investment and Industry in the Ministry of Industry, Trade and Cooperatives having been appointed on 18th December 2015. Prior to this he was appointed Industrialization Secretary, in the then

Ministry of Industrialization and Enterprise Development from May 2014. At the Ministry of Industrialization, he spearheaded development of Kenya's Industrial Transformation Program (KITP), Kenya's Industrialization Blueprint. He also successfully coordinated the Kenya Government Business

Reform Initiatives under the Ease of Doing Business Reforms where the Country's rankings in the World Bank Ease of Doing Business Report improved tremendously from 136 to 92 in a period of two (2) years.

Over the years he has been involved in managing a large portfolio of Development partner funded Projects that are targeted towards improving livelihoods and making trade work for the poor. He is a holder of an MBA in International Business and a BSc. in Agricultural Economics.

**Dr. Chris K. Kiptoo, CBS – PS, The National Treasury and Planning (TNT)**

Dr. Chris Kiptoo is the Principal Secretary, National Treasury. He was appointed Principal Secretary by President William Samoei Ruto on 1<sup>st</sup> December 2022. Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperatives.



In his working career, Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he has served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates; fiscal operations and policy; financial sector matters including capital markets; national accounts/real sector and macroeconomic accounting, and modelling and forecasting.

Additionally, Dr. Kiptoo has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organisational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as Trade Mark East Africa. Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister.

Dr. Chris Kiptoo holds a Doctor of Philosophy Degree (PhD) in Finance (*International Macroeconomics Finance specialization*) from The Nairobi University, as well as a Master of Science (Ag. Economics) and Bachelor of Science (Ag. Economics) degree from Egerton University. He is also an Accredited Fellow in Macroeconomic Management Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI)



**Mr. Fredrick Odhiambo Josiah - Independent Trustee (Up to 21<sup>st</sup> July 2023)**

Mr. Josiah holds a Bachelor of Arts Degree in Economics and Rural Economy from Makerere University, Kampala. His further qualifications include Certified Public Administrator (KIA/KSG), Telecommunications Controller (CTS/KCCT) and Packet Switching (Bailbrook College UK).

Mr. Josiah is an experienced governance leader who has been a public servant and a consultant in various sectors in Kenya including: The Provincial Administration, Central Government (The Treasury); Telecommunications Industry (KPTC); and various national development programmes in particular the Microfinance Support Sector. He also consulted in various Integrated Livelihoods Development Programmes where the provision of Water and Sanitation forms critical component of the programmes.

Mr. Josiah has consulted for various governments including the Government of Rwanda where he was recruited by the UN Economic Commission for Africa and joined an international team of experts to design and implement an integrated ICT-led socio-economic development process (NICI-II) with the potential to modernise and transform Rwanda into a middle-income economy. He was also recruited by PricewaterhouseCoopers Ltd (PwC) Kenya to consult for the Government of Ethiopia in its Entrepreneurship Development Programme whose objective is to unleash the growth potential of micro and small enterprises.

At the community level Mr. Josiah is a model farmer and an active participant in local development projects such as being the Patron of Karadolo Water Project in Ukwala, Siaya County.

Mr. Josiah's vast leadership and strong interpersonal communication is a great addition to the Board of Trustees of the Water Sector Trust Fund.

Mr. Josiah was the chair of Investment & Monitoring Committee

#### **Mr. Daniel Mutua - Alternate Trustee to CS: Ministry of Treasury and Planning**

Daniel Mutua is a Deputy Director, Investment at the National Treasury. He alternates the Cabinet Secretary, the National Treasury at the Board. He has over 23 year's Public sector experience in various Ministries including – Ministry of Labour, National Heritage, and the National Treasury – Directorate of portfolio management. Intensive training in Investment appraisal, Enterprise Risk analysis, Corporate Governance, and Public-Private Partnerships. Mutua holds a B.Ed. (Economics/Business) from Kenyatta University (1991), MBA from ESAMI/Maastricht (2006) and several certificates from IP3 Institute, Washington DC-USA. He has previously served as an Alternate Director in the Boards of ICDC, EPZA, WSTF, NBA, KNAC (2001) Ltd and University of Eldoret Council.



## **2. BOARD OF TRUSTEES (Continued)**

#### **Mr. Kevin Opiyo - Independent Trustee (Up to 21 July 2023)**

Mr. Kevin Opiyo is a member of the Board of Trustees of the Water Sector Trust Fund (WaterFund), having been appointed in July 2022.

Mr. Kevin Opiyo is a financial and credit analyst with over nineteen (19) years of experience in the financial and banking sector, having worked in the public and the private sector in various parts of the country to provide professional advice, consultations, services and analysis.

Mr. Opiyo has worked in the financial sectors in various categories from sales, customer care, administration, staff welfare and in management, where he has been responsible for implementing the organisations mission, vision and objectives. He has started new branches and institutions and seen them through to profitable going concerns.

Mr. Opiyo holds a Bachelor of Commerce degree and has undertaken many professional courses in the finance and banking sector.

Mr. Opiyo is an exemplary leader with an impeccable track record as a team player and leader, high performance, professionalism and integrity.





**Dr Mary Wambui Kimani – Independent Trustee (Up to 21<sup>st</sup> July 2023)**

Dr Mary Wambui Kimani is a member of the Board of Trustees of the Water Sector Trust Fund (WaterFund), having been appointed in July 2022.

Dr Mary Wambui Kimani is a holder of a Ph.D. in Land Economics, a Masters of Arts in Urban and Regional Planning and a Bachelor of Science in Agriculture.

Dr Kimani is registered by the Physical Planners Registration Board as a practicing physical planner. She is also registered by the National Environmental Management Authority, Kenya (NEMA) as an Environmental Impact Assessment and Audit Lead Expert. She is a Corporate Member of the Architectural Association of Kenya (AAK) Town Planners (TP) and Environmental Designer (ED) Chapters. She is also a member of the Environmental Institute of Kenya (EIK).

Dr Kimani has extensive experience in the academia spanning 29 years in teaching and research experience both at the undergraduate and postgraduate levels. She has supervised 2 Ph.D. and 8 Masters students to completion and is currently supervising 2 Ph.D. and 2 Masters students. She has published over 10 articles in refereed journals and contributed several book chapters.

Dr Kimani's professional and research experience is in the broad area of Agricultural and Forestry Resource Planning, Environmental Economics and Valuation as well as Environmental Conservation and Management. She has participated in feasibility studies including baseline studies, technical and financial proposals and appraisal, project evaluation, monitoring, implementation and supervision.

Other areas that Dr Kimani has undertaken include planning and analysis of environmental services including water supply and sanitation, Solid Waste Management and Disposal, Environmental Pollution, Prevention and Control; conducting and Preparing Economic and Environmental Impact Assessment and Audit.

Dr Kimani has been involved in studies focussing on financial and economic analysis of projects, solid waste management, collection, transportation, and disposal; planning, resource conservancy and recycling studies; and social impact of codes of practice studies in the agricultural industry, horticultural and flower industry.

Dr Kimani is the chairperson of the Human Resources and Administration Committee.

## 2. BOARD OF TRUSTEES (Continued)

### **Eng. Musa Ndeto - Independent Trustee (Up to 21<sup>st</sup> July 2023)**

Eng. Musa Ndeto is a member of the Board of Trustees of the Water Sector Trust Fund (WaterFund), having been appointed in July 2022.

Eng. Musa Ndeto holds a Bachelor of Science degree (B.SC Hons) in Electrical Engineering from University of Nairobi, and Master of Business Administration in Finance (MBA-Finance) and Master of Business Administration in Strategic Management (MBA-Strategic Management) from Daystar University.

Eng. Ndeto has worked for Kenya Power and Lighting Company (KPLC) for 23 years. By the time he left that employment he held the position of the Chief Distribution Manager, the highest technical position in the company. During his time at KPLC, he trained with the Central Electricity and Generation Board (CEGB) of United Kingdom and SwedPower, the main power utility in Sweden.

Eng. Ndeto brings vast experience from the banking industry too, having served in Kenya Commercial Bank (KCB) Board in various capacities: From 2002 to 2004, he served in the Group Board and at the same time, he was a Director of KCB South Sudan subsidiary. From 2005 to 2010 he was the Chairman of the KCB Sudan subsidiary and at the same time serving in the group Board. Between 2012 and 2014, he was the Group Chairman of the KCB Group, with general oversight responsibilities of KCB Tanzania, KCB Uganda, KCB Rwanda, KCB Burundi and KCB South Sudan and KCB Kenya.

Eng. Ndeto was a member of Board of Directors in Westconsult, an electrical Consulting firm whose primary work is to design, construct and commission power systems.

Eng. Ndeto is the chairperson of the chair of Development and Finance Committee

Between 2002 and 2013, he served as a member of the Board of Directors for Kenya Electricity Generating Company (KenGen), where he chaired the Strategic Committee of the company and also Board Audit Committee of the Company.



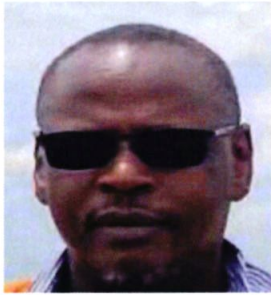
### **Ms. Theresa Khakasa Wasike - Alternate Trustee to PS: Ministry of Water & Sanitation and Irrigation (Up to 10<sup>th</sup> July 2023)**

Ms. Theresa Khakasa Wasike is the Water Sector Trust Fund's Alternate Trustee to the Principal Secretary in the Ministry of Water, Sanitation and Irrigation, having been appointed in June 2022.

Ms. Wasike currently serves as the Director Administration, Ministry of Water, Sanitation and Irrigation. She brings a wealth of experience in Public Administration having served in different Administrative capacities in both field and central Government Administration. She has previously served in the Ministry of Interior & Coordination of National Government as a District Officer in Western and Rift Valley regions.

Ms. Wasike is a graduate of the Ukrainian Institute of International Relations, Kiev University, where she graduated with Masters of Arts in International Relations.

## 2. BOARD OF TRUSTEES (Continued)



### **Mr. Mbatia Kimani - Independent Trustee (Up to 21<sup>st</sup> July 2023)**

Mr. Mbatia Kimani holds a Bachelor of Commerce Degree from the University of Nairobi. In addition, he has an MBA from the Edinburgh Business School (UK) and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Mbatia has over 30 years of Board and Senior-level Management and Multi-Country experience in a diverse range of industries both in employment and in private business.

Mbatia is proficient in International Corporate Business Leadership and Governance, Strategic Planning and Business Development. He has varied professional skills particularly in all facets of Financial Management, Auditing, Restructuring, Lean Manufacturing, Acquisitions and Cutting-Edge Business Solutions. In addition, he is adept in Turnarounds, Organisational and Cultural Transformation and working effectively with persons from other cultures and all walks of life.

Mbatia brings along vast experience to WaterFund having served in different organisations. He has served as a Board Director at Kenya Airports Authority and was at different times the Chairman of the Finance and Strategy Committee and the Audit Committee of the Board.

Mbatia also served as a Director at Orion Lubricants, the Chevron/Caltex lubes distributor in Tanzania, Finance Director/CFO for Middle East & Africa Region for ASSA ABLOY while based in Johannesburg, South Africa. Others include Group Financial Controller at Kenya Airways (KQ), Group Financial Controller for Best Foods & CPC (Corn Products), Chief Accountant at Coca-Cola Africa, Management Accountant at Unga Ltd, and Chief Internal Auditor at the Kenya Cooperative Creameries (KCC) Ltd.

Mbatia has acquired vast training in Board and Senior Management Development / Leadership / Governance Programs around the world.

Mbatia was the chair of the Audit and Risk Assurance Committee up to 21<sup>st</sup> July 2023.

### **Eng. Joseph Kimani Ngacha - Independent Trustee**

Eng. Joseph Kimani Ngacha, is a member of the Board of Trustees at the Water Sector Trust Fund (WaterFund), contributing his extensive expertise in civil engineering and construction management to advance WaterFund's mandate. Eng. Ngacha's educational background is anchored in a Bachelor of Science degree in Civil Engineering from the University of Nairobi, where he achieved the distinction of graduating with Honours in 1977.

With a remarkable career spanning over three decades, Eng. Ngacha, has demonstrated his prowess in construction management. His track record is characterized by the successful oversight of multi-million-shilling projects, effectively navigating them from conceptualization to their ultimate completion. He is not only a seasoned engineer but also a founding member of the esteemed Kenya Federation of Masters Builders (KFMB), a testament to his dedication to the development of the construction industry.

Eng. Ngacha boasts a diverse professional background, having held pivotal roles within the Ministry of Public Works and Housing, as well as Kenya Railways. His tenure in these institutions has encompassed various capacities, including Principal Engineer and District Civil Engineer, showcasing his versatility and in-depth knowledge of civil engineering practices.

Presently, Eng. Ngacha, occupies the position of Managing Director at Jipsy Civil and Building Contractors Ltd., a position that underscores his leadership acumen and ability to drive successful projects in the construction sector. His extensive experience and industry insights align seamlessly with WaterFund's mandate as he contributes his wealth of knowledge to support the same.



## 2. BOARD OF TRUSTEES (Continued)

### **Ms. Gladys Wekesa, OGW, - Alternate Trustee to the Principal Secretary, Ministry of Water, Sanitation and Irrigation**

Ms. Gladys Wekesa serves as the Alternate Trustee to the Principal Secretary, Ministry of Water, Sanitation and Irrigation. She currently holds the position of the Director of Transboundary Water Resources in the Ministry of Water, Sanitation, and Irrigation in Kenya. Her impressive academic journey includes an MSc. and BSc. in Geology from the University of Nairobi, along with being a Registered Geologist recognized by the Geologists' Registration Board.

As the Director, Ms. Wekesa assumes a crucial responsibility: spearheading the sustainable management and development of Kenya's transboundary water resources. She achieves this through formulating pertinent policies, strategies, and protocols in collaboration with stakeholders and riparian states. Her membership in various Technical Advisory Committees (TACs) of regional inter-governmental bodies underscores her leadership, including the Nile Basin Initiative, the Lake Victoria Basin Commission, AMCOW, IGAD Water Unit, and the UNEP Coordinated Project on the Sustainable Development of Lake Turkana and its River Basins between Kenya and Ethiopia.

Ms. Wekesa's role in TACs exemplifies her commitment to guiding shared water resource management with strategic insights. Her presence adds significant value to the overall policy direction and sustainable development of transboundary water resources.



### **Mr. Barako Qatamur - Independent Trustee**



Mr. Barako Elema Qatamur brings a wealth of legal expertise and a distinguished career in the judiciary to his role as a vital member of the Board of Trustees at the Water Sector Trust Fund (WaterFund). His background within the legal landscape of Kenya spans over a decade with dedicated service within the Judiciary for more than 11 years, as the Head of Protocol in the Office of the Chief Justice.

Holding a Master of Arts in Diplomacy and International Studies from the University of Nairobi, Mr. Qatamur demonstrates a broad understanding of international relations and diplomacy. Furthermore, his academic foundation includes a Post Graduate Diploma in Law from the Kenya School of Law, a Bachelor of Laws Degree (LLB), and a Bachelor of Arts in Journalism and Media Studies (Public Relations).

In recognition of his leadership potential and management acumen, Mr. Qatamur has completed the Senior Management Course from the Kenya School of Government (KSG), further enhancing his strategic decision-making skills.

Notably, Mr. Qatamur is a Certified Professional Mediator, indicative of his dedication to alternative dispute resolution mechanisms. His professional affiliations encompass membership in various bodies such as the Law Society of Kenya, Public Relations Society of Kenya, Protocol & Diplomacy International – Protocol Officers Association, and Mediation Training Institute International, USA.

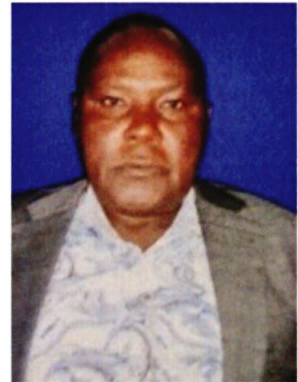
## 2. BOARD OF TRUSTEES (Continued)

### Mr. Andrew Mbithi - Independent Trustee (Effective 21<sup>st</sup> July 2023)

Andrew Mbithi Muiya is a member of the Water Sector Trust Fund (WaterFund) Board of Trustees. Holding a BSc degree in Governance and Leadership from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Mr. Mbithi combines academic excellence with a wealth of leadership experience.

Mr. Mbithi's extensive leadership journey includes serving as the leader of the Majority Coalition in the County Assembly of Embu, showcasing his adeptness in strategic collaboration. His dynamic career spans roles such as Treasurer at CDF Mbeere South Constituency and Director at Elite Logistic Ltd. His remarkable contributions extend to chairing both Embu County Council and Mbeere County Council.

With diverse experiences ranging from national intelligence services (special branch) to the Kenya Police Force, Mr. Mbithi's comprehensive background brings unique perspectives to the Board. WaterFund anticipates leveraging his profound expertise in leadership to drive impactful initiatives and promote positive change within the water sector.



### Mr. Lucas Chepkitony - Independent Trustee (Effective 21<sup>st</sup> July 2023)



Mr. Lucas Kipkosgei Chepkitony is a member of the Water Sector Trust Fund (WaterFund) Board of Trustees. Holding a Post-graduate degree in Animal Production from the Agricultural University of Norway and a Bachelor of Science in Agriculture from New Mexico State University, USA, Mr. Chepkitony's academic foundation underscores his commitment to excellence.

With a diverse career spanning agriculture and related sectors, Mr. Chepkitony's impact has been far-reaching. Notably, during his tenure as Member of Parliament for Keiyo North Constituency, he served as a member and vice-chair of the Agriculture committee, showcasing his dedication to agricultural development.

Mr. Chepkitony's extensive professional journey includes leadership roles such as Director at the Pest and Agricultural Chemical Product Board, Managing Director of Rift Valley Textile Limited (Rivatex), General Manager at Agro-Chemical and Food Company Ltd, Muhoroni, and Deputy Managing Director at Muhoroni Sugar Company.

His influential presence extends beyond his corporate roles. He served as Chairman of the Kenya Association of Manufacturers (KAM) Eldoret Chapter, held positions on boards including the National Management Board of Kenya Association of Manufacturers and the National Management Board of Federation of Kenya Employers (FKE), and contributed to educational institutions as a member of various boards and committees.

Mr. Chepkitony's remarkable wealth of expertise, garnered from diverse leadership positions, is a valuable asset. His distinct blend of industry knowledge and strategic insight serves as a catalyst for driving positive impact within Kenya's water sector.

### Ms. Maryan Ubah Mohamed - Independent Trustee (Effective 21<sup>st</sup> July 2023)

Maryan Ubah Mohammed is a member of the Water Sector Trust Fund (WaterFund) Board of Trustees. Armed with a Bachelor of Arts (BA Hons) degree in International Relations with Political Science from the University of Birmingham, UK, Maryan combines her academic foundation with a stellar 13-year career in the Human Services field.

With meticulous attention to detail, Maryan is a consummate professional, renowned for her organizational prowess. Her adeptness in leadership, strategic task development, and administrative support is underlined by her effective communication skills. She champions marginalized and at-risk populations through program development, exemplifying her dedication to positive change.

Maryan is a collaborative and analytical force, proficient in forging partnerships and advocating for communities in need. Her presence on the Board underscores WaterFund's commitment to impactful change in the water sector, driven by Maryan's passion for equitable development. Maryan is the Chairperson to the Audit and Risk Assurance Committee.



## 2. BOARD OF TRUSTEES (Continued)



### **Ms. Winfred Wanjiku Njoroge - Independent Trustee**

Ms. Winfred Wanjiku Njoroge serves as the Deputy Inspector-General, State Corporations at the Inspectorate of State Corporations. Within the Board of Trustees of the Water Sector Trust Fund (WaterFund), she represents the Inspector-General, State Corporations, bringing her wealth of experience and expertise.

With an impressive career spanning over 18 years, Ms. Njoroge possesses a diverse background in both public and private sectors. Her proficiency encompasses corporate governance, Human Resource instrument development, public policy advisory, public sector reforms, board evaluation, project monitoring & evaluation, and media monitoring.

Her commitment to governance excellence and efficient service delivery earned her the esteemed Head of State Commendation (HSC) in December 2021. Ms. Njoroge's dedication extends to continuous education, having completed courses in public sector governance, corporate governance, and governance audit.

Educationally, she holds a Master of Business Administration (MBA) degree in Operations Management and a Bachelor of Arts degree in Economics and Sociology, both from the esteemed University of Nairobi. She further enhances her expertise with a Diploma in Project Management from the Kenya Institute of Management (KIM).

Ms. Winfred Wanjiku Njoroge's multifaceted background and passion for governance fortify the WaterFund Board of Trustees. Her role ensures effective representation of the Inspector-General's office and contributes significantly to WaterFund's pursuit of increasing access to water and sanitation to underserved and marginalised communities.

### **Josphine Eregae, Independent Trustee (Effective 21<sup>st</sup> July 2023)**

Josphine K. Eregae is an integral member of the Water Sector Trust Fund (WaterFund) Board of Trustees. Holding a Master of Science in Leadership and Governance from Jomo Kenyatta University of Agriculture and Technology, along with a Bachelor's Degree in Arts (Education) from Bugema University, Ms. Eregae combines academic excellence with a rich professional background.

With over a decade of experience in Government Relations, Ms. Eregae's expertise shines. Her impactful leadership roles have included steering County Departments in policy development, lobbying, advocacy, and organizational management. Her strategic acumen comes to the forefront in fostering enhanced relationships with county legislators and stakeholders.

