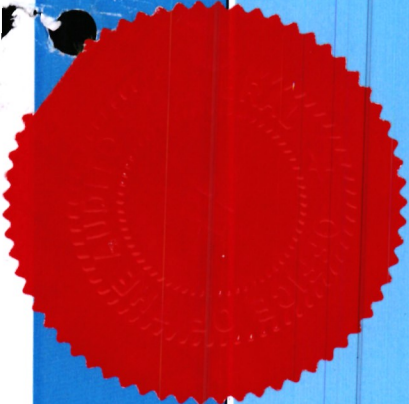




Enhancing Accountability



		REPORT
THE NATIONAL ASSEMBLY PAPERS LAID		
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THE AUDITOR-GENERAL

ON

**NATIONAL WATER HARVESTING
AND STORAGE AUTHORITY**

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





Hifadhi Maji, Boresha Maisha



NATIONAL WATER HARVESTING & STORAGE AUTHORITY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020

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

National Water Harvesting & Storage Authority
Annual Reports and Financial Statements
For the year ended June 30, 2020

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I. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

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

Vision

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

Mission

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

(b) Principal Activities

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

(1) The functions and powers of the Water Storage Authority shall be to -

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

(2) The Water Storage Authority may appoint agents for the operation, management, maintenance and safety of any storage infrastructure that it has developed.

(3) The Water Storage Authority shall have such other powers and functions as may be conferred or imposed on it by this or any other Act

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KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Name of the Staff	Responsibility
1	CS. Sharon Obonyo	Chief Executive Officer (Acting)
2	Eng. Reuben Itiko	General Manager Construction (Acting)
3	CPA Patrick Ataro	General Manager, Finance & Corporate Planning
4	Eng. Henry Kigenyi	General Manager Technical Planning & Design (Acting)
5	Mr. George Nyabicha	General Manager Corporate and Legal Services (Acting)
6	CS. Joseph Ojiambo	General Manager Human Resource & Administration (Acting)
7	Mr. John Musyoka	Chief Procurement Officer
8	CPA. Philip Nzengu	Chief Internal Auditor

(e) Fiduciary Oversight Arrangements

Finance Committee

The Committee comprises of four non-executive directors (one of them as Chairman) and the Chief Executive Officer as the Secretary.

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

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

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financing plans; and other financial transactions or issues that management desires to have reviewed by the Committee.

Governance, Risk & Audit Committee

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

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

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

- a) Deal with appointment and termination of the Chief Internal Auditor. The Committee shall recommend this to the Board of Directors for approval;
- b) Discuss problems and reservation arising from the final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary);
- c) Review the external auditor's report(s) to the Management and Management's response;
- d) Consider the major findings in internal investigations and Management's response;
- e) Have explicit authority to investigate any matter within its terms of reference, the resources that it needs to do so and full access to information;
- f) Obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary;
- g) Consider other topics as defined by the Board including regular review of the capacity of the internal audit function; and
- h) The Committee must ensure that all legal provisions are followed. In addition to the various statutes that apply to the Authority's operations, these should include:
 - Code of Conduct
 - Water Act 2016
 - The Government's Rules and Regulations
 - State Corporation's Act
 - Policies, Rules and Regulations established by the Board
- i) Establish an internal audit function and the Risk & Audit Committee's function in relation to Internal Audit functions, to include:
 - Review of the adequacy, scope, functions and resources of the Internal Audit function and ensure that it has the necessary authority to carry out its work.
 - Review the Internal Audit Program and results of the Internal Audit process and, where necessary ensure that appropriate actions are taken on the recommendations of the Internal Audit function.
 - Review any appraisal or assessment of the performance of members of the Internal Audit function.
 - Approve any appointment or termination of senior staff members of the Internal Audit function.
 - Ensure that the Internal Audit function is independent of the activities of the Authority and is performed with impartiality, proficiency and due professional care.