As an accomplished Executive Director, Ms. Eregae is recognized for driving progress through adept team leadership and development. Her career has spanned diverse roles such as Executive Director of Horn of Africa, County Executive Committee Member for Education, Youth, Sports, Gender, Culture & Social Services, and County Executive Committee Member for Water, Sanitation, Energy, Environment & Climate Change.

Her hands-on experience extends to her tenure as Ward Administrator within the County Government of Isiolo. Ms. Eregae's multifaceted background enriches WaterFund's initiatives, bringing invaluable knowledge and expertise to the Board. Her presence contributes significantly to the Fund's vision of sustainable funding of safe water and sanitation for all.



## 2. BOARD OF TRUSTEES (Continued)

### **Marselino Malimo Arbelle - Independent Trustee (Effective 01<sup>st</sup> September 2023)**

Marselino Malimo Arbelle is a member of the Water Sector Trust Fund (WaterFund) Board of Trustees. He holds a Bachelor of Business Management (Marketing) degree from Mt. Kenya University (MKU), Kenya, which forms the foundation of his extensive professional journey.

Mr. Arbelle is a seasoned Business Manager and Administrator with a multifaceted skill set honed over the years. His expertise spans sales, marketing, client relations, human resources, and financial management. He excels in orchestrating operational functions and leading teams to achieve remarkable success.

His career includes a tenure as the Member of Parliament for Laisamis Constituency and service as a Member of the National Assembly in the Kenyan Parliament. During this time, he contributed his insights and skills to committees dealing with Security, Budget, and Powers and Privileges, demonstrating his commitment to effective governance.

Mr. Arbelle's professional journey also encompasses roles such as Country Manager at Trojan International-South Sudan, Sales and Marketing Manager at Hass Petroleum-Rwanda, and Sales and Marketing and Security Inspector at Firestone EA Ltd-Kenya. His tenure as a police officer with the Kenya Police Service further underscores his dedication to public service and security.

Marselino Arbelle's leadership acumen, innovative problem-solving abilities, and team-building skills add significant value to WaterFund. His diverse experience and expertise are invaluable assets as the organization pursues its mandate to increase water and sanitation access to underserved and marginalised areas in Kenya, making a positive impact within the water sector and beyond.



### **Ms. Halima Ali – Corporation Secretary**

Ms. Halima Ali joined the Fund as Corporation Secretary and Legal Manager 2018. She is an advocate of the High Court with Bachelor of Law Degree from University of Nairobi and LLM from Queen Mary University of London through Commonwealth Scholarships and currently finalising her second masters in International Finance and Regulations from Strathmore University and a member of the Institute of Certified Secretaries.

Halima is also an associate member of Chartered Institute of Arbitrators, a certified mediator and member of Commonwealth Scholarship Commission alumni advisory panel.

Halima has been the Managing Partner of HH Associates Advocates and has worked with other law firms including Meritad Law Africa, Bulle & Company Advocates, Swaleh and Company Advocates under the department of Commercial and Conveyancing.

### 3. MANAGEMENT TEAM



**Mr. Willis Ombai**  
**Chief Executive Officer**

#### **Mr. Willis Ombai – Chief Executive Officer**

Mr. Ombai is a Developmental Expert with a bias in Natural Resource Management and with over 20 years' experience in various countries in Africa serving in different capacities. He holds Masters of Arts Degree in Project Planning and Management from Maseno University, Bachelor of Science Degree in Forestry from Moi University. He is currently pursuing a Ph.D in Environment Policy from University of Nairobi.

Mr. Ombai has extensive experience in management of development projects financed by bilateral, global and national agencies including World Bank, European Union, DANIDA, German Development Bank, International Fund for Agricultural Development, The Gates Foundation, Government of Sweden, Government of Finland and Government of Kenya.

In his previous portfolio as a Chief Manager, Investments and Programmes, Mr. Ombai's key role was overall supervision of implementation of investments across WaterFund through monitoring and development of quality and timely reporting to Development Partners, Board of Trustees and other key stakeholders. He led in development of short to long term investment strategies, development and review of proposals for resource mobilisation, establishment and strengthening of partnerships.

Mr. Ombai previously worked as a Project Coordinator at Open Society Initiative for Southern Africa, a Civil Society Organisation on Sustainable Land Management (SLM) Project for Sub-Saharan Africa funded by the United Nations Development Programme (UNDP). Key among his responsibilities was to provide strategic leadership to the project teams in budgeting, stakeholder engagement, grant management risk assessment and assurance. High-level reporting for transparency and accountability in compliance to best practices, national and international environmental laws was also part of his responsibilities.

Mr. Ombai has been serving as the Secretary and Advisor to the WaterFund Board of Trustees (Investments & Monitoring Committee) on broader issues pertaining investments in water, sanitation and water resources management projects, monitoring, evaluation accountability and learning. Mr. Ombai has also previously worked for World Agro Forestry Centre (International Centre for Agroforestry-ICRAF), Danish International Development Agency and National Environment Trust Fund amongst others.

Mr. Ombai is a member of Forestry Society of Kenya, Environmental Institute of Kenya and Institute of Directors (Kenya).

**3. MANAGEMENT TEAM (Continued)**



**General Manager,  
Corporate Services**

Mr. Samwel Gitau Mbugua,  
B. Com (Accounting), MBA,  
CPA (K)



**General Manager, Internal Audit &  
Risk Management**

Mr. Edwin Korir, B.Ed. (Arts), MBA,  
CPA (K)



**General Manager, Partnership  
Development & Resource  
Mobilisation**

Mrs. Ruth Nganga, BA (Theology),  
PGC, Ed



**General Manager, Legal  
Affairs & Corporation  
Secretary**

Mrs. Halima Ali Abdullahi  
Bachelor of Laws (LLB),  
LLM, Certified Mediator,  
Associate Member of  
CIARB, CPS



**General Manager, Programmes**

Mr. Isaac Kega, BA (Econ), MEcon,  
PMP, MESK



**Manager, Water Resources and  
Climate Change Investments**

Eng. Rose Nyikuri, BEng (Civil), MSc  
(WREM), R. Eng., MIEK



**Manager, Human Resources and  
Administration**

Mr. Paul Atwa, BA (HR), Higher  
Dip. HR, MBA(On-going)



**Manager, ICT & Corporate  
Affairs**

Mr. Bernard Njenga, B. Com  
(Business Information



**Manager, Rural Investments**

Mr. Peter Koech, BSC. Eng.  
Civil

**3. MANAGEMENT TEAM (Continued)**



**Ag. Manager, Research,  
Planning and M&E**  
Mr. Elly Ochere, MBA, BSC  
Actuarial Sciences with IT



**Manager, Supply Chain  
Management**  
Mr. Panuel Nyaga, MSC  
Procurement & Logistics, BCOM  
(Marketing), Diploma in  
Purchasing & Supplies



**Manager, Urban Investments/  
Commercial Financing**  
Mr. Thomas Nyangau BSC.  
Eng, MBA Strategy

#### 4. CHAIRPERSON'S STATEMENT

This Financial report has been prepared in accordance with the guidelines set out by The National Treasury and informs of the Water Sector Trust Fund (WaterFund) Financials for the Financial Year 2023/2024. The report presents in-depth analysis of the achievements made by WaterFund in relation to its mandate, challenges and lessons learnt during the period. The report demonstrates the ability of WaterFund to meet its mandated obligation under the Water Act 2016 section 113 and in line with its strategic plan. The Fund faced numerous challenges presented by global economic crisis in the country that tremendously prompted extensive social and economic disruption resulting in slowed GDP. These challenges further exacerbated the WaterFund's already high-risk investment environments that is the underserved and marginalized areas.

In the midst of these challenges, the Fund realized remarkable progress in improving access to water and sanitation services as well as sustainable management of water resource, in the year under review. It enhanced access to **130,878** people with clean water services and **24,423** people with basic and dignified sanitation services and achieved **300,000 M<sup>3</sup>** additional storage volume through the financed projects under Rural, Urban and Water Resources Investments. It is our conviction that this achievement could have been better in the absence of the political and economic disruptions among other challenges.

It is noteworthy that the WaterFund realized tremendous improvement in most of its core indicators as well as on the overall performance, the Fund has put in place strategies for the realization of quality and sustainable projects that enhances access to water and sanitation services as well as water resources management in the targeted underserved and marginalized areas.

WaterFund's performance for FY 2023/2024 was evaluated on the implementation of the performance contract targets. The evaluation was conducted by the Public Service Performance Monitoring and Management Unit (PSPMMU) which rated the performance as **Very Good** with a composite score of **2.53** as per the evaluation criteria.

The achievements presented in this report are as a result of mutually beneficial cooperation and partnerships by various stakeholders. Together, we will continue to make our ambitions a reality, in line with the WaterFund's Strategic Plan 2023-2027, which focuses at how to scale, accelerate and transform the lives of Kenyans through improved access to water and sanitation and with sustainable management of water resources in underserved and marginalized areas.

In spite of the various challenges, we are confident that we have the right partnerships, commitment and capabilities to meet our obligation ahead; to promote the national agenda presented in the National priority plan (BETA), National climate change action plan, National water master plan and the Vision 2030 through Medium Term Plan IV and global commitments including the Sustainable Development Goals (SDGs).

We appreciate the support from all our stakeholders and look forward to sustaining the cooperation in future. At WaterFund, we are persuaded that the journey to realise the objects and aspirations of the Water Act, 2016, is on course and the short-term implementation challenges will be overcome.

##### **Corporate Strategy**

The State Department for Economic Planning developed and released 5<sup>th</sup> generation guidelines for the preparation of Strategic Plan to provide a clearer roadmap on how Ministries, State Departments Agencies and Counties (MDAC) Constitutional Commissions and Independent Offices are to contribute to the attainment of Vision 2030 through the Medium-Term Plans (MTPs). The guidelines required that the Key Result Area (KRA) targets be drawn from the Fourth Medium Term Plan (MTP IV) targets in addition to addressing emerging and cross cutting issues in the Country. The guidelines also required that Public Institutions submit their respective Strategic Plans to the State Department for Economic Planning for approval.

WaterFund submitted the validated Strategic Plan 2023-2027 to the State Department of Economic Planning and they provided feedback that WaterFund had adhered to the guidelines in the development of the Strategic Plan 2023-2027. The implementation of the strategic plan is spread across 5 financial years with each year's target embedded in the annual institutional workplan and cascaded down to departmental and divisional workplans as per the departmental core functions.

#### 4. CHAIRPERSON'S STATEMENT (continued)

##### Corporate Strategy (continued)

Key documented challenges that affected implementation of the strategic plan 2023-2027 was budget rationalization by The National Treasury this predicament affecting all strategic objectives. Specifically, the rationalization of budget, budget reductions to already approved projects for financing; limited budgetary allocation for roll out of research and innovation planned activities and implementation of institutional capacity enhancement programmes. Water Sector Trust Fund continued the implementation of its Strategic Plan 2023-2027. The achievement of each key result area (KRA) is highlighted in table 1 below. However, pending steps for the new Strategic Plan 2023-2027 include: publication, launching and dissemination to stakeholders. The Strategic issues, Goals and annual achievements are as summarized:

In spite of above stated challenges, WaterFund is on track in terms of achievements of the commitments as set out in the strategic goals. In the period under review the WaterFund realized tremendous progress as summarized in the table 1 below:

**Table 1: WaterFund's 2023-2027 strategy**

##### Summary of strategic goal achievements

Strategic Issue	Goal	Cumulative Achievements FY2023/2024
Water and Sanitation Access	Improving access to additional <b>3.2 million people</b> with safe water and dignified sanitation services	As at end of the period under review, WaterFund reached <b>155,301</b> people with water and sanitation services
Financing Water and Sanitation Infrastructure	Mobilize additional <b>KShs. 52 B</b> to finance water, sanitation, IWRM, climate change and research and innovations	During the period under review, WaterFund mobilized KShs 1.253B
Water Resource Management and Climate Change	Finance IWRM and Climate Change Initiatives to Increase water storage capacities by <b>0.55Million M<sup>3</sup></b> and conserve <b>2,500 Sq. Kms</b>	As at end of the period under review, WaterFund achieved additional storage of 0.003Million M <sup>3</sup> and conserved 10.7KM <sup>2</sup> from its WRM interventions.
Research and Knowledge Management	Finance at least <b>50 research studies</b> and <b>25 innovations</b> in the water and sanitation Sector	<ul style="list-style-type: none"> <li>i) WaterFund has established collaborations with two (2) research institutions and submitted one research concept for funding.</li> <li>ii) WaterFund is also in the process of setting up the Knowledge Hub.</li> <li>iii) The Research Science Technology and innovation Strategy was developed and approved with support of National Commission for Science, Technology and Innovation (NACOSTI).</li> </ul>
Institutional Strengthening	Achieve a Holistic Organization Capacity Assessment Index (HOCAl) of <b>70%</b> and above	<p>Mapping of business process and re-engineering of operational processes undertaken to progressively improve efficiency</p> <p>WaterFund is also in the process digitalization of its records by developing electronic documentation and records management system.</p>

#### 4. CHAIRPERSON'S STATEMENT (continued)

##### **Institutional Performance Management**

During the FY 2023/2024, the Board of Trustees on behalf of the WaterFund signed a commitment with the Ministry of Water, Sanitation and Irrigation in the form of a performance contract (PC) which was prepared in accordance with the 20 cycle guidelines outlining the strategic intents of the WaterFund towards achievements of its mandate. The targets of the PC are delegated to management for implementation and cascaded down to all staff.

WaterFund implemented its Performance Contract for FY 2023/2024 in accordance with the guidelines and provided timely quarterly reports to Public Service Performance Monitoring and Management Unit (PSPMMU) through the government performance contracting information system (GPCIS).

Moreover, in the same period, the WaterFund's performance for FY 2022/2023 was evaluated on the implementation of the performance contract targets. The evaluation was conducted by the Public Service Performance Monitoring and Management Unit (PSPMMU) which rated the performance as **Very Good** with a composite score of **2.53** as per the evaluation criteria.

##### **Research and Innovation Financing Framework and Policy**

Section 114 (d) of the Water Act 2016, mandates the Fund to finance innovative research activities in the thematic areas of water services, water resources management, sewerage and sanitation. In this regard, due to complexity in management of research studies and innovations, the WaterFund has developed a Research and Innovation Information Management System (RIIMS) with the intent of operationalizing the Framework and Policy through automation of the processes.

The RIIMS has been onboarded onto the Government's eCitizen portal as part of the digitization of government services in line with the Presidential directive. This implies that the RIIMS is accessible to all Kenyans with eCitizen accounts as access to the system is authenticated through eCitizen. Training of trainers and rollout of the system internally has been successfully undertaken.

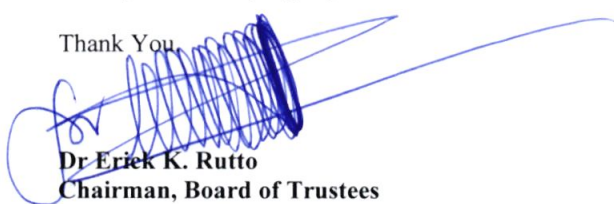
During the period under review, WaterFund constituted the Research, Science, Technology, and Innovation (RSTI) Committee to spearhead RSTI mainstreaming requirements, reporting and undertook the development of the RSTI Strategy with support of National Commission for Science, Technology and Innovation (NACOSTI). In addition, the RSTI committee was capacity built to entrenching RSTI in WaterFund's core mandate; Create awareness of the role of RSTI in WaterFund's service delivery provision; and link role of research and intellectual property policies to RSTI outputs in addressing the national development goals. Conversely, the RSTI strategy was disseminated to staff for utilization.

##### **ISO 9001:2015 Recertification**

The potential benefits to an organization of implementing a quality management system based on this international standard includes: the ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements; facilitating opportunities to enhance customer satisfaction; addressing risk and opportunities associated with its context and objectives; and the ability to demonstrate conformity to specified quality management system requirements.

During the period under review, WaterFund underwent a successful Stage 1 external audit of its ISO 9001:2015 Quality Management System (QMS) by the Kenya Bureau of Standards (KEBS), the Certification Body. This exercise was preceded by an internal audit whose findings were discussed in a management review meeting as provided for by the Standards in line with the WaterFund's documented re-engineered processes. The subsequent Audit (Stage 2) is scheduled to be undertaken by end of quarter 1 FY 2024/2025.

Thank You



**Dr Erick K. Rutto**  
**Chairman, Board of Trustees**  
**Water Sector Trust Fund**

## 5. REPORT OF THE CHIEF EXECUTIVE OFFICER

Water Sector Trust Fund has continued to implement its mandate through well formulated policy and strategic direction as guided by the Board of Trustees. During the period under review, WaterFund finalized and has been implementing its Strategic Plan 2023 – 2027. The Strategy outlines key goals of Funds Mobilization, Utilization, and Institutional Strengthening for efficient delivery on financing the water and sanitation Sector.

In the financial year 2023/2024, WaterFund entered into three partnerships amounting to a total of KES 5.25 billion. Additional income from Government of Kenya, investment income and leveraged funds raised the amount mobilized to KES 6.82 billion, exceeding the KES 5.5 billion target for the period. The Fund is keen to realise sustainable funding for its programmes and operations, and has continued to pursue innovative funding models such as the blended loan facility, investment income, leveraged public and private funds, and climate financing among others.

During the Period, WaterFund by delegation from the Ministry of Water, Sanitation and Irrigation, successfully organized and executed the Water and Sanitation Investors Conference (WASIC) 2024 from 6<sup>th</sup> to 8<sup>th</sup> March 2024 at the Kenyatta International Convention Centre (KICC), with rich discussions across the Thematic and Sub-thematic Areas to address the Conference theme: *Accelerating Investments for Sustainable Access to Water and Sanitation for All*. The Conference attracted many public and private sector stakeholders, who deliberated on the existing financing gap in meeting 2030 Sustainable Development Goals as expounded in the National Water and Sanitation Investment and Financing Plan (NAWASIP), and Kenya's opportunities to bridge this gap through Public Private Partnerships, Blended Finance, and other innovative models. The Conference provided a valuable platform for business partnerships and collaboration towards meeting the Sector needs.

WASIC 2024 was highly successful, attracting over 1000 national and international participants, and this helped greatly to build the profile of WaterFund, thus attracting additional local and international partnerships.

### BUSINESS PERFORMANCE

#### Revenue

Water Sector Trust Fund earned revenues amounting to KShs. 1,993.4 million (2022/2023: 1,761.1 million) from the development partners, the Government of Kenya and other revenues from exchange transactions. The Government of Kenya contributed KShs. 290.7 million (2022/2023: 369.5 million), development partners contributed KShs. 1,637.7 million (2022/2023: 1,380.3 million) while revenues from exchange transactions amounted to KShs. 65 million (2022/2023: 11.3 million).

The Government of Kenya support to WaterFund experienced a decrease of 21% from the previous year. The support from the development partners made significant impact in the performance that made Water Sector Trust Fund earn funds amounting to KShs 1,637 million representing an increase of 19%. WaterFund remained liquid throughout the year experiencing high liquidity towards the end of the financial year due to increased support from the development partners and the government. WaterFund is projecting increased support from the development partners as well as the government.

#### Cash flow

The cash and cash equivalents increased from KShs. 948 million as at 30 June 2023 to KShs. 3,467 million as at 30 June 2024. Towards the end of the financial year, there was significant cash inflow in form of funding for projects to WSPs.

#### Employees

Water Sector Trust Fund (hereinafter referred to as WaterFund, The Fund) values and invests heavily in human capital for realisation of its strategic objectives and mandate. To ensure continued realisation of its stakeholders' expectations, WaterFund commits to always avail adequate, high calibre and motivated human resource capacity for the provision of its services to humanity.

## 5. REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

### Employees (Continued)

During the year under review, WaterFund continued to actualize the gradual implementation of its revised Human Resource Policy Instruments which are key in the achievement of its expanded mandate. By the end of the Financial Year 2023/2024, the Fund's Staff Establishment stood at 95 staff out of the 175 authorized in the Staff Establishment as compared to 96 staff during the FY 2022/2023. This has continued to increase the efficiency and effectiveness in the delivery of the Fund's strategic objectives.

The Fund values and believes in building strong teams to achieve its objectives and improve staff morale, communication and working relationships. It facilitated four safe space successful staff meetings across the quarters which enhanced constructive interaction and bonding amongst the staff.

The Fund also managed to continue building the capacity of its staff through various trainings and continuous professional development programmes despite the budgetary cuts advanced in the course of the year.

In the year under review, the Fund continued to deliver on its cross-cutting performance contracting commitments leading to the attainment of an overall performance contractual rating of "Very Good" with 100% ratings in Road Safety Mainstreaming. The staff satisfaction index which measures staff perceptions on interactions with the Fund improved from 86% in the previous year to 86.4% in the year 2023/2024. The Fund was also evaluated by the National Productivity and Competitiveness Centre (NPCC) on Productivity Mainstreaming and was given a High Productivity Rating with a Computed Productivity Index of 3.1424.

In the pursuit to realize the Constitutional requirement and 5% threshold for engagement of Persons with Disability (PWDs), the Fund's score in the period under review stood at 2.13%. The Fund is alive and cognizant to align itself to the constitutional threshold by encouraging PWDs to apply for advertised positions within the Fund and also engaging youths who live with disability in internships and industrial attachments as well as ensuring the continued balancing of diversity provisions for disadvantaged groups as provided for in the Constitution. The Fund registered an overachievement in internships and industrial placements having engaged 20 interns and attachees against its performance contracting commitment of 13 interns and attachees.

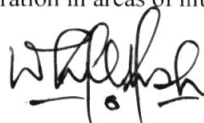
The Fund also undertook a capacity building programme on Advanced Road Safety Training for its drivers to adequately equip them with the necessary advanced road safety skills with an expectation to positively impact the monitoring and execution of projects in the long-run.

The Fund closed the year by celebrating individual and collective efforts on performance from its staff by issuing gift vouchers to staff following their hard work during the year in the midst of the various challenges presented by budgetary cuts and other external factors. The overall performance of the institution as per the PC was very good.

On the Public Service evaluation regarding compliance which was undertaken by the Public Service Commission, Waterfund was rated amongst the top 5 institution countrywide.

### Conclusion

We appreciate the unrelenting support from the Board of Trustees, management, staff, development partners, implementing partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest.



**Mr. Willis Ombai**  
**Chief Executive Officer**  
**Water Sector Trust Fund (WSTF)**

## 6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

Water Sector Trust Fund has 4 strategic pillars and objectives within its Strategic Plan for the FY 2023/2024 These strategic pillars are as follows:

**Pillar 1:** Improve access to safe water and dignified sanitation to additional 3.2 million people by 2027.

**Pillar 2:** Mobilize an additional KShs. 52 B to finance water, sanitation, IWRM, climate change and research and innovations by 2027.

**Pillar 3:** Finance IWRM and Climate Change Initiatives to Increase water storage capacities by 0.55Million M3 and conserve 2,500 Sq. Kms by 2027.

**Pillar 4:** Finance 50 research studies and 25 innovations in the water sector by 2027.

WaterFund develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Fund* achieved its performance targets set for the FY 2023/2024 period for its 4 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	KPI	Activities	Achievements
Pillar 1: Improved access to safe water and dignified sanitation to additional 3.2 million people by 2027	To increase the number of people with access to improved water services and basic levels of sanitation services	No. of people reached with increased access to water and dignified sanitation services	Financing of Water and sanitation projects to increase access to water and sanitation services provision	As at end of the period under review, WaterFund reached <b>203,768</b> people with water and sanitation services
Pillar 2: Mobilize an additional KShs 52B to finance water, sanitation, IWRM, climate change and research and innovation by 2027	To increase resources available for investment in water, sanitation, water resources and research projects.	%Increase in GoK budgetary allocation Amount in KShs (B) of new funding commitments from new & existing Partners	Engage GoK for increased budgetary allocation  Engage existing & new Partners for Increased Funding to WSTF	During the period under review, WaterFund mobilized KShs 1.253B
Pillar 3: Finance IWRM and Climate Change Initiatives to Increase water storage capacities by 0.55Million M3 and conserve 2,500 Sq. Kms by 2027	Increase area under conservation	Area in Km2 Conserved and Capacity in m3 of storage increased	Financing of IWRM projects to increase area conserved (KM) and storage capacity(M3)	As at end of the period under review, WaterFund achieved additional storage of 0.0098Million M3 and conserved 10.7KM <sup>2</sup> from its WRM interventions.
Pillar 4: Finance 50 research studies and 25 innovations in the water sector by 2027	To generate new knowledge and utilize innovations to improve service delivery in the water sector in areas of water, sanitation, sewerage and water resources	No. of Research and Innovation Initiatives Financed	Financing of Research and Innovations to bolster knowledge in the water sector	i)WaterFund has established collaborations with two (2) research institutions and submitted one research concept for funding. ii)WaterFund is also in the process of setting up the Knowledge Hub. iii)The Research Science Technology Innovation (RSTI) Committee was trained on Research, Science, Technology, and Innovation mainstreaming. iv) The RSTI Strategy was developed and approved with support of National Commission for Science, Technology and Innovation (NACOSTI).

## 7. CORPORATE GOVERNANCE STATEMENT

Water Sector Trust Fund, established under Section 113 of the Water Act, 2016, is a water sector financing institution mandated to provide conditional and unconditional grants to counties and to assist in financing the development and management of water services in marginalized areas or any area considered by the Board of Trustees to be underserved.

The Fund remains committed to the highest standards of corporate governance. Good corporate governance practices are essential to the delivery of long term and sustainable stakeholder and shareholder value. To this end, The Fund is committed to ensuring compliance with the laws that govern it, namely the Constitution of Kenya 2010; The Water Act 2016; The State Corporations Act; The Public Finance Management Act; The Public Procurement and Asset Disposal Act and The Public Officer Ethics Act.

Essential to the corporate governance framework in the Fund is its formal governance structure, which has the Board of Trustees at its apex, playing an oversight role over the management of the Fund. This governance structure is designed to ensure an informed decision-making process based on accurate reporting to the Board by Management.

### THE BOARD OF TRUSTEES

The powers and functions of the Fund are exercised and performed by a Board of Trustees, pursuant to Section 115 of the Water Act, 2016. The Trustees are from time-to-time appointed by the Cabinet Secretary.

The Board comprises a chairperson; six other members recruited in accordance with the First Schedule and representative of the Attorney General; Principal Secretary Ministry of Water, Sanitation and Irrigation and the Principal Secretary, National Treasury.

### Powers and Functions of the Board of Trustees

The statutory powers and functions of the Board of Trustees are set out in Section 116 of the Water Act, 2016. Additionally, the Board of Trustees is responsible for the long-term strategic direction of the Fund. To this end, it guides in policy development and is responsible for the recruitment of the Chief Executive Officer and the holders of other senior managerial positions in the Fund.

In the FY 2023/2024, the Board of Trustees duly exercised its powers and functions and to this end:

- a) Managed the resources of the Fund;
- b) Mobilized additional resources for the Fund;
- c) In consultation with the Ministry of Water, Sanitation and Irrigation, presented the Projects Funding Criteria to be used for financing projects to the Committee on Delegated Legislation;
- d) Monitored the implementation of projects;
- e) Maintained and made publicly available information on the projects financed and impact of such projects, through the Fund's website and social media platforms;
- f) Received grants for onward lending to water services providers, counties, and registered community schemes towards water services and water resources management projects for the underserved areas and urban poor; and
- g) In collaboration with relevant institutions developed incentive programmes for water resources management including disaster management, climate change adaptation and mitigation.

### COMPLIANCE WITH MWONGOZO CODE OF GOVERNANCE

#### a) Board Membership

WaterFund is committed to adhering to the provisions of Mwongozo Code of Governance with regard to the membership of the Board. In the 2023/2024 financial year, the Board of Trustees consisted of a Chairperson, nine members and the Chief Executive Officer, who is an *ex officio* member. Each Board member was formally appointed to the Board through a Gazette Notice as is required under Mwongozo. The appointments duly considered the mix of skills and competencies required for the achievement of the Fund's long-term goals. The Board also comprised a financial expert with expertise in financial management. Further, one third of the Board members were independent members, within the meaning set out in Mwongozo.

## 7. CORPORATE GOVERNANCE STATEMENT (Continued)

### COMPLIANCE WITH MWONGOZO CODE OF GOVERNANCE (Continued)

#### b) Board Induction

In line with the requirements of Mwongozo Code of Governance, the Board of Trustees underwent a comprehensive induction programme upon appointment in July 2023. During this induction, the Management oriented the Board members on the organization, its core statutory function, its departmental structure and its policies. The Board was also trained on Corporate Governance.

#### c) Board Training

The Board of Trustees underwent two trainings in the 2023/2024 Financial Year, in compliance with the requirements of Mwongozo on continuous skills development.

#### d) Preparation of an Annual Work Plan

The Board of Trustees ensured the development of an Annual Board Work Plan which guided its operations through the financial year. The Work Plan was presented to the State Corporations Advisory Committee as is required by the government circulars.

### BOARD COMMITTEES

Board Committees are critical to the oversight role played by the Board. They facilitate the utilization of the expertise and diversity of the Board members and ultimately contribute to the efficient conduct of board business. Mwongozo recommends that the Board should establish not more than four committees. In line with this requirement, The Board of Trustees established and transacted its business through four Board committees in the 2023/2024 financial year, namely:

#### i) Investment & Monitoring Committee

This Committee was established to guide the Board of Trustees in making prudent investment decisions aimed at financing viable water and sanitation projects and to provide organizational guidance on the monitoring and evaluation of funded projects.

The Trustees who served on this committee during the year under review were:

S/No.	Name	Position in committee
1	Eng. Joseph Ngacha	Chairperson
2	Ms. Maryam Ubah Mohammed	Member
3	Mr. Barako Qatamur	Member
4	Ms. Josephine Eregae	Member

#### i) Fund Development Committee

This Committee was instituted in July 2024 with the mandate of sustainably mobilizing and generating resources for the functions of the Fund.

The members who served on this committee during the year under review were:

S/No.	Name	Position in committee
1	Mr. Andrew Mbithi	Chairperson
2	Mr. Lucas Chepkitony	Member
3	Ms. Josephine Eregae	Member
4	Ms. Gladys Wekesa.	Representative of the PS, Ministry of Water, Sanitation and Irrigation
5	Mr. Marselino M. Arbelle	Member

#### ii) Finance and Corporate Services Committee

The Board carried out its duty of providing oversight over the financial operations of the institution through this Committee.

The objectives of this Committee are:

- Reviewing and recommending WSTF policies relating to Finance, Human Resources, Planning & Research, Procurement, ICT and Corporate Communication for efficient and effective function of the Fund.

**7. CORPORATE GOVERNANCE STATEMENT (Continued)**

**BOARD COMMITTEES (Continued)**

**Finance and Corporate Services Committee (Continued)**

- b) Ensuring that the Fund has effective and efficient internal control systems.
- c) Reviewing and recommending the Fund’s long, medium and short-term financial plans that are consistent with the Strategic Plan.
- d) Ensuring that the Fund has optimal liquidity to enable the smooth flow of operations for working capital and development.
- e) Ensuring there are adequate financial reporting structures in place.
- f) Reviewing financial reports and making appropriate recommendations to the Board

The membership of the Committee comprised:

S/No.	Name	Position in committee
1	Mr. Lucas Chepkitony	Chairperson
2	Mr. Andrew Mbithi	Member
3	Ms. Gladys Wekesa	Representative of the Principal Secretary, Ministry of Water, Sanitation and Irrigation
4	Mr. Daniel Mutua	Representative of the Cabinet Secretary, National Treasury
5	Mr. Barako Qatamur	Representative of the Hon. Attorney General

**iii) Audit and Risk Committee**

This Committee was established to advise the Board of Trustees on institutional risk management and compliance. It assesses the effectiveness of the system of internal controls and risk management. Its purpose was to support the Board of Trustees to fulfil its oversight role by:

- a) Obtaining assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably
- b) Providing an independent review of an entity’s reporting functions to ensure the integrity of financial reports
- c) Monitoring the effectiveness of the entity’s performance management and performance information
- d) Providing strong and effective oversight of an entity’s internal audit function
- e) Providing effective liaison and facilitating communication between management and external audit
- f) Providing oversight of the implementation of accepted audit recommendations
- g) Ensuring the entity effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behaviour.

The members of this Committee during the year under review were:

S/No.	Name	Position in committee
1	Ms. Maryan Ubah Mohamed	Chairperson
2	Eng. Joseph Ngacha	Member
3	Mr. Marselino M. Arbelle	Member
4	Mr. Daniel Mutua	Representative of the Cabinet Secretary, National Treasury

**BOARD MEETINGS**

Mwongozo Code of Governance requires the Board to meet regularly as is required and at least quarterly in order to ensure the effective governance of the organization.

In compliance with this requirement, the Board of Trustees met quarterly to monitor the implementation of the WaterFund’s Strategic Plan and the achievement of the targets in the Performance Contract signed with the Government. The Board of Trustees also played an oversight role over all other financial and operational issues.

It held four Board meetings and two special Board meetings during the Financial Year 2023/2024, the last of which was done with the approval of the Cabinet Secretary, Ministry of Water, Sanitation and Irrigation.

## 7. CORPORATE GOVERNANCE STATEMENT (Continued)

### COMMUNICATION WITH STAKEHOLDERS

WaterFund, through its Board of Trustees, is committed to ensuring that all its stakeholders are provided with full and timely information about its programmes and performance. This is done through the Fund's Corporate Communications Department, the Annual Stakeholders Conference and through participation in some of the Fund's public engagement activities.

In the 2023/2024 FY, the Board of Trustees participated in various stakeholder forums, as follows:

- a) An introductory meeting between the WaterFund Board of Trustees and the Development Partners held in October, 2023. The meeting deliberated on pertinent institutional, programming and partnership issues. The Joint Steering Committee meeting with the Rural and Urban Partners was held later the same day to deliberate on Programme Progress Reports.
- b) The WaterFund Strategic Plan 2023-2027 Validation Workshop for stakeholders held in November, 2023. The meeting offered stakeholders an opportunity to contribute to the Strategic Plan.
- c) The Water Sector Investors Conference (WASIC) executed by the Ministry of Water, Sanitation and Irrigation with WaterFund as the designated lead, held from 6th to 8th March 2024 at the Kenyatta International Convention Centre. The conference theme was "Accelerating Investments for Sustainable Access to Water and Sanitation for All" and it drew great attendance and rich discussions were held.

The Conference also aimed at attracting both public and private investors into the Kenyan Water and Sanitation Sector in order to bridge the financing gap and achieve universal access by 2030.

The Board of Trustees duly participated in the conference.

- d) The Board participated in various networking forums as part of resource mobilization and partnerships development. These included the Africa Climate Summit held in Kenya and the World Water Week in Stockholm, Sweden. WaterFund contributed to the national and international dialogue on solutions to the challenges in the water and sanitation sector during these forums. This helped build the profile of WaterFund, thus attracting additional local and international partnerships.
- e) The Board Chairperson participated in a meeting called by His Excellency the President for all Chairpersons and CEOs in March 2024. The agenda of the meeting was the fiscal status of the state and austerity measures.
- f) The Board was represented in a meeting held with the Ethiopian Water Sector Delegation from 19<sup>th</sup> to 23<sup>rd</sup> August, 2024. The meeting aimed at sharing best practices and knowledge exchange with a focus on understanding Kenya's water sector and its institutional framework.

The Board participated in the launch of various projects across the country. The Board nominated at least two representatives to join the Management of the Fund in commissioning completed projects across the country, namely:

- a) Muruny-Chepareria Water Project West Pokot funded by WaterFund under the European Union programme;  
and
- b) The Ground-Breaking of Mtempur-Kitalakapel Water Project.

### STATEMENT OF COMPLIANCE

The Board of Trustees confirms that Water Sector Trust Fund has throughout the FY2023/2024 complied with all statutory and regulatory requirements and that the Fund has been managed in accordance with the principles of good Corporate Governance.

## 7. CORPORATE GOVERNANCE STATEMENT (Continued)

### INTERNAL CONTROL AND RISK MANAGEMENT

#### Internal Control

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

WaterFund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. The Board of Trustees has delegated the responsibility of the review of the effectiveness of WaterFund's internal controls to the Audit and Risk Committee.

An annual risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing WaterFund, is prepared by the Internal Audit and Risk Assurance Department for approval by the Audit and Risk Committee.

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

#### Standing Instructions

The WaterFund has several approved standing instructions key among them being the Code of Conduct and Ethics, the Service Charter, the Human Resources Policy and Finance Policy that apply to all employees. These have several standing instructions to employees of WaterFund designed to enhance internal control. The WaterFund has also designed a set of standing instructions to be followed in the financing of projects in each investment.

The Board of Trustees and all staff are required to sign the Code of Conduct and Ethics at the time of joining the Fund in order to enhance compliance.

#### Organization Structure

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

#### Strategic Plan

The business of WaterFund is determined by the Strategic Plan. The Strategic Plan sets out the objectives of WaterFund, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored every quarter.

#### Risk Management

WaterFund has in place a risk management framework that guides the Fund in identifying, assessing, and managing the risks. The Fund has developed a risk register that documents and prescribes mitigating measures of all the risks both external and internal facing the Fund. The risk management framework and register are regularly reviewed to incorporate any emerging issues in the operating environment. The risk management is coordinated by the General Manager, Internal Audit and Risk Assurance assisted with a management team drawn from the various departments/sections. This team reviews all the risks in WaterFund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated, and any further actions identified. The identified risks are reported to the Audit and Risk Committee to assist the Board in the management of risks.

## 7. CORPORATE GOVERNANCE STATEMENT (Continued)

### Management Team

The management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently.

As part of follow-up of findings from external and internal audits, an action plan is prepared to assist in tracking the status of implementation of the various recommendations. This status is shared with various stakeholders including the Development Partners. This is done on a quarterly basis.

### External Auditor

WaterFund is audited by the Auditor-General, Republic of Kenya. The Auditor-General had however delegated this function to an independent auditor, as per Sections 23 of the Public Audit Act, 2015.

## 8. MANAGEMENT DISCUSSIONS AND ANALYSIS

WaterFund's core operating activity has been the financing support to projects for improved access to water and sanitation and investments in water resources. The Government of Kenya has supported WaterFund in the engagement of new partners and its support in honouring the counterpart funding.

During the year, WaterFund earned revenue of KShs. 1,928 million from GOK, European Union (EU), Kreditanstalt fuer Wiederaufbau (KfW) (German Government Bank), International Fund for Agricultural Development (IFAD), Government of Denmark and the World Bank for water, sanitation and water resources management projects and other revenues from exchange transactions. The funds received from the Government of Kenya represented support to operations and development to the rural and urban investments.

### FUNDS MOBILIZATION AND PARTNERSHIPS

During the period under review, WaterFund undertook various activities aimed at mobilizing additional and sustainable financing. These included nurturing partnerships; development, follow-up and submission of funding proposals; development and operationalization of sustainable products and business models; consultative and networking activities among others. WaterFund signed two (2) financing agreements worth KShs.12.2 billion with the World Bank, for the Programmes Horn of Africa (HOA), and the Conditional Liquidity Support Grant for Covid Recovery under the Water and Sanitation Development Programme (WSDP). USAID WASH FIN provided support worth about KShs.30 million for feasibility study towards WaterFund's Loan Facility. The Embassy of Denmark approved an additional KShs.300 million to WaterFund as an addendum to the ongoing SWASAP Programme.

Further, WaterFund signed three (3) collaboration frameworks for research initiatives and technical support to programmes and implementing partners. The collaboration was signed with Strathmore University Business School, Water.org and Millenium Water Alliance, valued at a total of KShs.250 million.

During the period, the Fund developed and submitted funding proposals worth a total of KShs.14 billion to the World Bank, Danida, KfW, AfDB, CIFF, Gatsby Africa and Water and Sanitation for the Urban Poor (WSUP). The Fund further continued to follow-up on prior submitted proposals to Green Climate Fund and the Public Invest Financing (PIF) of Finland, both worth an additional KShs.18 billion.

WaterFund held four (4) Steering Committee Meetings with Funding Partners, to take stock of status and progress of programmes, and deliberate on pertinent Institutional and Partnership issues. The Fund also held various bilateral and consultative forums, and participated in national and international forums, in a bid to nurture more partnerships and enhance resource mobilization efforts. WaterFund Funding Partners during the period included European Union, World Bank, German Development Bank (KfW), Denmark, Gates Foundation, IFAD and the Saudi Fund for Development.

### COMMERCIAL FINANCING/ URBAN INVESTMENTS DIVISION

#### KFW PHASE IV PROGRAMME

The objective of the Project is to provide affordable, economically viable and sustainable access to safe water supply and basic sanitation services to the urban poor. The Project comprises investments in water supply and basic sanitation services for the poor population living in urban and peri-urban areas in addition to supporting measures through Water Sector Trust Fund (WSTF) which acts as Project Executing Agency (PEA).

*The programme encompasses the following components:*

- i) Urban Project Concept (UPC) comprising investments in extension of urban water supply and basic public sanitation,
- ii) Upscaling Basic Sanitation for the Urban Poor (UBSUP) comprising subsidized plot and household level sanitation including construction and rehabilitation of toilets and decentralized treatment facilities and
- iii) Aid on Delivery comprising investments in the extension of water and sanitation services (Aid on Delivery / AoD) within the area of service of the WSPs via a results-based approach.
- iv) The Supporting measures at the level of WSTF, WSPs and target population.

## 8. MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

### KFW PHASE IV PROGRAMME (Continued)

#### 1. Urban Project Concepts (UPC) 8th Call

The UPC investments focuses on the extension of water supply and improvement of sanitation situation in public places. Up to date, the programme has financed 406 projects, some of which the progress is ongoing. During the financial year 51 UPC projects under the 8<sup>th</sup> call for proposals were approved for funding. These consisted of 38 water projects and 13 Public sanitation projects. Out of the 51 projects 43 have been financed where disbursements were made to various projects within the reporting financial year.

The programme targets to benefit 107,905 and 8,800 people with affordable, economically viable and sustainable access to safe water and basic sanitation respectively to the urban poor. so far, 25,140 people have been reached with clean water services and 800 people with dignified sanitation services as per the compiled completion reports from IPs. It is envisaged that these numbers will be increased once projects that are in advance stages are completed.

#### 2. Up-scaling Basic Sanitation for Urban Poor Programme

The Up-scaling Basic Sanitation for Urban Poor (UBSUP) programme is financed by KfW and the Bill & Melinda Gates Foundation (BMGF) at a total of KShs. 1.46 billion, and its targeting 400,000 beneficiaries with improved sanitation services as well as 200,000 beneficiaries with clean and safe drinking water. The programme has achieved most of the milestones related to the concept development. The other milestones related to the number of beneficiaries have been achieved for the water supply while the sanitation milestones are ongoing.

The program aimed to provide dignified sanitation services to 16,000 beneficiaries through household sanitation, but only reached 6,300 due to delayed fund disbursement, affecting subsidy payments. Additionally, 638 sanitation projects were financed, and more training activities were conducted than planned, including three new WSPs training and one social animators training. Three sanitation projects at advanced stages of implementation were also monitored.

#### 3. Aid on Delivery (AoD)

Seven projects from seven Water Service Providers (WSPs) totaling KShs 764 million were recommended for further development into bankable proposals. These projects were grouped into two lots, with Lot 1 comprising four projects and Lot 2 comprising three projects. Two national Consultants, CAS Consultants Africa and Design Masterplan in Association with Gauff Consultants Africa, were engaged by WaterFund to prepare detailed designs and bankable proposals for the WSPs to secure financing from commercial banks. The consultants have completed tasks such as socio-economic data collection, verification of water demands, hydrological assessments, pipeline route verification, and drafting the Feasibility Stage Preliminary Designs Report FS-PD, which includes analyses on technical, financial, environmental, social, health, and safety aspects, as well as establishing project costs. The Draft FS-PD report was submitted on July 3, 2024.

### Conditional Liquidity Support Grant (CLSG) II

WaterFund is implementing Component 3 (National Performance-Based Financing which has the following two subcomponents: (i) Support for water and sanitation infrastructure investments and services; and (ii) Technical assistance for national performance-based financing). Under the support for water and sanitation infrastructure investments and services, WaterFund is implementing the Conditional Liquidity Support Grant II (CLSG-II) which focuses to support financial recovery of Water Service Providers (WSPs) to pre-COVID levels or better. A total of 31 WSPs with 77 interventions costing KShs 2.198 billion have been pre-qualified to implement the programme.

WSTF received necessary approvals to begin the implementation of subprojects, with 29 out of 31 Water Service Providers (WSPs) signing Grant Agreements for the CLSG II project and starting preparatory activities. Two WSPs, Kibwezi and Garissa, did not sign due to cash flow issues and pending audits, respectively. Nairobi City and Eldoret WSPs will receive support for procurement activities due to the value of their proposed interventions. Consequently, the procurement documents for these 2 WSPs were prepared and uploaded in STEP for approval by the World Bank. Environmental and Social Impact Assessments were conducted for 18 WSPs, leading to the organization of WSPs into 4 clusters for Comprehensive Project Reports. Procurement processes were carried out for ICT and OD Consultants.

## 8. MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

### HORN OF AFRICA GROUNDWATER FOR RESILIENCE PROJECT (HoAG4RP)

The Horn of Africa Groundwater for Resilience Project is being implemented in the counties of Garissa, Mandera, Marsabit, Turkana and Wajir. The project aims at increasing sustainable access and management of groundwater as a key contribution to strengthen the climate resilience of targeted communities. The implementation period is 2022 to 2028 with a total budget of approximately KShs 9 billion. The implementation will be administered in a Performance Based approach where Counties will receive funds on their achievement of results based on the agreed targets.

During the reporting period, significant progress was made towards realization of the outcome envisaged from programme. Sites for rehabilitation were selected by applying a set criterion. The selected sites were subjected to eligibility screening to check their compliance. The selected sites were subjected for public participation and eligibility exercise, resulting in numbers agreed upon by the Counties and the public. Aside for Garissa, the four Counties have prioritized 30 sites for design and construction in FY2024/2025. This progress marks a critical step forward in ensuring that the rehabilitation and upgrading activities can commence as planned, aligning with the project's objectives to enhance groundwater-based rural water supply infrastructure in the targeted counties.

In addition, procurement of goods and Consultancies continued during the period under review. The Consultancies which are about to be concluded are for Design and supervision; Independent Verification Agent; Management Information System and Decision Support System; Institution Systems and Operation and Maintenance as well as Drought Contingency Plans for the five Counties. ICT equipment were also procured during the period.

### WATER AND SANITATION SERVICES INVESTMENT

The Water and Sanitation Services investment programme's objective is to finance water and sanitation projects in the underserved rural communities across Kenya. The key implementers are Rural Water Service Providers (WSPs), Water Users Associations (WUAs) and Non-Governmental Organizations (NGOs) who are involved in the preparation, planning, implementation operations water and sanitation projects. Provision of water and sanitation services is a devolved function, with WaterFund working closely with the County Governments in identifying target projects, underserved areas, provide co-financing to projects, oversight and coordination of activities. In FY 2023-2024, the Water and Sanitation Services investments implemented a number of activities under the Climate Proofed Infrastructure Programme (CPIRA) and Sustainable Management and Access to Water and Sanitation in the ASALs (SWASAP) Investments.

### WATER AND SANITATION SERVICES INVESTMENT

#### *Climate proofed infrastructure Programme- EU CPIRA*

WSTF finalized the designs for 8No. 3<sup>rd</sup> call water projects and the projects were approved and financed during the financial year. During the period, 6No. water, 17No. Public Sanitation Facilities, 13 No. Water Resource management Projects were completed. Additionally, WSTF completed designs for 3No. water projects under the 2<sup>nd</sup> call. In addition, 32No. projects were monitored including 13No. water projects, 15No. PSFs and 4No. WRUA projects were monitored during the financial year. WSTF also launched 2No. water projects while 4No. water project was commissioned. A total of KShs. 324,617,989.33 were disbursed to the various ongoing projects.

Under the Public Private Community Partnerships (PPCP) result area, 8No. PPCPs were signed, 8No. Counties have been trained on Governance, Risk and Compliance, 14No. Water management committees were trained on financial and technical management and capacity building activities conducted to Water Management Committees.

During the financial year, the following additional people were served: 87,975 people through water projects and 7,200 people.

#### **Sustainable Management and Access to Water and Sanitation in the ASALs (SWASAP)**

Under the programme, a total of KShs. 250,849,364 was expended to support 17 integrated projects after the financing Agreements were signed and the second disbursements made. Since this programme is implemented through co-financing by the County Governments, five Counties contributed KShs.87.7 million out of the envisaged KShs.123.1 million. These funds will support the implementing partners in implementation of the agreed projects milestones.

## 8. MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

### Sustainable Management and Access to Water and Sanitation in the ASALs (Continued)

In the financial year, a number of milestones were achieved that comprised of design and implementation of water infrastructure works for 13 ongoing projects and procurement for 4 water projects. In addition, the implementation for 17 sanitation projects with 44 doors VIP constructed.

Other activities involved Community Led Total Sanitation training for the Implementing partners, 509 villages triggered and 189 villages declared ODF. 13 Quality Assurance Monitors (QAMs) comprising of engineering, finance and sociologists were procured, supported projects in the 6 target counties through oversights of projects implementation.

### Saudi Fund for Development (SFD)

Under the Programme, WaterFund held a number of meeting with the National Treasury and the consulting team with the aim of reviewing the Programme progress and exploring ways to unlock the existing implementation challenges.

On tax exemptions, the Parties agreed to revise the Memorandum of Understanding (MOU) to make income tax from the Consultant and Contractors taxable according to Kenyan law. While on the withdrawal application, it was agreed that this will apply the existing stipulations as spelt out in the Kenya's Public Finance Management Act.

### Major Risks facing the Fund

Water Fund has put in place an Enterprise Risk Management (ERM) framework. The ERM was developed and approved by the Board of Trustees. ERM contains the risk management policy and framework of the Water Fund, the risk universe, risk assessment, modalities of treatment of risks, responsibility of risk management, monitoring framework and reporting. In the framework, key exposure high-risk areas were identified, and risk mitigation measures developed.

The key high-level risks identified, and mitigating measures put in place are as follows;

- Financial risk; Financial risks faced by the fund are market risk, credit risk, liquidity risk, and operational risk.
- Competitive trends: Many institutions are undertaking similar work being done by the Fund and thus there is competition for the resources from various Development Partners.
- External Policy and Strategy risks; various Development Partners which the Fund is getting support from have been changing their external policies and strategies and this may affect the Fund in terms of resource mobilization and support.
- Fraud and Corruption; the Fund is facing the risks of fraud and corruption by the Implementing Partners who receive Funds for project implementations.
- Economic Trends: The current international economic situation is changing and may affect the Fund in resource mobilization strategies.
- Political Environment: the political risks at the County and National Government may affect the process of project implementation.
- Financial Environment: current economic and inflationary pressures may affect the funding of various projects. This could lead to delay in execution of funded projects.
- Changing Demographics; changes in demographics affects the projects implementation and difficulty in reaching nomadic populations who are main beneficiaries.
- Resources (Budgeting and Resources allocation); The Government of Kenya and other Development partners may change the priorities in resources allocation thus affecting the Fund.
- Climate Change: Climate change has affected the sustainability of the funded projects.
- Physical Environment: The Fund finance projects in Arid and Semi-Arid Lands (ASAL) areas which could have harsh physical and climatic conditions.
- Socio – Cultural issues; various socio-cultural issues affects the projects implementation.
- Health, Safety and Environment; risk of security issues in areas funded by the Fund.
- Capacity of Implementing Partners; the capacity of implementing partners affects the pace of projects implementation.

Risk Management process has been integrated in the daily operation of the Fund and risk identification, assessment and mitigating measures are put in place. Various head of departments and divisions have been allocated various roles in risk management.

## 9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

### SUSTAINABILITY STRATEGY

Water Sector Trust Fund is keen to achieve financial and institutional sustainability and undertook various measures during the period towards this target. These included development of a framework for sustainable business models and development of a Revenue Generation Policy. Further, the Fund undertook a feasibility study to review and refine the Loan Facility model. WaterFund has continued to engage Government, Development Partners, Commercial Banks and Implementing Partners in order to garner support for the proposed Loan Facility. The facility will enable WaterFund to issue loans blended with commercial financing from the banks, which, when repaid, will form a sustainable revolving facility.

Further, WaterFund has continued with efforts to secure land and budget for an office Complex, which will enhance the work environment, promote the brand of the Institution, and serve as a high value asset to enhance bankability of the Fund. This will pave way for participation in investment activities of high and sustainable returns, including the Capital Markets.

In its business models, WaterFund envisages additional income from realizing the proposed water levy, implementing a proposed carbon trading project, and research and innovation activities that result in monetizing the Fund's knowledge hub, providing knowledge exchange forums on Sector financing and investments, among other initiatives.

### ENVIRONMENTAL PERFORMANCE

Following the Cabinet Secretary meeting held on 6<sup>th</sup> December, 2022, it was resolved that the Ministry of Water, Sanitation and Irrigation and its Agencies will participate in the National Tree Growing Restoration Campaign countrywide. To achieve the above the Ministry launched the tree planting campaign together with Water Sector Institutions in order to support the National Government's target of 10% forest cover.

In order to support the National Government Initiatives of increasing forest cover, including support of the Presidential Directive Circular Ref No. OP/CAB/26/1.3A dated 4th June 2018 on inclusion of tree planting in CSR activities of public institutions, WaterFund has participated in several tree planting activities so as to satisfy the anticipated outputs of the presidential directives.

To achieve the above the WaterFund Ministry undertook the following tree planting activities in the FY 2023/2024 which are further detailed in this report.

1. Nyaweru Compartment II, Uplands Forest
2. Reforestation of Kinale Forest in Kiambu County
3. Tree Planting Initiatives at Kimana Wetland in Kajiado County

#### 1. Nyaweru Compartment II, Uplands Forest

Prof. Kithuke Kindiki, former Cabinet Secretary, Ministry of Interior and National Administration Declared 13th November, 2023 as the National Tree Planting Day. Following the declaration H.E. Dr. William Samoei Rutto, C.G.H., The President of the Republic of Kenya launched a nation-wide tree planting activity at Kiu Wetland in Makindu, Makueni County, as part of the governments ambitious plant to grow 10 billion trees by 2032. This exercise which aimed to plant 100 million trees across the country was led by cabinet secretaries of various ministries, government officials, chiefs and local communities.

In regards to the above H.E. Rosemary Njeri, Deputy Governor Kiambu County together with Hon. Zachariah Njeru, Cabinet Secretary, Ministry of Water, Sanitation and Irrigation (MWSI), as the chief guest and Mr. Julius Korir CBS, Principal Secretary; spearheaded the tree planting campaign at Nyamwere Compartment II, in uplands forest, Kiambu County.

Water Sector Trust Fund (WaterFund) joined the MWSI in conjunction with other water sector institutions; in the tree planting exercise at Nyamwere catchment II, which resulted in the planting of over 16,000 tree-seedlings. WaterFund supported this noble activity by donating 2,000 Gravellia tree-seedlings and mobilizing the community to participate in the tree planting exercise. These tree seedlings represent the hope for a greener and more sustainable future. They will serve as a legacy for future generations, providing shade, improving air and water quality, and supporting biodiversity. In addition, they will help to restore the natural balance of the ecosystem and protect the Nyamwere water catchment, which is a vital water source to several areas in the country.

## 9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

### ENVIRONMENTAL PERFORMANCE (Continued)

#### 2. Reforestation of Kinale Forest in Kiambu County

Water Sector institutions, led by the MWSI, embarked on this campaign on 13th May 2024, to prepare for the main tree planting event on 17th May, 2024. Throughout the week, the institutions and community members present joined forces in a collaborative effort to clear bushes and excavate pit holes.

WaterFund contributed to this commendable effort by purchasing and planting 3,000 tree-seedlings in addition to rallying the community to join in the tree planting exercise. These seedlings symbolize the promise of a greener and more sustainable future.

Additionally, WaterFund provided educational resources on the importance of forest conservation and sustainable practices to ensure the long-term success of the newly planted trees. Their involvement not only enhanced community engagement but also fostered a sense of ownership and responsibility among the participants and most specifically the community members. This collective effort is a significant step towards preserving the environment and ensuring the health and vitality of the ecosystem for future generations.

Through the collective efforts of various water sector institutions, a total of 120,000 tree seedlings were planted by the various institutions present, contributing to the restoration of Kinale Forest.

#### 3. Tree Planting Initiatives at Kimana Wetland in Kajiado County

water sector institutions, led by the MWSI, embarked on yet another tree planting campaign in Kimana Wetland in Kajiado County. Kimana wetland has a core area measuring 10km<sup>2</sup> with other small wetlands along the rivers. The wetland lies in the midst of semi-arid lands which are characterised by savanna woodlands and open grasslands, which acts as a stopover (migratory corridor) for the wildlife migrating between Amboseli and Tsavo national parks.

In view of the above the campaign kicked off on 8th June 2024 in preparation for the main tree planting event on 12th June, 2024. Throughout the week, the institutions present each adopted a school in the wetland and planted trees. The various schools included: Kimana Girls Secondary, Kimana Primary School, Kimana Mixed Secondary, Oloilei primary School and Impironi Shapashina Primary School.

The exercise saw participation from several key agencies, including the Kenya Forest Service (KFS), Athi Water Works Development Agency, Water Resources Authority (WRA), Tanathi Water Works Development Agency, and Water Police Unit (WPU). Additionally, students from the selected school and community members joined forces in a collaborative effort to clear bushes and excavate pit holes.

WaterFund supported this commendable initiative by purchasing and planting 1,200 tree seedlings at Impiron Shapashina Primary School. During the event, WaterFund officers educated the students on the importance of tree planting, resulting in each student adopting a tree to nurture. Their involvement not only boosted community engagement but also instilled a sense of ownership and responsibility among the participants, particularly the community members. This collective effort marks a significant step towards environmental preservation and ensuring the health and vitality of the ecosystem for future generations.

#### Summary

County	Specific planting sites	Target: - No. of seedlings - Area (Ha)	Achievements: - Seedlings planted - Area planted (Ha)	Tree species by category - Indigenous No. - Exotic No. - Fruits No.	Survival rate
Kiambu County	Nyamweru Catchment II, Uplands forest	- 2,000 seedlings - 4 Hectares	- 2,000 seedlings - 4 Hectares	- All 2,000 seedlings were indigenous-Gravellia	80%
Kiambu County	Kinale Forest	-3,000 Seedlings - 8 Hectares	-3,000 Seedlings - 6 Hectares	- Mixed 3,000 seedlings were indigenous-Gravellia, Juniprus Procerra, Olea	85%

				Africana, Podo Calpus Sysgium and Afrocrania Volkensi	
Kajiado County	Kimana, Impiron Shepashina Primary School	-1,200 Seedlings  -4 hectares	-1,200 Seedlings  -4 hectares	-Ole Africana -Makamia  Gravelia -Thika palm	90%

### Market place practices

### Responsible Marketing and Advertisement

The Water Sector Trust Fund (WaterFund) is dedicated to providing financial support through both conditional and unconditional grants to counties, focusing on Water Supply, Sanitation, and Water Resources Management for Under-Served and Marginalized Communities in Rural and Urban Areas across all 47 Counties. As part of our commitment to transparent and effective communication, we emphasize the importance of ethical marketing practices through our dedicated Corporate Communication Unit

#### Key Areas of Responsible Advertisement and Visibility:

1. **Consistency in Branding:** WaterFund emphasizes the importance of aligning with National Government and organizational branding standards, along with our Communication Policy. This approach guarantees a consistent brand identity and visibility for all our financing partners. By strategically placing the Coat of Arms, WaterFund, donor partners, and implementing partners' logos across our communications, we present a cohesive and professional image.
2. **Compliance with Advertisement Placement Guidelines:** Our dedication to responsible advertising is demonstrated by adhering to the National Government Circular, which specifies that all government advertisements should appear in the MyGov newspaper pull-out. This coordination with the Government Advertisement Agency ensures our messages are delivered in a uniform and appropriate manner.
3. **Commitment to Transparency and Accountability:** WaterFund's advertising practices underscore our commitment to openness and accountability. Every advertisement includes clear information on how to report corruption, request information, or submit complaints. This information is linked to various feedback and redress mechanisms, ensuring the public has easy access to engage with WaterFund, report concerns, or provide feedback on our projects and initiatives.
4. **Engaging the Public:** WaterFund goes beyond advertising by actively engaging with the public. Through our Communication and Corporate Affairs Unit, we provide comprehensive information about the services we offer, the funding application process for Water Service Providers, and the ways marginalized communities can benefit from our programs. This proactive communication empowers the public to make informed decisions and actively participate in our initiatives.

#### Achievements:

WaterFund's commitment to responsible marketing and advertisement is evident in our achievements across various media platforms:

- **Social Media:** Over 2 million impressions and engagements through our earned media, and an average of 2.8 million impressions and engagements through paid media campaigns.
- **Television Viewership:** A reach of 14 million viewers, with notable viewership peaks, such as 2.6 million during segments featuring Yvonne Okwara.
- **Newspaper Readership:** Approximately 971,000 readers engage with our content.
- **Online Platforms:** A substantial 3.9 million views and engagements across our digital platforms.

## 9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

### Market place practices (Continued)

#### Looking Ahead:

To enhance our visibility and outreach, WaterFund plans to:

- **Utilize Integrated Visibility and Publicity Channels:** We aim to optimize the use of TV, radio, and social media to maximize our reach.
- **Expand Focus on Swahili and Vernacular Radio Stations:** By shifting our communication efforts to these stations, we can better reach and publicize WaterFund programs to diverse communities.
- **Capitalize on Our Strong Social Media Presence:** With minimal resources, our well-established social media channels, particularly the WaterFund and WASIC Facebook pages (the second most followed in the Water Sector), will continue to be pivotal in our visibility campaigns.
- **Adapt to New Trends:** We will reduce our focus on print media and develop strategies that align with emerging stakeholder trends, ensuring our communication remains relevant and effective.

In conclusion, the Water Sector Trust Fund remains steadfast in its commitment to ethical marketing practices through our Communication and Corporate Affairs Unit. Our emphasis on brand alignment, adherence to governmental guidelines, transparency, and active public engagement ensures that our communication efforts are responsible, transparent, and accountable. We believe that this approach will continue to effectively communicate our services to the public while maintaining the highest standards of integrity.

## 10. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended 30 June 2024, which shows the state of Water Sector Trust Fund's affairs.

### REGISTRATION

The Water Sector Trust Fund (WSTF) is a state corporation established under the Water Act, 2016, Section 113 (1) with a mandate to assist in financing the provision of water services to areas of Kenya which are without adequate water services. WSTF operates under the Ministry of Water and Irrigation and is guided by the Trust Deed of 26 April 2004.

### PRINCIPAL ACTIVITIES

The WSTF is a basket fund through which the Government of Kenya, through appropriations by Parliament, development partners and other funds, channels financial assistance towards the implementation of water, sanitation and water resources projects throughout the country with special emphasis on the poor, marginalized communities and working with the County Governments in delivering these services.

### RESULTS

The results of the entity for the year ended 30 June 2024 are as set out on page 50.

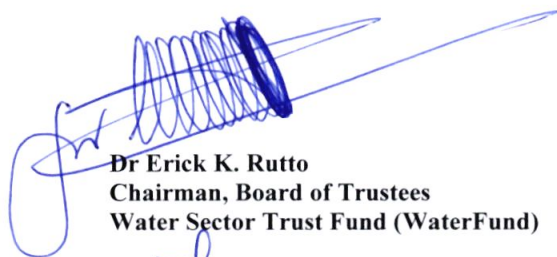
### TRUSTEES

The members of the Board of Trustees who served during the year are as shown on page 4.

### AUDITOR

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. PricewaterhouseCoopers LLP was appointed by the Auditor General to carry out the audit for the year ended 30 June 2024 in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint the an auditor to audit on her behalf.

### FOR AND ON BEHALF OF THE BOARD OF TRUSTEES



**Dr Erick K. Rutto**  
Chairman, Board of Trustees  
Water Sector Trust Fund (WaterFund)

23<sup>rd</sup> Dec, 2024

## 11. STATEMENT OF TRUSTEES' RESPONSIBILITIES

Section 81 of the Public Finance Management (PFM) Act, 2012, Section 14 of the State Corporations Act, and the Water Act 2016, require the trustees to prepare financial statements in respect of Water Sector Trust Fund which give a true and fair view of the state of affairs of the WaterFund at the end of the financial year and the operating results of the Water Sector Trust Fund for the year. The trustees are also required to ensure that Water Sector Trust Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of WaterFund. The trustees are also responsible for safeguarding the assets of WaterFund.

The Trustees are responsible for the preparation and presentation of the WaterFund's financial statements which give a true and fair view of the state of affairs of the Water Sector Trust Fund for and as at the end of the financial year ended 30 June 2024. 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 Water Sector Trust Fund;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.


The Trustees accept responsibility for the Water Sector Trust Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the State Corporations Act and the Water Act 2016. The Trustees are of the opinion that the WaterFund's financial statements give a true and fair view of the state of WaterFund's transactions during the financial year ended June 30, 2024, and of the WaterFund's financial position as at that date.

The Trustees further confirm the completeness of the accounting records maintained for WaterFund, which have been relied upon in the preparation of WaterFund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Trustees to indicate that WaterFund 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 WaterFund's financial statements were approved by the Board on 23 December 2024 and signed on its behalf by:



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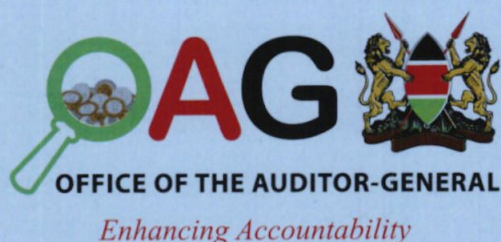
**Dr Erick K. Rutto**  
**Chairman, Board of Trustees**  
**Water Sector Trust Fund (WaterFund)**



\_\_\_\_\_

**Mr. Willis Ombai**  
**Chief Executive Officer**  
**Water Sector Trust Fund (WaterFund)**

# REPUBLIC OF KENYA



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## **REPORT OF THE AUDITOR-GENERAL ON WATER SECTOR TRUST FUND FOR THE YEAR ENDED 30 JUNE, 2024**

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### **PREAMBLE**

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

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

An unmodified opinion is issued when the Auditor-General concludes that the financial statements present a true and fair view in accordance with the applicable financial reporting framework, without any identified material misstatements. This opinion indicates that the auditor has obtained sufficient appropriate audit evidence to support the conclusion and that the financial statements are free from significant errors or omissions.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review. The Unmodified Opinion on the report on the Financial Statements should be read together with report on the Lawfulness and Effectiveness in the Use of Public Resources, and the report on Effectiveness of Internal Controls, Risk Management and Governance.

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

## REPORT ON THE FINANCIAL STATEMENTS

### **Opinion**

The accompanying financial statements of Water Sector Trust Fund set out on pages 46 to 89, which comprise of the statement of financial position as at 30 June, 2024, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by PWC, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Water Sector Trust Fund as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and complies with Public Finance Management Act, 2012 and The Water Act, 2016.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Water Sector Trust Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.7,009,460,000 and Kshs.1,992,744,451 respectively resulting to an underfunding of Kshs.5,016,715,549 or 72% of the budget. Similarly, the Fund spent Kshs.2,072,596,852 against an approved budget of

Kshs.7,009,460,000, resulting to an under-expenditure of Kshs.4,936,863,148 or 70% of the budget.

The underfunding and under-performance affected the planned activities of the Fund and may have impacted negatively on service delivery to the public.

### **Key Audit Matters**

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

### **Other Matters**

#### **1.0 Special Audit Report**

The Authorized Auditor who was appointed 08 October, 2024 by Auditor General is expected to conduct special audit exercise on compliance and internal control issues on Water Sector Trust Fund which will be concluded in due course and once concluded, it will be issued separately from the financial audit.

My opinion is not modified in respect of this matter.

#### **2.0 Unresolved Prior Years Matters**

In the report of the Auditor-General for the year ended 30 June, 2023, various audit issues were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance sections. However, as indicated in the Progress on Follow Up on Prior Year Auditor's Recommendations section of the financial statements, all these issues had not been resolved as at 30 June, 2024. Management has not provided satisfactory reasons for the delay in resolving the prior year audit issues.

#### **3.0 Issues Raised in the previous Report 2020/2021 not Resolved by Management as Directed by Parliament**

Parliament had directed the State Departments to resolve Seven (7) issues which were listed in the report of 2020/2021 report as shown below:

- i. Manguva Community Water and Sanitation Project (FY 2006/2007)
- ii. Questioned costs FY 2013/2014
- iii. Outstanding ex-staff debtors FY 2015/2016
- iv. Long outstanding advances FY 2015/2016
- v. Non-current Assets FY 2015/2016

- vi. Cash and cash equivalents FY 2015/2016
- vii. Information, Communication, Technology (ICT) policy (FY 2015/2016)

Review of records revealed that there was no implementation report provided by the Fund for the implementation of prior years' reports by both the internal and external auditors. It was therefore difficult to ascertain if the Fund implemented the prior years' audit recommendations by the external audit and by the internal auditors which is contrary to Section 31 (1) of the Public Audit Act, 2015 which requires that within three months after Parliament has debated and considered the final report of the Auditor General and made recommendations, a State Organ or a public entity that had been audited shall, as a preliminary step, submit a report on how it has addressed the recommendations and findings of the previous year's audit.

### **Other Information**

The Directors are responsible for the other information set out on page 1 to 42 which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, Statement of Performance Against Predetermined Objectives).

The Other Information does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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

### **Conclusion**

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

## **Basis for Conclusion**

### **1.2 Failure to Remit Withholding TAX**

The statement of financial position reflects trade and other payables of Kshs.175,463,665 as disclosed under Note 22 to the financial statements which includes withholding tax payables totaling to Kshs.7,922,904 relating to withholding taxes on interest income earned from project accounts that was not remitted to KRA. Failure to remit withholding taxes on interest income deducted by the payee at 15% and remit to KRA by 20th of the following month contravenes the Income Tax Act and could result in penalties and interest being levied by KRA.

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

### **2.0 Long Outstanding Receivables**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.1,505,659,909 as disclosed under Note 16 to the financial statements which includes Kshs.177,234,408 that has been long outstanding with no movement during the year under review. Though these advances were assessed as doubtful and provided for in the financial statements, adequate control measures and safeguards to the signed agreements to repay the debts were not provided for audit.

In the circumstances, adequate, control measures and recoverability of the net receivables from non-exchange transactions balance of Kshs.1,328,625,020 could not be confirmed

### **3.0 Long Outstanding Donor Payables**

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.175,463,665 and as disclosed in Note 22 to the financial statements. Review of documents provided for audit revealed the Fund implemented a project financed by UNICEF. As at 30 June 2019, the project had an unexpended grant amount of Kshs.14,682,006 that had not been utilized or refunded to UNICEF subsequently and hence was still in the Fund books as at 30 June, 2024. In addition, Kshs.5,249,200 relating to the Hulugho Reverse Osmosis Water Project financed under the GoK priority project has been outstanding since 30 June 2020 without subsequent expenditure.

In the circumstances, the completeness and accuracy of the trade and other payables from exchange transactions balance of Kshs.175,463,665 could not be confirmed.

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

accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect(s) of the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1.0 Information, Communication and Technology (ICT) Governance**

##### **1.1 ICT Policy Deficiencies**

As previously reported, review of the IT Policy in place revealed that the Fund does not have clearly defined controls, processes and procedures with regards to network administration, backup management and user creation in the application systems. Inadequate user access creation guidelines may result to inconsistent processes of user access creation across the various systems within the organization. Lack of policy guidelines on network administration and backup management may lead to inadequate backup and network procedures being implemented in the IT systems.

In the circumstances, the adequacy of ICT backup and controls in the network procedures implemented in the IT systems, could not be confirmed.

##### **1.2. Password Deficiencies in the Aren Register Application**

As previously reported, the Aren Register application does not have a password configuration in place that would allow the administrators of the system to implement password policy as per industry standards or the organization's IT policy. Failure to implement a password policy may allow attackers to gain unauthorized access to the system therefore exposing the Fund to possible loss or manipulation of its data.

In the circumstances, the controls in place to prevent unauthorized access to the system could not be confirmed.

### **1.3. Lack of IT Training**

There is an IT skills gap analysis performed every year. This forms the IT training plan for the financial year. However, we noted the IT trainings indicated in the IT training plan were not carried out in the period under review.

### **1.4. Lack of Independent Vulnerability Assessment and Penetration Testing**

There was an internal audit plan documented for the year 2023/2024. The plan scoped in ICT reviews which included: confirming status of updating ICT policies, review of deactivation of user accounts and assessing ICT investment against the approved budget.

However, we noted that security reviews such as vulnerability assessment and penetration testing (VAPT) and core infrastructure reviews were not included in the scope. VAPT was not performed in the period under review.

### **1.5. Gaps in Data Backup and Disaster Recovery**

The organization has a Business Continuity & Disaster Recovery Policy in place which provides an approach for responding to unplanned incidents that threaten a company's IT infrastructure, including hardware and software, networks, procedures and people. However, we noted the following gaps:

- i. The disaster recovery plan does not provide guidance on periodic disaster recovery (DR) testing. Details about the scope, frequency, roles and responsibilities for DR testing have not been outlined in the plan.
- ii. There were no disaster recovery (DR) tests performed in the period under review.
- iii. There is no data backup for Active Directory.

In the circumstance, the Fund risks losing its data in case of a disaster.

## **2.0 Compensation of Employees**

### **2.1. Non-compliance with Public Service Commission Act on Acting Roles**

In the period under review, we noted the Principal Monitoring and Evaluation Officer, and the Senior Program Officer had been acting in their capacities for a period exceeding six months.

### **2.2. Non-compliance with Contractual Provisions in the Staff Contracts**

In the period under review, we noted that all the staff had not had annual salary increases as stipulated in the signed staff contracts.

In the circumstance, the Fund was in breach of the law.

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

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable matters related to the sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is

not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**31 December, 2024**

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024**

	Notes	2024 KShs	2023 KShs
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>			
Government of Kenya grants	6	290,693,950	369,500,000
Restricted donor funds	7	1,637,704,790	1,380,271,085
		<u>1,928,398,740</u>	<u>1,749,771,085</u>
<b>Revenue from exchange transactions</b>			
Miscellaneous income	8	16,737,656	11,321,057
Finance income - external investments	9	48,270,557	25,374
		<u>65,008,213</u>	<u>11,346,431</u>
<b>Total revenue</b>		<u><b>1,993,406,953</b></u>	<u><b>1,761,117,516</b></u>
<b>EXPENDITURE</b>			
Staff costs	10	(279,304,364)	(266,930,606)
Remuneration of trustees	11 (a)	(29,470,507)	(28,460,264)
Repairs and maintenance	11 (b)	(188,400)	(363,031)
Depreciation and amortization expense	11 (c)	(16,930,496)	(15,442,939)
General expenses	11 (d)	(108,998,295)	(205,258,210)
Project expenses	12	(1,637,704,790)	(1,385,104,642)
<b>Total expenditure</b>		<u><b>(2,072,596,852)</b></u>	<u><b>1,901,559,692</b></u>
<b>Deficit for the year</b>		<u><b>(79,189,899)</b></u>	<u><b>(140,442,176)</b></u>

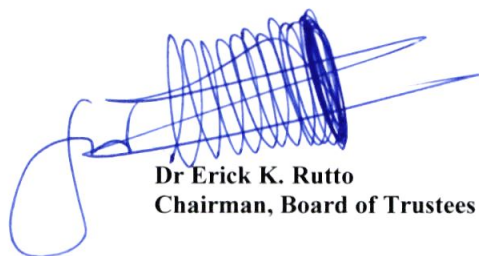
The notes set out on pages 51 to 74 form an integral part of these financial statements.

**14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024**


	Notes	2024 KShs	2023 KShs
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	3,466,557,567	947,766,237
Receivables from non-exchange transactions	16	1,328,425,020	364,003,433
Inventories	15	432,055	530,257
		<u>4,795,414,642</u>	<u>1,312,299,927</u>
<b>Non - current assets</b>			
Property and equipment	13	29,362,116	32,562,220
Intangible assets	14	9,660,072	12,126,467
		<u>39,022,188</u>	<u>44,688,687</u>
<b>TOTAL ASSETS</b>		<u><b>4,834,436,831</b></u>	<u><b>1,356,988,614</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Deferred income from capital grants	20	662,502	1,227,093
Trade and other payables	22	175,463,665	171,542,037
		<u>176,126,167</u>	<u>172,769,130</u>
<b>Non-current liabilities</b>			
Deferred income from capital grants	20	581,271	679,182
Staff gratuity	21	48,828,636	31,153,498
		<u>49,409,907</u>	<u>31,832,680</u>
<b>Net assets</b>			
Accumulated (deficit)/surplus	18	(137,131,444)	(57,941,545)
Unexpended grants	19	4,746,032,201	1,210,328,349
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<u><b>4,834,436,831</b></u>	<u><b>1,356,988,614</b></u>

The notes set out on pages 51 to 74 were signed on behalf of the Board of Trustees on  
 by;


2024



**Dr Erick K. Rutto**  
 Chairman, Board of Trustees



**Mr. Willis Ombai**  
 Chief Executive Officer



**Mr. Samwel Gitau Mbugua**  
 General Manager,  
 Corporate Services  
 ICPAK Member No. 2868

Date: 23<sup>rd</sup> Dec, 2024

Date: 23/12/2024

Date: 23 December 2024

**15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2024**

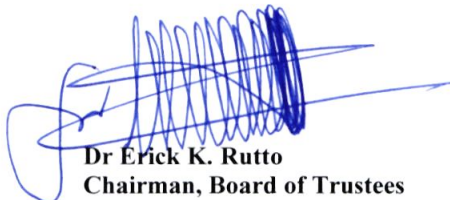
	Revenue reserves KShs	Unexpended grants KShs	Total KShs
<b>Year ended 30 June 2023</b>			
<b>Balance at 1 July 2022</b>	<b>82,500,631</b>	<b>1,455,670,657</b>	<b>1,538,171,288</b>
Deficit for the year	(140,442,176)	-	(140,442,176)
Funds received from development partners	-	1,104,628,134	1,104,628,134
GoK counterpart funding	-	-	-
Transfer to donor account	-	1,291,764	1,291,764
Donor refunds	-	(47,516)	(47,516)
Donor interest income	-	29,056,395	29,056,395
Total project expenditure	-	(1,380,271,085)	(1,380,271,085)
<b>As at 30 June 2023</b>	<b><u>(57,941,545)</u></b>	<b><u>1,210,328,349</u></b>	<b><u>1,152,386,804</u></b>
<b>Year ended 30 June 2024</b>			
<b>Balance at 1 July 2023</b>	<b>(57,941,545)</b>	<b>1,210,328,349</b>	<b>1,152,386,804</b>
Deficit for the year	(79,189,899)	-	(79,189,899)
Funds received from development partners	-	4,929,731,808	4,929,731,808
GoK counterpart funding	-	-	-
Transfer to donor account	-	-	-
Donor refunds	-	-	-
Donor interest income	-	243,676,834	243,676,834
Total project expenditure	-	(1,637,704,790)	(1,637,704,790)
<b>As at 30 June 2024</b>	<b><u>(137,131,444)</u></b>	<b><u>4,746,032,202</u></b>	<b><u>4,608,900,757</u></b>


The notes set out on pages 51 to 74 form an integral part of these financial statements

**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024**

	Notes	2024 KShs	2023 KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants	6	290,693,950	369,500,000
Restricted revenue from development partners		4,874,479,794	1,066,433,972
Miscellaneous income		47,403,926	5,260,417
Finance income	9	1,840,929	25,374
Donor interest income	19	243,676,834	29,056,395
<b>Total Receipts</b>		<b>5,458,095,433</b>	<b>1,470,276,158</b>
<b>Payments</b>			
Employee costs		(279,304,364)	(249,991,133)
Remuneration of directors	11 (a)	(29,470,507)	(28,460,264)
Repairs and maintenance	11 (b)	(188,400)	(363,031)
General expenses		(108,998,295)	(83,737,126)
Disbursements to implementing partners		(1,898,774,537)	(880,966,613)
Refunds by implementing partners		5,112,395	5,804,060
Refunds to donors		-	(47,516)
Gratuity paid	21	(4,464,247)	(2,262,709)
Project expenses paid directly by WSTF		(612,673,691)	(338,675,521)
<b>Total Payments</b>		<b>(2,928,761,646)</b>	<b>(1,578,699,853)</b>
<b>Net cash flows used in operating activities</b>	23	<b>2,529,333,787</b>	<b>(108,423,695)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets 13 & 14		(11,325,420)	(9,223,060)
Proceeds from sale of property, plant, equipment	8	782,963	393,430
<b>Net cash flows used in investing activities</b>		<b>(10,542,457)</b>	<b>(8,829,630)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>2,518,791,330</b>	<b>(117,253,325)</b>
Cash and cash equivalents as at 1 July		947,766,237	1,065,019,562
<b>Cash and cash equivalents as at 30 June</b>		<b>3,466,557,567</b>	<b>947,766,237</b>

The financial statements on pages 46 to 90 were signed on behalf of the Board of Trustees on 2024 by;

  
**Dr Erick K. Rutto**  
 Chairman, Board of Trustees

  
**Mr. Willis Ombai**  
 Chief Executive Officer

  
**Mr. Samwel Gitau Mbugua**  
 General Manager,  
 Corporate Services  
 ICPAK Member No. 2868

Date: 23<sup>rd</sup> Dec, 2024

Date: 23/12/2024

Date: 23 December 2024

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024**

	Original budget 2024 KShs	Adjustments 2024 KShs	Final Budget 2024 KShs	Actual 2024 KShs	Performance difference 2024 KShs	% of Utilization	Notes
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>							
Government of Kenya grants	322,000,000	(10,000,000)	312,000,000	290,693,950	(21,306,050)	93%	
Donor funds	7,019,460,000	(400,000,000)	6,619,460,000	1,637,704,790	(4,981,755,210)	25%	(a)
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>							
Miscellaneous income	76,000,000	-	76,000,000	62,504,782	(13,495,218)	83%	
Finance income – external investments	2,000,000	-	2,000,000	1,840,929	(159,071)	92%	
<b>Total Revenue</b>	<b>7,419,460,000</b>	<b>(410,000,000)</b>	<b>7,009,460,000</b>	<b>1,992,744,451</b>	<b>(5,016,715,549)</b>	<b>28%</b>	
<b>EXPENSES</b>							
Administration expenses	(426,995,000)	(10,000,000)	(416,995,000)	(434,892,062)	(17,897,062)	104%	(b)
Project expenses	(6,992,465,000)	(400,000,000)	(6,592,465,000)	(1,637,704,790)	4,954,760,210	25%	(c)
<b>Total expenses</b>	<b>7,419,460,000</b>	<b>(410,000,000)</b>	<b>(7,009,460,000)</b>	<b>(2,072,596,852)</b>	<b>4,936,863,148</b>	<b>30%</b>	
<b>Deficit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(79,852,401)</b>	<b>(79,852,401)</b>		(d)

- a) WSTF had budgeted to finance projects to the tune of KShs. 6,592,465,000 using funds from development partners and the government (development budget). This target was however not met because not all of the funds anticipated from development partners were received during the year. The actual amounts received from development partners in the year was KShs. 4,929,731,810 of which Kshs 90,954,085 was paid directly to a consultant by KFW. Project funds held at Central Bank of Kenya amounted to KShs. 56,360,616 and have been recognized as cash-in-transit. WSTF's policy is to recognize funds from development partners as income when utilized for project expenditure hence funds disbursed at the end of the year were not recognized as expenditure for the year because the projects had not accounted for the use of these funds. They were recognized as receivables. Total project expenditure for the year amounted to KShs. 1,637,704,790 which was financed directly by the development partners.
- b) The underspend is as a result of decrease in the provision for bad debts amount. As the amount is not budgeted for, this resulted to expenditure exceeding the total budget for the period.
- c) The variance between budget and actual project expenses is as a result of less funds realised in the year for project implementation also captured in a) above.
- d) The deficit for the period is attributable to the excess of the expenditure over the income of the recurrent funding from Government of Kenya. The part of the expenditure reported is attributable under budgeted administration costs.
- e) There were changes between the initial and final budget as a result of the supplementary budget process.

## 18. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Water Sector Trust Fund (WSTF) is a body corporate established under the Water Act, 2016, Section 113 (1) and the object of the Fund as provided by Section 114 of the Act is to *provide conditional and unconditional grants to counties, in addition to equalisation fund and to assist in financing the development and management of water services in marginalised areas or any area which is considered by the Board of Trustees to be underserved including:-*

- a) community level initiatives for the sustainable management of water resources;
- b) development of water services in rural areas considered not to be commercially viable for provision of water services by licensees;
- c) development of water services in the under-served poor urban areas; and
- d) research activities in the area of water resources management and water services, sewerage and sanitation.

As one of the institutions under the Ministry of Water and Sanitation, WSTF is guided by the Trust Deed of 26 April 2004 executed by the Cabinet Secretary. The Trust Deed is currently under review to align it with the Water Act 2016.

The WSTF is a basket fund through which the government, through appropriations by Parliament, development partners and other funds, channels financial assistance towards the implementation of water, sanitation and water resources projects throughout the country with special emphasis on the poor and marginalized communities.

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

#### Statement of compliance

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### 3. ADOPTION OF NEW AND REVISED STANDARDS

#### i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024

*IPSAS 41, Financial Instruments- Applicable: 1<sup>st</sup> January 2023.* The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

- Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

## 18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. ADOPTION OF NEW AND REVISED STANDARDS (continued)

#### i New and amended standards and interpretations in issue effective in the year ended 30 June 2024 (Continued)

- Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and
- Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

The amendments did not have an effect on WSTF's financial statements.

*IPSAS 42: Social Benefits, Applicable: 1<sup>st</sup> January 2023*

The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:

- (a) The nature of such social benefits provided by the entity;
- (b) The key features of the operation of those social benefit schemes; and
- (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

The amendments did not have an effect on WaterFund's financial statements.

*Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments. Applicable: 1st January 2023*

- a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.
- b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.
- c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

The amendments did not have an effect on WaterFund's financial statements.

*Other improvements to IPSAS: Applicable 1st January 2023*

- a) IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008).
- b) IPSAS 39: Employee Benefits. Now deletes the term composite social security benefits as it is no longer defined in IPSAS.
- c) IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.

The amendments did not have an effect on WaterFund's financial statements.

*IPSAS 43: Leases: Applicable 1st January 2025*

The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.

## 18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. ADOPTION OF NEW AND REVISED STANDARDS (continued)

#### ii New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024 (Continued)

*IPSAS 43: Leases: Applicable 1st January 2025 (Continued)*

The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.

The amendments did not have effect on WaterFund's financial statements.

*IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations: Applicable 1st January 2025*

The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

The amendments did not have an effect on WaterFund's financial statements.

#### iii Early adoption of standards

WaterFund did not early – adopt any new or amended standards in year 2023/2024

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Foreign currency translation

#### (i) Functional and presentation currency

These financial statements are presented in Kenya Shillings (KShs) which is also the functional currency.

#### (ii) Transactions and balances

Assets and liabilities denominated in foreign currencies are translated into Kenya shillings at the rates of exchange ruling at the end of reporting period. Transactions during the year are translated at the rates ruling on the transaction dates. Gains or losses on translation are dealt with in the surplus or deficit.

### Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the fund and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized.

- (i) Government grants are recognized as income when there is reasonable assurance that the grants will be received, and the entity is in compliance with the conditions attached to the grants.
- (ii) Grants from donors are recognized as income when there is reasonable assurance that the grants will be received. The grants are recognized as income on a systematic and rational basis over the period necessary to match them with the related costs.
- (iii) Grants related to depreciable assets are recognized as income over the periods and in the proportions in which depreciation on those assets is charged.
- (iv) Other income comprises of funds other than the grants from the development partners and the Government of Kenya. Other income is recognized when there is reasonable assurance that it will be received.

## 18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition

Funds received for specific purposes (conditional grants) are treated as unexpended grants and credited to the surplus or deficit when the activities for which they were provided for have been undertaken. Specific grant pledges that have not been received but for which expenditure has been incurred, as well as the excess of expenditure over receipts for specific grants are recognized as revenue and included in the financial statements as grants receivable from donors.

#### Expenditure

Expenditure comprises expenses incurred directly for programme and administrative activities. These are recognized on the accrual basis.

#### Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

#### Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Property and equipment donated to the fund or purchased using specified donor funds are recognized as deferred income from capital grants. Donated assets are recorded at a reasonable estimate of their fair value to the fund at the date of receipt as determined by the trustees.

#### Depreciation

Depreciation is calculated on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life at the following rates:

	% per Annum
Furniture	20
Motor vehicles	25
Computer equipment	30
Equipment	25
Fittings and fixtures	20

Gains and losses on disposal of items of equipment are determined by comparing the proceeds to their carrying amounts and are included in the statement of financial performance.

## 18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Intangible assets**

All costs attributable to the purchase of computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortization and accumulated impairment losses. Amortization is calculated on a straight-line basis over the estimated useful lives not exceeding a period of 5 years. It is charged to the surplus or deficit under the expenditure line, amortization of intangible assets.

#### **Impairment of tangible and intangible assets**

At end of each reporting period, WaterFund reviews the carrying amounts of its financial assets, tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. Any impairment losses are recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount.

#### **Deferred income**

Grants received for the purchase of fixed assets or donated assets are recognized as deferred income and transferred to the surplus or deficit over the expected useful lives of the respective assets. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue in relation to any other income received out of the ordinary course of business.

#### **Budget information**

The original budget for FY 2023-2024 was approved by the National Assembly on 30 June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The reduction in appropriations are deducted from the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Entity recorded reduction in appropriations by KShs 410 million on the 2023-2024 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 17 of these financial statements.

#### **Taxation**

Water Sector Trust Fund is exempt from income tax under the First Schedule, paragraph 10 of the Income Tax Act. As a result, no provision for taxation has been made in these financial statements.

## 18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

#### Provisions

Provisions are recognized when WaterFund 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 WaterFund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

#### Contingent liabilities

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

#### Contingent assets

WaterFund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of WaterFund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

#### Employee benefits

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

##### i. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

## 18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Employee benefits (continued)

##### ii. Other post-employment benefits

Employees on three-year employment contracts are entitled to service gratuity at 31% of their annual salary. Service gratuity and outstanding leave days are recognized when they accrue to employees. A provision is made for the estimated liability for services rendered by employees up to end of the reporting period. The estimated monetary liability for employees' accrued leave and service gratuity entitlements at the end of reporting period is recognized as an expense accrual. Service gratuity is paid at the end of the employment contract.

Provisions are also made in respect of outstanding leave days accruing to staff at the end of the year.

#### Related parties

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

#### Financial instruments

##### a) Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit based on both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

##### Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

##### Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

## 18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### a) Classification of financial assets (Continued)

###### Fair value through net assets

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

###### Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

###### Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

###### Impairment

The entity recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the entity expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For all the entity's financial assets, the entity applies a simplified approach in calculating ECLs. Therefore, the entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The entity considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the entity may also consider a financial asset to be in default when internal or external information indicates that the entity is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the entity.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### b) Financial liabilities

###### Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Comparative figures**

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

**Subsequent events**

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

**5. SIGNIFICANT JUDGEMENTS 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.

**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 value*

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

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

*Provisions*

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16.

**6. GOVERNMENT OF KENYA GRANTS**

The Fund as currently set up, receives grants from the Government of Kenya for two purposes:

- (i) Financing to various water and sanitation projects.
- (ii) Operational (recurrent) needs.

During the year, the split for the two functions was as follows:

	<b>2024</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>
Development	95,150,000	172,500,000
Recurrent	195,543,950	197,000,000
	<u><b>290,693,950</b></u>	<u><b>369,500,000</b></u>

## 18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7 RESTRICTED DONOR FUNDS

WaterFund received restricted donations from several development partners. The grants are recognized as income on a systematic and rational basis over the period necessary to match them with the related project costs. Details of the donor funds are tabulated below:

	<b>2024</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>
European Union	581,669,217	298,535,979
Government of Germany – KfW/BMGF	32,854,101	52,338,320
Government of Germany – KfW Phase IV	307,303,501	344,981,212
Government of Denmark – WLP and GGEP	214,041	3,883,106
Government of Denmark – Covid 19	112,311	2,018,841
International Fund for Agricultural Development - IFAD	2,498	182,144,967
World Bank - WSDP	298,656,831	389,799,858
World Bank - HOA	158,912,310	-
Government of Denmark - SWASAP	257,979,296	104,292,347
Sweden/Finland – J6P	684	2,276,455
<b>Total (Note 19)</b>	<b><u>1,637,704,790</u></b>	<b><u>1,380,271,085</u></b>

### 8 MISCELLANEOUS INCOME

	<b>2024</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>
Management fee earned on disbursement to some projects*	15,100,856	4,647,952
Deferred income recognized (note 20)	662,502	6,060,640
Other income **	191,335	219,035
Net gain on disposals of assets	782,963	393,430
	<b><u>16,737,656</u></b>	<b><u>11,321,057</u></b>

\*Management fee represents the administration cost recovered as a percentage of funds disbursed to projects as per the respective donor agreements currently at 5% of funds disbursed for Danida. Management fee earned from the development partners is as tabulated below:

\*\* Other income relates to fees charged to insurance policy providers for administration of insurance policies held by the staff in which WaterFund deducts and remits the premium to the insurance companies.

	<b>2024</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>
Danida – SWASAP	15,100,856	4,647,952
	<b><u>15,100,856</u></b>	<b><u>4,647,952</u></b>

### 9 FINANCE INCOME and External Investments

#### Finance income

*Bank interest	1,840,929	25,374
**Kenya Water and Sanitation Conference	46,429,628	-
	<b><u>48,270,557</u></b>	<b><u>25,374</u></b>

\*This relates to interest earned on interest bearing current account balances.

\*\*This relates to sponsorship income towards the 2024 Kenya Waters and Sanitation conference

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

**10 STAFF COSTS**

	<b>2024</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	224,673,107	234,993,351
Staff gratuity	42,097,463	16,939,473
Staff training expenses	7,337,519	9,357,865
NSSF contribution	1,331,120	701,040
Other staff expenses	3,865,156	4,938,877
	<u><b>279,304,365</b></u>	<u><b>266,930,606</b></u>

**11. ADMINISTRATION EXPENSES**

	<b>2024</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>
<b>(a) Remuneration of Trustees</b>		
Chairman's Honoraria	966,372	983,306
Trustee emoluments	22,906,519	23,074,569
Other allowances	5,597,616	4,402,389
<b>Total</b>	<u><b>29,470,507</b></u>	<u><b>28,460,264</b></u>
<b>(b) Repairs and maintenance</b>		
Furniture and fittings	188,400	363,031
<b>Total</b>	<u><b>188,400</b></u>	<u><b>363,031</b></u>
<b>(c) Depreciation and amortization expense</b>		
Property, plant and equipment	14,464,100	15,237,406
Intangible assets	2,466,396	205,533
<b>Total</b>	<u><b>16,930,496</b></u>	<u><b>15,442,939</b></u>
<b>(d) General expenses</b>		
Communications expenses	1,155,246	4,549,867
Printing and stationery	146,653	940,923
Resource centre expenses	-	30,240
Traveling and accommodation	9,548,483	11,099,036
Motor vehicle expenses	2,196,780	7,115,627
Computer expenses	165,648	3,973,456
Consultancy and professional fees	330,370	10,055,601
Audit fees	7,718,159	9,152,393
Resource Mobilization expenses	2,432,907	719,851
Planning	2,749,840	3,321,083
Advocacy	48,322,247	2,920,597
Office running expenses	1,992,851	4,497,704
Insurance	26,367,454	25,752,878
Office rent & land rates	-	4,966,970
Bank charges	715,827	444,960
Movement in provision for bad and doubtful debts (note 16)	5,155,830	115,717,024
<b>Total</b>	<u><b>108,998,295</b></u>	<u><b>205,258,210</b></u>

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

**12. PROJECT EXPENSES**

These are funds utilized in various water and sanitation and water resources projects in various counties. The funds are disbursed to Water Utilities (WUs), Community Based Organisations (CBOs), Community Forest Associations (CFAs), Water Service Providers (WSPs), Water Resources Authority (WRAs) and Water Resources Users Associations (WRUAs) in line with proposals received and approved in accordance with documented processes of funding the rural and urban investments projects.

	<b>2024</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>
<b>Rural Programme</b>		
Water and Sanitation	904,248,731	365,534,248
Water Resources	94,522,041	225,598,606
	<hr/>	<hr/>
<b>Note 19 (b)</b>	<b>998,770,772</b>	<b>591,132,854</b>
	<hr/>	<hr/>
<b>Total – Rural Programme</b>	<b>998,770,772</b>	<b>591,132,854</b>
	<hr/>	<hr/>
<b>Urban Programme</b>		
Water and Sanitation	283,599,988	357,329,735
Up-scaling Basic Sanitation for the Urban Poor (UBSUP)- Bill & Melinda Gates Foundation (BMGF)	56,557,614	39,989,797
Water and Livelihood	112,312	2,018,841
Conditional Liquidity Support Grant (World Bank)	298,656,831	389,799,858
	<hr/>	<hr/>
<b>Note 19(a)</b>	<b>638,926,745</b>	<b>789,138,231</b>
	<hr/>	<hr/>
Water and Sanitation – Direct funding from GOK	7,273	4,833,557
	<hr/>	<hr/>
<b>Total – Urban Programme</b>	<b>638,934,018</b>	<b>793,971,788</b>
	<hr/>	<hr/>
<b>Total project expenses*</b>	<b>1,637,704,790</b>	<b>1,385,104,642</b>
	<hr/>	<hr/>

Project expenditure is funded by development partners and the Government of Kenya funds.

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. PROPERTY AND EQUIPMENT

	Furniture KShs	Motor Vehicle KShs	Computer Equipment KShs	Office Equipment KShs	Fixtures and Fittings KShs	Total KShs
<b>COST</b>						
At 1 July 2022	8,827,252	79,691,882	26,698,255	7,950,417	23,309,882	146,477,688
Additions	-	-	3,572,660	-	-	3,572,660
Disposal	(232,793)	-	(4,763,592)	(88,000)	-	(5,084,385)
<b>At 30 June 2023</b>	<b>8,594,459</b>	<b>79,691,882</b>	<b>25,507,323</b>	<b>7,862,417</b>	<b>23,309,882</b>	<b>144,965,963</b>
At 1 July 2023	8,594,459	79,691,882	25,507,323	7,862,417	23,309,882	144,965,963
Additions	-	-	8,794,100	2,531,320	-	11,325,420
Disposal	-	(3,450,313)	(3,869,316)	(23,000)	-	(7,342,629)
<b>At 30 June 2024</b>	<b>8,594,459</b>	<b>76,241,569</b>	<b>30,432,107</b>	<b>10,370,737</b>	<b>23,309,882</b>	<b>148,948,754</b>
<b>DEPRECIATION</b>						
At 1 July 2022	7,286,832	47,216,341	23,700,334	7,148,545	16,898,670	102,250,722
Charge for the year	542,297	9,342,852	3,277,763	475,618	1,598,876	15,237,406
Disposal	(232,793)	-	(4,763,592)	(88,000)	-	(5,084,385)
<b>At 30 June 2023</b>	<b>7,596,336</b>	<b>56,559,193</b>	<b>22,214,505</b>	<b>7,536,163</b>	<b>18,497,546</b>	<b>112,403,743</b>
At 1 July 2023	7,596,336	56,559,193	22,214,505	7,536,163	18,497,546	112,403,743
Charge for the year	542,299	8,778,270	3,142,113	402,545	1,598,875	14,464,101
Disposal	-	(3,450,313)	(3,807,894)	(23,000)	-	(7,281,207)
<b>At 30 June 2024</b>	<b>8,138,635</b>	<b>61,887,150</b>	<b>21,548,724</b>	<b>7,915,708</b>	<b>20,096,421</b>	<b>119,586,638</b>
<b>NET BOOK VALUE</b>						
<b>At 30 June 2023</b>	<b>998,123</b>	<b>23,132,689</b>	<b>3,292,818</b>	<b>326,254</b>	<b>4,812,336</b>	<b>32,562,220</b>
<b>At 30 June 2024</b>	<b>455,824</b>	<b>14,354,417</b>	<b>8,883,383</b>	<b>2,455,029</b>	<b>3,213,461</b>	<b>29,362,116</b>

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

**14. INTANGIBLE ASSETS**

	SAP KShs	UPCIS KShs	Q-PULSE KShs	PMIS Software KShs	SIP Software KShs	WIP - SIP KShs	Total KShs
<b>COST</b>							
At 1 July 2022	3,749,392	12,729,739	588,312	8,264,426	-	6,681,600	32,013,470
Additions	-	-	-	-	-	5,650,400	5,650,400
Transfers from work in progress					12,332,000	(12,332,000)	-
<b>At 30 June 2023</b>	<b>3,749,392</b>	<b>12,729,739</b>	<b>588,312</b>	<b>8,264,426</b>	<b>12,332,000</b>	<b>-</b>	<b>37,663,870</b>
At 1 July 2023	3,749,392	12,729,739	588,312	8,264,426	12,332,000	-	37,663,870
Additions	-	-	-	-	-	-	-
<b>At 30 June 2024</b>	<b>3,749,392</b>	<b>12,729,739</b>	<b>588,312</b>	<b>8,264,426</b>	<b>12,332,000</b>	<b>-</b>	<b>37,663,870</b>
<b>AMORTIZATION</b>							
At 1 July 2022	3,749,392	12,729,739	588,312	8,264,426	-	-	25,331,869
Charge for the year	-	-	-	-	205,533	-	205,533
<b>At 30 June 2023</b>	<b>3,749,392</b>	<b>12,729,739</b>	<b>588,312</b>	<b>8,264,426</b>	<b>205,533</b>	<b>-</b>	<b>25,537,402</b>
At 1 July 2023	3,749,392	12,729,739	588,312	8,264,426	205,533	-	25,537,402
Charge for the year					2,466,396	-	2,466,396
<b>At 30 June 2024</b>	<b>3,749,392</b>	<b>12,729,739</b>	<b>588,312</b>	<b>8,264,426</b>	<b>2,671,929</b>	<b>-</b>	<b>28,003,798</b>
<b>CARRYING VALUE</b>							
<b>At 30 June 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,126,467</b>	<b>-</b>	<b>12,126,467</b>
<b>At 30 June 2024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,660,071</b>	<b>-</b>	<b>9,660,071</b>

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

**15. INVENTORIES**

	<b>2024</b> <b>KShs</b>	<b>2023</b> <b>KShs</b>
Office stationery	<u>432,055</u>	<u>530,257</u>

WaterFund purchased various stationery items. As at the end of the reporting period, the balance of stock at hand is recognised as inventories.

**16. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	<b>2024</b> <b>KShs</b>	<b>2023</b> <b>KShs</b>
Project receivables – Urban Investments	940,383,035	229,019,827
- Rural Investments	543,104,940	283,830,261
- GoK priority projects	4,612,412	4,617,256
Prepayments	16,752,027	13,579,366
Staff receivables	807,014	5,035,302
Provision for bad debts	<u>(177,234,408)</u>	<u>(172,078,579)</u>
	<b><u>1,328,425,020</u></b>	<b><u>364,003,433</u></b>

- Urban project receivables relate to unaccounted for disbursements by the Water Service Providers carrying out the implementation of the Urban investments.
- Rural project receivables relate to unaccounted for funds by various partners under the Rural investments. The project disbursements are expected to be accounted for within one year.
- Prepayments relate to payment of insurance and rent paid in the period for which the value is derived across two financial periods.
- Staff receivables represent funds given to staff as imprest but not accounted for and staff salary advances.

Movements on the provision for impairment of receivables are as follows:

	<b>2024</b> <b>KShs</b>	<b>2023</b> <b>KShs</b>
At start of year	172,078,579	56,361,555
Provision in the year	18,804,043	124,107,186
Amounts recovered/ accounted for	<u>(13,648,214)</u>	<u>(8,390,162)</u>
<b>At end of year</b>	<b><u>177,234,408</u></b>	<b><u>172,078,579</u></b>

Provisions for impairment of receivables are made for the outstanding absolute balances above 365 days.

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

**17. CASH AND CASH EQUIVALENTS**

	2024 KShs	2023 KShs
NCBA KFW PHASE II KES	23,415,040	50,510,529
NCBA KFW PHASE II EURO	11,494,802	12,663,238
NCBA BMGF KES	81,989,173	87,468,860
NCBA BMGF USD	18,772,529	20,191,088
NCBA KFW PHASE IV	97,777	13,696,997
National Bank of Kenya	4,750,479	307,236
Kenya Commercial Bank - Recurrent	3,182,597	8,455,894
National Bank	34,179	1,941,445
Kenya Commercial Bank - Staff	37,378,585	15,629,067
NCBA Bank - EU SHARE	1,601,808	1,590,507
NCBA Bank - GGEP	30,432,010	26,630,839
National Bank of Kenya - SWASAP	206,084,928	275,293,466
Kenya Commercial Bank - J6P	133,979	164,125
NCBA - EU CPIRA	341,520,316	100,241,412
Co-operative Bank - WLP	18,439,458	17,994,352
Equity - WSDP	2,384,111,059	97,799,504
Equity - Covid 19	20,368,892	19,916,832
Kenya Commercial Bank - HOA	226,343,808	-
Cash in hand	45,532	122,323
Cash in transit	56,360,616	197,148,523
	<b>3,466,557,567</b>	<b>947,766,237</b>

\*Cash in hand includes amounts received from staff after surrender of imprest totalling to KShs 22,323 and petty cash balance of KShs 23,209. The balance as at 30 June 2024 represents the amounts that had not yet been deposited in the bank.

\*\* Cash in transit represents funds released by the donors, but at year end were still held in project designated bank accounts at the Central Bank of Kenya. These funds had not reflected in WSTF's bank account as at 30 June 2024.

**18. ACCUMULATED SURPLUS**

This is composed of the excess of revenue over expenditure relating to funds that have no conditions attached to them. It forms the pool from which future expenses will be drawn. The movement is shown below:

	2024 KShs	2023 KShs
Opening accumulated surplus	(57,941,545)	82,500,631
Deficit for the year	(79,189,899)	(140,442,176)
<b>Closing accumulated (deficit)/surplus</b>	<b>(137,131,444)</b>	<b>(57,941,545)</b>

**19. UNEXPENDED GRANTS**

Unexpended grants – Urban investments	3,430,161,749	555,653,485
Unexpended grants – Rural investments	1,315,870,451	654,674,864
	<b>4,746,032,200</b>	<b>1,210,328,349</b>

The unexpended grants movement for each investment is presented below:

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. UNEXPENDED GRANTS (Continued)

(a) Unexpended Grants - Urban investments

	Government of Germany- KfW/BMFG KShs	World Bank KShs	KfW Phase IV KShs	Government of Denmark (DANIDA) KShs	Total
As at 1 July 2022	245,861,968	529,329,122	344,368,426	20,219,318	1,139,778,834
Funds received from development partners	7,717,971	141,959,261	38,194,163	-	187,871,395
GoK Counterpart funding	-	-	-	-	-
Interest income	4,002,005	4,072,688	7,183,632	892,678	16,151,003
Refund to donor	-	(47,516)	-	-	(47,516)
Refund from WSPs	-	-	-	1,038,000	1,038,000
Total project expenditure	(52,338,320)	(389,799,858)	(344,981,212)	(2,018,841)	(789,138,231)
<b>As at 30 June 2023</b>	<b>205,243,624</b>	<b>285,513,697</b>	<b>44,765,009</b>	<b>20,131,155</b>	<b>555,653,485</b>
As at 1 July 2023	205,243,624	285,513,697	44,765,009	20,131,155	555,653,485
Funds received from development partners	-	2,983,467,400	331,595,892	-	3,315,063,292
GoK Counterpart funding	-	-	-	-	-
Interest income	3,396,806	194,700,729	(360,610)	634,792	198,371,717
Refund to donor	-	-	-	-	-
Refund from WSPs	-	-	-	-	-
Total project expenditure	(32,854,101)	(298,656,831)	(307,303,501)	(112,312)	(638,926,745)
<b>As at 30 June 2024</b>	<b>175,786,329</b>	<b>3,165,024,995</b>	<b>68,696,790</b>	<b>20,653,635</b>	<b>3,430,161,749</b>
<b>Donor income recognized in the year (note 7) - Total project expenditure less GoK counterpart funding, interest income and foreign exchange gain/(loss)</b>					
<b>2024</b>	<b>32,854,101</b>	<b>298,656,831</b>	<b>307,303,501</b>	<b>112,312</b>	<b>638,926,745</b>
<b>Represented by:</b>					
Cash and cash equivalents	135,671,543	2,384,111,059	97,777	20,368,891	2,540,249,271
Cash in transit	-	-	-	-	-
Project Receivables	58,697,162	803,781,999	77,594,828	309,046	940,383,035
Other Receivables	4,976,178	-	6,629,042	-	11,605,220
Payables	(23,558,553)	(22,868,064)	(15,624,857)	(24,302)	(62,075,776)
<b>Total</b>	<b>175,786,330</b>	<b>3,165,024,994</b>	<b>68,696,790</b>	<b>20,653,635</b>	<b>3,430,161,749</b>

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. UNEXPENDED GRANTS (Continued)

(b) UNEXPENDED GRANTS (Rural investments)

	UNICEF	Sweden/ Finland – J6P	European Union- EU (Rural)	Government of Denmark	Government of Denmark - SWASAP	IFAD	World Bank - HOA	Total
As at 1 July 2022	14,682,006	3,728,661	42,378,733	56,317,117	110,136,684	88,648,622	-	315,891,823
Funds received from development partners	-	-	500,000,000	-	300,000,000	116,756,740	-	916,756,740
GoK Counterpart funding	-	-	-	-	-	-	-	-
Refunds	-	86,606	-	159,658	7,500	-	-	253,764
Interest income	-	123,781	2,693,425	1,132,692	8,955,493	-	-	12,905,391
Total project expenditure	-	(2,276,455)	(298,535,979)	(3,883,106)	(104,292,347)	(182,144,967)	-	(591,132,854)
<b>As at 30 June 2023</b>	<b>14,682,006</b>	<b>1,575,987</b>	<b>246,622,785</b>	<b>53,726,361</b>	<b>314,807,330</b>	<b>23,260,395</b>	<b>-</b>	<b>654,674,864</b>
As at 1 July 2023	14,682,006	1,575,987	246,622,785	53,726,361	314,807,330	23,260,395	-	654,674,864
Funds received from development partners	-	-	896,895,915	-	300,000,000	-	417,772,602	1,614,668,517
GoK Counterpart funding	-	-	-	-	-	-	-	-
Refunds	-	-	-	-	-	-	-	-
Interest income	-	2,880	4,036,315	1,092,373	14,373,830	-	25,799,718	45,305,116
Total project expenditure	-	(684)	(581,669,217)	(214,041)	(257,979,296)	(2,498)	(158,912,310)	(998,778,046)
<b>As at 30 June 2024</b>	<b>14,682,006</b>	<b>1,578,183</b>	<b>565,885,798</b>	<b>54,604,693</b>	<b>371,201,864</b>	<b>23,257,897</b>	<b>284,660,011</b>	<b>1,315,870,451</b>
<b>Donor income recognized in the year (note 7) - Total project expenditure less GoK counterpart funding, interest income and foreign exchange gain/(loss)</b>	<b>-</b>	<b>684</b>	<b>581,669,217</b>	<b>214,041</b>	<b>257,979,296</b>	<b>2,498</b>	<b>158,912,310</b>	<b>998,778,046</b>
<b>Represented by:</b>								
Cash and cash equivalents	-	133,979	343,122,124	48,871,469	206,084,928	34,179	226,343,808	824,590,487
Project Receivables	-	365,825	268,014,914	5,727,851	175,301,762	23,235,318	61,832,201	534,477,871
Other Receivables	-	1,075,603	2,861,860	24,936	2,744,026	-	-	6,706,425
Receivable from WSTF recurrent account	14,682,006	2,776	8,937,886	-	-	-	-	23,622,668
Payables	-	-	(57,050,986)	(19,563)	(12,928,852)	(11,600)	(3,515,999)	(73,527,000)
<b>Total</b>	<b>14,682,006</b>	<b>1,578,183</b>	<b>565,885,798</b>	<b>54,604,693</b>	<b>371,201,864</b>	<b>23,257,897</b>	<b>284,660,011</b>	<b>1,315,870,451</b>

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

**20. DEFERRED INCOME FROM CAPITAL GRANTS**

	<b>2024</b> <b>KShs</b>	<b>2023</b> <b>KShs</b>
As at 1 July	1,906,275	7,966,915
Additions	-	-
Transfer to income - expensed	-	(4,833,547)
Transfer to income – depreciation	(662,502)	(1,227,093)
	<u>1,243,773</u>	<u>(6,060,640)</u>
<b>As at 30 June</b>	<b><u>1,243,773</u></b>	<b><u>1,906,275</u></b>
Current	662,502	1,227,093
Non – current	<u>581,271</u>	<u>679,182</u>
<b>As at 30 June</b>	<b><u>1,243,773</u></b>	<b><u>1,906,275</u></b>

The portion transferred to income represents depreciation charge for 12 months at the year-end on the donated assets during the year.

**21. STAFF GRATUITY**

	<b>2024</b> <b>KShs</b>	<b>2023</b> <b>KShs</b>
At start of year	31,153,498	16,476,734
Provision for the year	22,139,385	16,939,473
Paid during the year	(4,464,247)	(2,262,709)
<b>As at 30 June</b>	<b><u>48,828,636</u></b>	<b><u>31,153,498</u></b>
Current	2,921,483	-
Non-current	<u>45,907,153</u>	<u>31,153,498</u>
<b>As at 30 June</b>	<b><u>48,828,636</u></b>	<b><u>31,153,498</u></b>

This refers to the estimated monetary liability for contractual employees' accrued service gratuity entitlement at the end of the reporting period. Gratuity is accrued at the rate of 31% of annual basic salary. The current portion is payable within one year.

**22. TRADE AND OTHER PAYABLES**

	<b>2024</b> <b>KShs</b>	<b>2023</b> <b>KShs</b>
Trade payables	160,579,397	150,005,429
Staff leave accrual	6,961,364	10,877,956
Withholding tax payable	<u>7,922,904</u>	<u>10,658,652</u>
	<b><u>175,463,665</u></b>	<b><u>171,542,037</u></b>

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

**23. NOTES TO THE STATEMENT OF CASH FLOWS**

	<b>2024</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>
Reconciliation of Net Cash Flows from Operating Activities to the deficit		
Deficit from ordinary activities	(79,189,899)	(140,442,176)
Non-cash movements		
Depreciation	14,464,101	15,237,406
Amortization	2,466,396	205,533
(Increase)/ decrease in receivables from non-exchange transactions	(964,421,587)	232,029,732
Decrease in inventories	98,202	479,934
Increase/ (decrease) in unexpended grants	3,535,703,852	(245,342,307)
(Decrease) in deferred income	(662,502)	(6,060,639)
Increase in staff gratuity	17,675,138	14,676,764
Increase in trade and other payables	3,921,628	21,185,490
Gain on disposal of assets	(721,542)	(393,430)
<b>Net cashflows (used in)/from operating activities</b>	<b><u>2,529,333,787</u></b>	<b><u>(108,423,695)</u></b>

**Cash and cash equivalents**

Cash and cash equivalents consists of cash on hand and balances with banks. Cash and cash equivalents included in the cashflow statement comprise of the following statement of financial position amounts

	<b>2024</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>
Cash on hand and balances with banks	<b><u>3,466,512,037</u></b>	<b><u>947,766,237</u></b>

**24. CAPITAL COMMITMENTS**

<b>Capital Assets</b>	<b>2024</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>
Authorised for	72,600,000	72,600,000
Authorised and contracted for	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>72,600,000</u></b>	<b><u>72,600,000</u></b>

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

**25. OPERATING LEASE ARRANGEMENTS**

	<b>2024</b> <b>KShs</b>	<b>2023</b> <b>KShs</b>
Minimum lease payments under operating leases recognized through Statement of financial performance	<u>27,083,792</u>	<u>23,446,844</u>

At the end of the reporting period, WaterFund had outstanding commitments under operating leases, payable as follows:

	<b>2024</b> <b>KShs</b>	<b>2023</b> <b>KShs</b>
Within one year	29,606,170	27,083,914
In the second to fifth years inclusive	<u>54,701,072</u>	<u>80,622,268</u>
	<b><u>84,307,242</u></b>	<b><u>107,706,182</u></b>

Operating lease payments represent rentals payable by WaterFund for its office premises. The lease will expire in June 2029.

**26. RELATED PARTY TRANSACTIONS**

i) Key management compensation

The remuneration of Trustees and other members of key management during the year were as follows:

	<b>2024</b> <b>KShs</b>	<b>2023</b> <b>KShs</b>
Salaries and other short-term benefits	58,055,385	27,876,112
Gratuity	4,464,247	7,712,789
NSSF	<u>220,320</u>	<u>64,800</u>
	<b><u>62,739,952</u></b>	<b><u>35,653,701</u></b>
Trustees emoluments	10,266,372	12,925,306
Other emoluments (included in key management compensation above)	19,204,135	20,090,088

ii) WSTF is a State Corporation. Funds received from the Government of Kenya are disclosed under note 6.

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

**27. CONTINGENT LIABILITIES**

As at 30 June 2024, the Trustees were not aware of any contingent liabilities.

**28. FINANCIAL RISK MANAGEMENT POLICIES**

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

**(a) Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

**(b) Financial risk management objectives**

WaterFund's activities expose it to a variety of financial risks including credit and liquidity risks and the effects of changes in foreign currency. The fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. In the current year the management met and drafted a risk management manual that will guide in the management of the risks affecting the fund.

**(c) Credit risk**

WaterFund's credit risk is primarily attributable to its liquid funds with financial institutions, staff receivables as well as funds advanced to projects. The credit risk on the liquid funds with financial institutions is low because the counter parties are banks with high credit-ratings. The financial assets are fully performing as the fund continues to enjoy the services secured by these balances. The default rate is low.

The amount that best represents the Fund's maximum exposure to credit as at 30 June is made up as follows:

	Total KShs	Fully performing KShs	Past due KShs	Impaired KShs
Cash at bank	3,466,512,035	3,466,512,035	-	-
Project receivables	1,488,100,387	1,310,865,980	177,234,408	-
Staff receivables	839,708	839,708	-	-
Prepayments and other trade debtors	16,752,027	16,752,027	-	-
<b>At 30 June 2024</b>	<b><u>4,972,204,157</u></b>	<b><u>4,794,969,750</u></b>	<b><u>177,234,408</u></b>	<b><u>-</u></b>
Cash at bank	947,766,237	947,766,237	-	-
Project receivables	517,467,344	345,388,765	172,078,579	-
Staff receivables	5,035,302	5,035,302	-	-
Prepayments and other trade debtors	13,579,366	13,579,366	-	-
<b>At 30 June 2023</b>	<b><u>1,483,848,249</u></b>	<b><u>1,311,769,670</u></b>	<b><u>172,078,579</u></b>	<b><u>-</u></b>

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

**28. FINANCIAL RISK MANAGEMENT POLICIES (Continued)**

**(d) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the trustees, who have built an appropriate liquidity risk management framework for the management of WaterFund's short, medium and long-term funding and liquidity management requirements. The WaterFund manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows and developing a risk management policy manual to guide in risk assessment and management in the fund.

The table below analyses the WaterFund's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows as the impact of discounting is not significant.

	<b>Less than 1 month KShs</b>	<b>Between 1-3months KShs</b>	<b>Over 5 Months KShs</b>	<b>Total KShs</b>
Trade payables	100,361,957	42,471,637	7,171,835	150,005,429
Withholding tax payable	10,658,652	-	-	10,658,652
Staff leave	-	10,877,956	-	10,877,956
Staff gratuity	-	-	31,153,498	31,153,498
Deferred income	-	-	1,906,275	1,906,275
<b>At 30 June 2023</b>	<b>111,020,609</b>	<b>53,349,593</b>	<b>40,231,608</b>	<b>204,601,810</b>
Trade payables	68,549,837	43,329,551	48,700,009	160,579,397
Withholding tax payable	7,922,904	-	-	7,922,904
Staff leave	6,961,364	-	-	6,961,364
Staff gratuity	48,828,636	-	-	48,828,636
Deferred income	-	-	1,243,773	1,243,773
<b>At 30 June 2024</b>	<b>132,262,741</b>	<b>43,329,551</b>	<b>49,943,782</b>	<b>225,536,074</b>

**(e) Market risk management**

WaterFund takes on exposure to market risk, which is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the fund's surplus or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Monitoring of market risk is done by management in conjunction with the Board of Trustees. Market risk exposures are measured by the use of sensitivity analyses. The market risk exposure for the Fund relates primarily to currency risk.

***Foreign Currency Risk***

The fund undertakes certain transactions denominated in foreign currencies mainly the USD and Euro. This results in exposures to exchange rate fluctuations. The Fund does not hedge its foreign currency risk.

In light of the above, any adverse movements in exchange rates may result in either exchange gain or loss, with the latter having a negative impact on earnings, as the Fund reports its financial performance in Kenya Shillings.

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

**28. FINANCIAL RISK MANAGEMENT POLICIES (continued)**

The carrying amount of the Fund's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

<b>Foreign currency Denominated Balances</b>	<b>2024</b>	<b>2023</b>
NCBA Bank - KfW Phase II Euro	82,776	82,776
NCBA Bank – KFW USD	<u>144,931</u>	<u>143,583</u>

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the entity's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant. The EUR rate used as at June 2024 is 138.9.

	<b>Change in currency rate</b>	<b>Effect on financial performance</b>	<b>Effect on Equity/Net assets</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>2024</b>			
Euro	10%	1,149,480	1,149,480
USD	10%	1,877,252	1,877,252
<b>2023</b>			
Euro	10%	1,266,320	1,266,320
USD	10%	2,017,679	2,017,679

**29. CAPITAL RISK MANAGEMENT**

WaterFund manages its funds to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and fund balance.

The capital structure of the WaterFund consists of revenue reserves and unexpended grants. The Fund was not geared as at 30 June 2024 and 30 June 2023 as follows:

	<b>2024 KShs</b>	<b>2023 KShs</b>
Revenue reserve	(137,131,444)	(57,941,545)
Unexpended grants	<u>4,746,032,201</u>	<u>1,210,328,349</u>
<b>Total Funds</b>	<u><b>4,608,900,757</b></u>	<u><b>1,152,386,804</b></u>
Total Borrowings	<u>-</u>	<u>-</u>

**30. Events after the Reporting Period**

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

**31. Currency**

The financial statements are presented in Kenya Shillings (KShs) rounded to the nearest KShs.

## 19. APPENDICES

### APPENDIX I: – IMPLEMENTATION STATUS OF PRIOR AUDIT RECOMMENDATIONS

S/ No.	Observation from the auditor	Recommendation	Management comments	Status as at 30 June 2024	Responsibility	Time frame														
2.1	<p><b>Questioned costs</b> There were instances of questioned project costs amounting to KES 105,891,850 (refer to breakdown on section 11 of this report) arising from project expenditure incurred by implementing partners as detailed below. The questioned costs arose from expenditure transactions that were not adequately supported, anomalies in the procurement, payment of VAT from donor funds, non compliance with development partners guidelines among other factors:</p> <table border="1"> <thead> <tr> <th>Development Partner</th> <th>Questioned costs (KES)</th> </tr> </thead> <tbody> <tr> <td>CLSG</td> <td>102,161,352</td> </tr> <tr> <td>EU CPIRA</td> <td>5,143,123</td> </tr> <tr> <td>GGEP</td> <td>984,588</td> </tr> <tr> <td>IFAD</td> <td>4,847,090</td> </tr> <tr> <td>KFW/BMGF</td> <td>6,537,099</td> </tr> <tr> <td><b>Total</b></td> <td><b>105,891,850</b></td> </tr> </tbody> </table>	Development Partner	Questioned costs (KES)	CLSG	102,161,352	EU CPIRA	5,143,123	GGEP	984,588	IFAD	4,847,090	KFW/BMGF	6,537,099	<b>Total</b>	<b>105,891,850</b>	Management should follow up with the implementing partners for evidence that the expenses reported were incurred. Failure to obtain this they should demand for a refund of the questioned amounts.	<p>An action plan has been developed to follow up on the questioned costs and have the implementing partners provide supporting documentations as recommended. Where questioned costs are not adequately supported, the partners will be demanded to pay back to the Water Sector Trust Fund, the amounts questioned.</p> <p>We intend to have these matters concluded by the end of the 3<sup>rd</sup> quarter of FY 2023/24.</p>	<p><b>Implemented.</b></p> <p>Follow up is still ongoing.</p> <p>The WSTF has written demand letters to partners who have been unable to account for funds availed to them.</p>	GM Investments, GM Corporate Services,	-
Development Partner	Questioned costs (KES)																			
CLSG	102,161,352																			
EU CPIRA	5,143,123																			
GGEP	984,588																			
IFAD	4,847,090																			
KFW/BMGF	6,537,099																			
<b>Total</b>	<b>105,891,850</b>																			
2.2	<p><b>Lack of a cost allocation policy for overhead costs</b> There were instances where WSTF charged fuel and rent costs to donors. For fuel, the payment was made to replenish a fuel card but there was no evidence that the expenditure was directly related to the project against which it was charged. For the rent expense, WSTF charged this to the EU project to the extent of the budget and there was no clear and consistent basis as to why WSTF allocates this amount to the various projects. The details have been documented in the table below:</p> <table border="1"> <thead> <tr> <th>Donor</th> <th>Payee</th> <th>Ref</th> <th>Description</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>SWASAP</td> <td>Total Kenya</td> <td>150021026</td> <td>Being payment for replenishing fuel card Limited for Car REG No. KCD 900G</td> <td>100,000</td> </tr> </tbody> </table>	Donor	Payee	Ref	Description	Amount	SWASAP	Total Kenya	150021026	Being payment for replenishing fuel card Limited for Car REG No. KCD 900G	100,000	WSTF should develop a cost allocation policy. The cost allocation policy should include a fair, verifiable and consistent manner of allocating overhead costs across all running projects	The recommendation has been well noted and the management will develop a cost allocation policy in the 3 <sup>rd</sup> quarter of the FY 2022/23 and have it implemented in the 4 <sup>th</sup> quarter of the same financial year	<p><b>Implemented.</b></p> <p>A cost allocation policy has been developed, it is being subjected to the approval processes.</p>	GM Corporate Services	-				
Donor	Payee	Ref	Description	Amount																
SWASAP	Total Kenya	150021026	Being payment for replenishing fuel card Limited for Car REG No. KCD 900G	100,000																

S/ No.	Observation from the auditor					Recommendation	Management comments	Status as at 30 June 2024	Responsibility	Time frame																					
	SWASAP	Total Kenya	150021025	Being payment for replenishing fuel card Limited for Car REG No. KBP 665Q.	100,000																										
	EU CPIRA	CIC	150021036	Being payment made for commercial rent and service charge for WSTF offices from April to June 2022	1,348,008																										
	EU CPIRA	CIC	150020035	Being payment made for commercial rent and service charge for WSTF offices from July to September 2021	583,408																										
2.3	<p><b>Long outstanding project receivables</b> There were instances of project receivables outstanding for more than 365 days amounting to KES. 172,054,967. These advances were assessed as doubtful and have been provided for by WSTF in the financial statements for the year ended 30 June 2023.</p> <table border="1"> <thead> <tr> <th>Program</th> <th>Partner</th> <th>Amount (KES)</th> </tr> </thead> <tbody> <tr> <td>KFW/BMGF</td> <td>Baba Dogo Water Extension</td> <td>698,677</td> </tr> <tr> <td>KFW/BMGF</td> <td>Bulla Arabia And Bulla Garal Call 7</td> <td>2,302,552</td> </tr> <tr> <td>KFW/BMGF</td> <td>Bar Kowino Nyawita Water Project</td> <td>802,782</td> </tr> <tr> <td>KFW/BMGF</td> <td>Garissa Primary Playground PSF</td> <td>2,881</td> </tr> <tr> <td>KFW/BMGF</td> <td>Kiambiu Water Extension,</td> <td>6,882,498</td> </tr> <tr> <td>KFW/BMGF</td> <td>Mathare Sustainability Water Project</td> <td>3,493,298</td> </tr> </tbody> </table>					Program	Partner	Amount (KES)	KFW/BMGF	Baba Dogo Water Extension	698,677	KFW/BMGF	Bulla Arabia And Bulla Garal Call 7	2,302,552	KFW/BMGF	Bar Kowino Nyawita Water Project	802,782	KFW/BMGF	Garissa Primary Playground PSF	2,881	KFW/BMGF	Kiambiu Water Extension,	6,882,498	KFW/BMGF	Mathare Sustainability Water Project	3,493,298	<p>Management should ensure consistent and regular follow up of partners to ensure implementation of project activities and timely reporting. In addition, WSTF management should not advance any funds for new projects to sub-grantees/WSPs who have not accounted for prior disbursements.</p>	<p>The management will implement the recommendation. The QAMs have been tasked with ensuring that the implementing partners in their areas of jurisdiction provide satisfactory reports in a timely manner. The WSTF has also introduced a platform on which all reports and other relevant documents are uploaded at the end of every month. The program teams review the reported documents and reports based on the quality and timeliness.</p>	<p><b>Implemented.</b>  The management has made a deliberate effort to ensure the projects receivables are accounted for. A policy barring partners with outstanding receivables from receiving further funding has been developed.</p>	<p>GM Corporate Services, GM Investments</p>	-
Program	Partner	Amount (KES)																													
KFW/BMGF	Baba Dogo Water Extension	698,677																													
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	KFW/BMGF	Mbale Household Sanitation Project Amatsi	1,844,502					
	KFW/BMGF	Mitunguu Town Household Sanitation Project	836,042					
	KFW/BMGF	Naromoru Household Sanitation Project	130,924					
	KFW/BMGF	Nolturesh Nzai Household Sanitation Project	5,467,479					
	KFW/BMGF	Oyugis Water Project Kfw Iv	12,530,543					
	KFW/BMGF	Muranga South Household Sanitation Project	4,160,927					
	KFW/BMGF	Kapenguria Household Sanitation	1,287,466					
	KFW/BMGF	Kapsoit Sosiot Water Project - Kfw Iv	7,105,184					
	KFW/BMGF	Kapkwon Pipeline Ext - Kfw IV	2,684,904					
	COVID 19	Nairobi Water Covid 19	309,045					
	CLSG	Gusii Water & Sanitation Co Ltd CLSG	2,585,000					
	CLSG	Kirandich Water & Sanitation Co Ltd LSG	78,490					
	CLSG	Lamu Water & Sanitation Co Ltd CLSG	42,725					
	CLSG	Wajir Water & Sanitation Co CLSG	10,866					
	CLSG	Kakamega County Water And Sanitation Co. CLSG	50,095,350					
	CLSG	Nakuru Rural Water & Sanitation Co Ltd CLSG	14,185,538					
	CLSG	Nyahururu Water & Sanitation Co Ltd CLSG	1,704,846					
	CLSG	Limuru Water & Sanitation Co Ltd CLSG	96,860					
	CLSG	Nolturesh Water & Sanitation Co Ltd CLSG	580,150					
	IFAD	Gachiege WRUA	7,653,000					

S/ No.	Observation from the auditor			Recommendation	Management comments	Status as at 30 June 2024	Responsibility	Time frame
	IFAD	Gatare CFA	301,671					
	IFAD	Irangi CFA	1,963,000					
	IFAD	Kabage CFA	1,061					
	IFAD	Kabaru CFA	67,700					
	IFAD	Kimakia Cfa	1,647,638					
	IFAD	Lower Maragua Wrua	565,484					
	IFAD	Lower Thangatha Wrua	272,900					
	IFAD	Mefecap Cfa	1,986,952					
	IFAD	Middle Mutonga Wrua	817,113					
	IFAD	Nairobi Wrua	3,628,450					
	IFAD	Saba WRUA	2,939					
	IFAD	Thika Mid Wrua	5,282					
	IFAD	Upper Gura Wrua	322,091					
	IFAD	Karua Hills Cfa	400,000					
	IFAD	Lower Mathioya Wrua	4,480					
	IFAD	Lower Thanantu Wrua	100,000					
	IFAD	Lower Thingithu Wrua	1,536,000					
	IFAD	Lower Thuci Wrua	1,810,350					
	IFAD	South Mathioya Wrua	56,700					
	IFAD	Upper Thingithu Wrua	25,358					
	IFAD	Thika Upper Wrua	49,880					
	EDE CPIRA	Garma-Mugur Water Project	6,842,619					
	EDE CPIRA	Ilimnkush WRUA	798					
	EDE CPIRA	Maktau Bus Park PSF	2,909					
	GGEP	Kochodin Wrua	5,536,954					
	GGEP	Harajab WATSAN	144,253					
	GGEP	Libahlow WATSAN	101,525					
	GGEP	Shebta Caad Watsan	3,476,372					

S/ No.	Observation from the auditor			Recommendation	Management comments	Status as at 30 June 2024	Responsibility	Time frame
	J6P	Mrima Clts Project	3,141					
	J6P	Mrima Sanitation Project	4,788					
	J6P	Mwangani Sanitation Project	5,121					
	J6P	Bungoma Primary San. Project	32,475					
	J6P	Kwale Wasco	2,067					
	J6P	Mbuguni WRUA	1,598					
	J6P	Mwangani Clts Project	7,136					
	J6P	Laikipia County Water Bill	309,500					
	GOK	Nyandarua Sanitation Project-Gok	2,657,760					
	GOK	Hulugho Reverse Osmosis Water Project	973,690					
	GOK	Ministry Of Water and Sanitation	161,090					
	CPC-SIDA	Kimangao Water and Sanitation Project	1,075,603					
	MTAP	Mchelelo Primary School	26,525					
	EU SHARE	Kone Community	6,142,945					
	EU SHARE	Manda Maweni Watsan Project	383,034					
	EU SHARE	Quachacha	1,025,487					
	<b>TOTAL PROVISIONS</b>		<b>172,054,967</b>					
3.1	<p><b>Non-compliance with PSC Act on acting roles</b> Officers holding the following positions at WSTF had been in acting capacities for more than 6 months;</p> <ul style="list-style-type: none"> <li>• Chief Executive Officer</li> <li>• Manager planning, research, monitoring and evaluation</li> </ul>			<p>Management should ensure compliance with the provisions of the Public Service Commission Act by ensuring that no acting appointment exceeds 6 months.</p>	<p>The finding and recommendation are well noted. The acting positions for more a period more than 6 months for the two officers is provided for in the approved State Corporations Advisory Committee (SCAC) WSTF Human Resources Policies and Procedures manual July 2019. Refer to Section</p>	<p>Not implemented.</p> <p>The position of the manager, planning, research and M&amp;E is yet to be substantively filled.</p>	<p>GM Corporate Services, MHRA</p>	<p>31 Dec 2024</p>

S/ No.	Observation from the auditor	Recommendation	Management comments	Status as at 30 June 2024	Responsibility	Time frame
			4: Clause 4.5.5. Secondly, the two positions are under the purview of the Board of Trustees as per the HR Policy and by then the Fund did not have full-fledged board to undertake recruitment. CEO position has been filled and Board will deliberate on the position Manager planning, research, monitoring and evaluation in the next meeting scheduled for December 2023.			
6.1	<b>Long outstanding donor payables</b> WSTF implemented a project financed by UNICEF. As at 30 June 2019, the project had an unexpended grant amount of KES 14,682,006. The amount has not been utilised nor refunded to UNICEF subsequently and hence was still on the WSTF books as at 30 June 2022. In addition, KES 5,249,200 relating to the Hulugho Reverse Osmosis Water Project financed under the GoK Priority project has been outstanding since 30 June 2020 without subsequent expenditure.	WSTF should perform close out procedures to ensure that a nil balance is maintained for all closed projects. All funds in possession of the organization, after the close out procedures are completed, should be refunded to the donors.	This is well noted. The management will implement the recommendation in this FY 2023/24	Not implemented.	GM Corporate Services, GM Investments	31 December 2023
4.1	<b>Lack of documented project close out procedures</b> The financing agreement between WSTF and IFAD for the implementation of Upper Tana Natural Resources Management Project (UTaNRMP) ended on 30 June 2023. There was no evidence provided that WSTF has documented guidelines on close out procedures to be followed when closing a grant.  There were instances where disbursements were made to partners in the last quarter of 2023. There were also instances where subgrantees received funds in November 2022 while their agreements with WSTF were ending on 31 December 2022 as detailed below. As a result, there was inadequate time for project implementation, monitoring and identification of	WSTF should develop a project close out policy. The policy should include guidelines on the following: a) Financing contracts between WSTF and the sub-grantees should end well in advance of the closure of the agreements between WSTF and the development partners. Best practice would	The recommendation is well-noted with the Fund is currently reviewing the Investment Policy. Key items for consideration in the policy is to include close out procedures as part of the WaterFund Policy. The Policy will be reviewed and finalised by	<b>Implemented</b>  A programme/project close-out policy has been developed and approved.	GM Investments	-

S/ No.	Observation from the auditor	Recommendation	Management comments	Status as at 30 June 2024	Responsibility	Time frame																																																																						
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	Maara WRUA		2023			ensure appropriate monitoring and close out																			
			Total		24,197,581																				
	<p>The late disbursement of funds resulted in subgrantees failing to observe the financing contract conditions such as seeking a no objection prior to use of funds and ineligible expenditure arising from poor workmanship as detailed below:</p> <table border="1"> <thead> <tr> <th>Subgrantee name</th> <th>Date of disbursement</th> <th>Agreement end date</th> <th>Amount (KES)</th> <th>Comment</th> </tr> </thead> <tbody> <tr> <td>Middle Kathita WRUA</td> <td>23 March 2023</td> <td>19 May 2023</td> <td>3,438,250</td> <td>The WRUA did not obtain a no objection on procurement from WSTF prior to engaging the contractor</td> </tr> <tr> <td>Lower ThingithuWRUA</td> <td>1 November 2022</td> <td>30 June 2023</td> <td>1,536,000</td> <td>The WRUA incurred KES 2,063,790 for the construction of a sand dam along Ndi River. We conducted a field visit on 18 October 2023. However, the sand dam was no longer operational as the water would seep through the bottom. Due to poor workmanship. The defects were not identified in good time due to the project timelines with the grant ending on 30 June 2023. As a result, the project does not serve the purpose of holding back water for the community's use during the dry</td> </tr> </tbody> </table>					Subgrantee name	Date of disbursement	Agreement end date	Amount (KES)	Comment	Middle Kathita WRUA	23 March 2023	19 May 2023	3,438,250	The WRUA did not obtain a no objection on procurement from WSTF prior to engaging the contractor	Lower ThingithuWRUA	1 November 2022	30 June 2023	1,536,000	The WRUA incurred KES 2,063,790 for the construction of a sand dam along Ndi River. We conducted a field visit on 18 October 2023. However, the sand dam was no longer operational as the water would seep through the bottom. Due to poor workmanship. The defects were not identified in good time due to the project timelines with the grant ending on 30 June 2023. As a result, the project does not serve the purpose of holding back water for the community's use during the dry					
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S/ No.	Observation from the auditor					Recommendation	Management comments	Status as at 30 June 2024	Responsibility	Time frame
					season					
				Total	4,974,250					
4.1	<b>ICT policy deficiencies</b> The current IT Policy in place at Water Sector Fund does not clearly define controls, processes and procedures with regards to Network Administration, Backup Management and user creation in the application systems.					<ul style="list-style-type: none"> <li>All the user access creation guidelines are addressed and properly outlined.</li> <li>Administration of the entity's network i.e controls in relation to network security, process to maintain availability of networks, remote connections to the network.</li> </ul>	This FY, management already commenced review of the ICT policy that incorporates the above recommendations. The Draft ICT policy is at the stakeholder review stage, after which it then shall be discussed at the Board level for approval. These processes are ongoing and are planned to be accomplished this FY.	<b>Implemented</b>  A reviewed ICT policy has been approved.	GM Corporate Services, ICT Manager	-
5.1	<b>Password deficiencies on Aren Register Application</b>					The vendor should include a password module to enable the administrators	The deficiencies in the Aren system's password security implementation	Not implemented.	GM Corporate Services, ICT Manager	31 Dec 2024

S/ No.	Observation from the auditor	Recommendation	Management comments	Status as at 30 June 2024	Responsibility	Time frame																				
	<p>The Aren application does not have a password configuration module in place that would allow the administrators of the system to implement the password policy as per industry standards/the organisation's IT policy. There is a selection for system settings that has enabled specification of password length and complexity but the following remains undefined.</p> <table border="1"> <thead> <tr> <th>Password settings</th> <th>Units</th> <th>Recommended settings</th> <th>Aren Register Application</th> </tr> </thead> <tbody> <tr> <td>Account lockout threshold</td> <td>Attempts</td> <td>3</td> <td>Not Defined*</td> </tr> <tr> <td>Password history</td> <td>Passwords</td> <td>6 or more</td> <td>Not Defined*</td> </tr> <tr> <td>Maximum Password Age</td> <td>Days</td> <td>30 to 90</td> <td>Not Defined*</td> </tr> <tr> <td>Account lockout duration</td> <td>Minutes</td> <td>Until admin unlocks</td> <td>Not Defined*</td> </tr> </tbody> </table>	Password settings	Units	Recommended settings	Aren Register Application	Account lockout threshold	Attempts	3	Not Defined*	Password history	Passwords	6 or more	Not Defined*	Maximum Password Age	Days	30 to 90	Not Defined*	Account lockout duration	Minutes	Until admin unlocks	Not Defined*	to set up the password configuration in line with industry standards or WSTF's password policy	are noted. Management will further engage the Aren system vendor for refinement of the password module to include these settings	WaterFund is still in discussion with the vendor to have the recommendations implemented.		
Password settings	Units	Recommended settings	Aren Register Application																							
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Mr. Willis Ombai  
 Chief Executive Officer  
 Date

**APPENDIX II: PROJECTS IMPLEMENTED BY WATER SECTOR TRUST FUND, FUNDED BY DEVELOPMENT PARTNERS AND THE GOVERNMENT**

Project title	Project Number	Donor	Period/ duration (Year)	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Up-scaling of Basic Sanitation for the Urban Poor (UBSUP)	1109104900	Development Bank of Germany (KfW) and Bill Malinda Gate Foundation	13	942	Yes	Yes
Water Sector Development (Support WSTF)	1109100900	Development Bank of Germany (KfW)	8	1,234	Yes	Yes
Kenya Urban Water and Sanitation OBA Project	1109101900	World Bank	7	1,185	Yes	Yes
Water Supply and Sanitation for the Urban Poor -KfW-Phase IV	1109105000	German Development Bank-KfW	4	1,265	Yes	Yes
Ending drought Emergencies Support to drought Risk Management	1109112300	European Union	8	2,200	Yes	Yes
Water and Sanitation Programme (PIF)		Government of Finland	6	2,800	Yes	Yes
Sustainable Management and Access to Water and Sanitation in the ASALs	1109122600	Royal Danish Embassy-DANIDA	5	1,210	Yes	Yes
Horn of Africa for Ground Water Resilience	1109126003	World Bank	5	8,000	Yes	Yes

**APPENDIX III: STATUS OF PROJECTS COMPLETION**

	<b>Project</b>	<b>Total programme Cost (KES)</b>	<b>Total expended to date (KES '000)</b>	<b>Completion % to date</b>	<b>Budget (KES '000)</b>	<b>Actual (KES '000)</b>	<b>Sources of funds</b>
1	1109104900 Up-scaling of Basic Sanitation for the Urban Poor (UBSUP)	1,242	972	99%	1,242	1,232	Development Bank of Germany (KfW) and Bill Malinda Gate Foundation
2	1109100900 Water Sector Development (Support WSTF)	1,707	1,365	90%	1,707	1,519	Development Bank of Germany (KfW)
3	1109105000 Water Supply and Sanitation for the Urban Poor -KfW-Phase IV	1,771	704	39%	747	682.2	Development Bank of Germany (KfW)
4	1109112300 Ending drought Emergencies Support to drought Risk Management	2,653	1,083	43%	2,653	1130	European Union
5	1109114201 The Saudi Programme for Drilling of Wells and Rural Development in Africa	600	22	10%	600	48	Government of Kingdom of Saudi Arabia
6	Water and Sanitation Programme (PIF)	3,300	30	0%	3,300	0	Government of Finland
7	1109121400 COVID -19 Response Programme	176	-	100%	176	176	Royal Danish Embassy-DANIDA
8	Sustainable Management and Access to Water and Sanitation in the ASALs (SWASAP)	1,400	381	29%	1,400	405	Royal Danish Embassy-DANIDA
9	Horn of Africa for Ground Water Resilience	8,000	158	2%	8,000	158	World Bank

**APPENDIX IV – TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

The table below shows funds received during the year from the Government of Kenya and Development Partners.

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature:	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others – Accounted /Expensed	
MOWSI	15.08.2023	Recurrent	16,416,667	16,416,667	-	-	-	16,416,667	16,416,667
MOWSI	08.09.2023	Recurrent	16,416,667	16,416,667	-	-	-	16,416,667	16,416,667
MOWSI	24.10.2023	Recurrent	16,416,666	16,416,666	-	-	-	16,416,666	16,416,666
MOWSI	16.11.2023	Recurrent	16,416,667	16,416,667	-	-	-	16,416,667	16,416,667
MOWSI	06.12.2023	Recurrent	16,416,667	16,416,667	-	-	-	16,416,667	16,416,667
MOWSI	17.01.2024	Recurrent	16,416,666	16,416,666	-	-	-	16,416,666	16,416,666
MOWSI	15.02.2024	Recurrent	16,416,667	16,416,667	-	-	-	16,416,667	16,416,667
MOWSI	13.03.2024	Recurrent	16,416,667	16,416,667	-	-	-	16,416,667	16,416,667
MOWSI	11.04.2024	Recurrent	16,416,666	16,416,666	-	-	-	16,416,666	16,416,666
MOWSI	07.05.2024	Recurrent	16,416,667	16,416,667	-	-	-	16,416,667	16,416,667
MOWSI	13.06.2024	Recurrent	16,416,667	16,416,667	-	-	-	16,416,667	16,416,667
MOWSI	30.06.2024	Recurrent	14,960,616	14,960,616	-	-	-	14,960,616	14,960,616
<b>Sub-total</b>			<b>195,543,950</b>	<b>195,543,950</b>	-	-	-	<b>195,543,950</b>	<b>195,543,950</b>
MOWSI	28.02.2024	Development	53,750,000	53,750,000	-	-	-	53,750,000	53,750,000
MOWSI	30.06.2024	Development	41,400,000	41,400,000	-	-	-	41,400,000	41,400,000
<b>Sub-total</b>			<b>95,150,000</b>	<b>95,150,000</b>	-	-	-	<b>95,150,000</b>	<b>95,150,000</b>
World Bank - CLSG	07.11.2023	Development	2,983,467,400	283,821,410	-	2,699,645,990	-	283,821,410	2,983,467,400
<b>Sub-total</b>			<b>2,983,467,400</b>	<b>283,821,410</b>	-	<b>2,699,645,990</b>	-	<b>283,821,410</b>	<b>2,983,467,400</b>
World Bank - HOA	07.11.2023	Development	417,772,602	158,808,860	-	258,963,743	-	158,808,860	417,772,602
<b>Sub-total</b>			<b>417,772,602</b>	<b>158,808,860</b>	-	<b>258,963,743</b>	-	<b>158,808,860</b>	<b>417,772,602</b>

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Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature:	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others – Accounted /Expensed	
DANIDA -SWASAP	19.01.2024	Development	300,000,000	251,389,334		48,610,666		251,389,334	300,000,000
<b>Sub-total</b>			<b>300,000,000</b>	<b>251,389,334</b>	-	<b>48,610,666</b>	-	<b>251,389,334</b>	<b>300,000,000</b>
EU CPIRA	04.09.2023	Development	369,343,255	493,290,033	-	403,605,882	-	493,290,033	<b>896,895,915</b>
EU CPIRA	22.05.2024	Development	130,656,745						
	24.06.2024	Development	396,895,915						
<b>Sub-total</b>			<b>896,895,915</b>	<b>493,290,033</b>	-	<b>403,605,882</b>	-	<b>493,290,033</b>	<b>896,895,915</b>
KfW Phase IV	22.12.2023	Development	240,641,807.50	328,165,256	-	49,049,583.50	-	328,165,256	377,214,839.87
	19.06.2024	Development	9,916,878.40	-	-	-	-	-	-
	19.06.2024	Development	6,326,671.78	-	-	-	-	-	-
	19.06.2024	Development	9,120,505.68	-	-	-	-	-	-
	19.06.2024	Development	10,338,013.46	-	-	-	-	-	-
	19.06.2024	Development	44,496,840.96	-	-	-	-	-	-
	19.06.2024	Development	46,457,243.69	-	-	-	-	-	-
	19.06.2024	Development	9,916,878.40	-	-	-	-	-	-
<b>Sub-total</b>			<b>377,214,839.87</b>	<b>328,165,256</b>	-	<b>49,049,583.50</b>	-	<b>328,165,256</b>	<b>377,214,839.87</b>
<b>Total</b>			<b>5,266,044,707</b>	<b>1,806,168,843</b>	-	<b>3,459,875,865</b>	-	<b>1,806,168,843</b>	<b>5,266,044,707</b>

**APPENDIX V: REPORTING OF CLIMATE RELEVANT EXPENDITURES**

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Ending Drought Emergencies: Climate Proofed Infrastructure Programme (EDE-CPIRA)	Ending Drought Emergencies: Climate Proofed Infrastructure for Improved Water Supply and Sanitation in the Arid and Semi -Arid Land (ASAL) areas.	Sustainable management of Water Resources in ASALs is improved	Financing of WRUAs to undertake catchment conservation activities and implement climate proofed water resources infrastructure projects	12.0	20.68	6.64	0	European Union/GoK at KShs. 39.32 million for FY 2023/2024.	WRUAs/WSPs (Water Service Providers)

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