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KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(f) Headquarters

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

(g) Contacts

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

(h) Bankers

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

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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


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THE BOARD OF DIRECTORS

	<p>Mr. Erick Okeyo, MBS, MKIM – Chairman</p> <p>Mr. Erick Okeyo is the Chairman of the Board of National Water Harvesting & Storage Authority (NWHSA), having been appointed in March, 2020. Mr. Okeyo is a seasoned Private Security Practitioner of over twenty-six years, having started his career as a humble security guard and rose through ranks to the Chief Executive Officer and subsequently a shareholder of an indigenous private security provider; Bedrock Security Limited where he served till March, 2020.</p> <p>Mr. Okeyo holds a Diploma in Marketing Management and currently finalizing on his Bachelor’s Degree in Leadership and Management at St. Pauls University, Limuru. He is passionate about Corporate Governance and has served in several State Corporations.</p> <p>He was the first Vice Chairman of the Private Security Regulatory Authority in the Office of the President. Before his appointment to NWHSA, Mr. Okeyo was the Board Chairman at Lake Victoria South Water Works Development Agency. He is also a member of the Kenya Hospital Association- Nairobi Hospital Board and National Chairman of the Kenya Security Industry Association (KSIA).</p> <p>Having served in various leadership positions and contributed tremendously to National Development and Cohesion, Mr. Okeyo was awarded an honour of MBS- Moran of the Burning Spear in the Civilian Division by the President for his immense contribution in the Private Security Sector and National Cohesion. Mr. Okeyo is a member of good standing of the Institute of Directors of Kenya and The Kenya Institute of Management.</p> <p>Socially, Mr. Okeyo is a mentor and patron of several schools in Nyanza. He also serves in various church leadership positions where he is a member of the standing committee of the Synod of ACK Maseno East Diocese in Kisumu and member of the Service Leadership team at All Saints Cathedral.</p>
	<p>CS. Sharon Obonyo – Ag. Chief Executive Officer</p> <p>CS. Sharon Obonyo is an Advocate of the High court of Kenya, Member of the Chartered Institute of Arbitrators and a Certified Secretary of Kenya. As the Acting Chief Executive Officer at the Authority and Secretary to the Board, she reports directly to, and is accountable to the Board of Directors.</p> <p>CS. Obonyo is responsible for leading the development and execution of both short and long-term strategies of the Authority which include steering the implementation of large-scale water or infrastructural projects as stipulated in the Authority’s mandate.</p> <p>She is also tasked with implementing the Vision and Mission and managing the overall operations and resources of the Authority.</p> <p>CS. Obonyo is the current Chair of the Legal and Nominating Committee at the Geothermal Association of Kenya. She is a successful legal executive</p>

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	<p>with over twelve years of company secretarial practice, boardroom experience and Counsel to various Parastatals.</p> <p>She is highly efficient and competent with the ability to ensure that the organization complies and operates in accordance with statutory and legal provisions. She is well-presented and highly personable with a deep knowledge of corporate regulatory and company rules.</p> <p>Previously, CS. Obonyo worked as the Chief Legal Officer at the Authority, having served as the Geothermal Development Company as a Legal Officer and a member of the Audit Committee at the Geothermal Association of Kenya (GAK).</p> <p>CS. Obonyo brings of board core competences that include: Corporate Governance, Risk Management, Crisis Management, Compliance Management, Public Relations, Regulatory Affairs, Legal Analysis, Litigation Management, Strategic Planning, Multi-unit Operation Management and Team Leadership.</p>
	<p>Eng. S.A.O Alima - Representative: PS Ministry of Water, Sanitation & Irrigation</p> <p>Eng. Alima is the Water Secretary at the Ministry of Water, Sanitation and Irrigation.</p> <p>Eng. Alima holds a Degree in Civil Engineering from the University of Nairobi and has a wealth of technical and managerial experience gained while working with the Ministry of Water, Sanitation and Irrigation in Various positions.</p> <p>He is a member of the Human Resource & General Purposes, Finance and Strategy, Technical and Business Development Board Committees.</p>
	<p>Mr. Chrisologus Makokha- Representative of Inspectorate of State Corporations</p> <p>Mr. Makokha holds an MBA from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Science (Applied Statistics with IT), from Kenyatta University. He is currently, pursuing a PhD in Business Administration at Jomo Kenyatta University of Agriculture and Technology.</p> <p>Mr. Makokha is currently the Inspectorate of State Corporations at Office of the President, a position he has held since the year 2003. He has previously worked with the Central Bureau of Statistics at the Ministry of Planning & National Development.</p> <p>He has vast training and practical experience in Corporate Governance gained from years of sitting on and advising Boards of various State Corporations and management audit of the same. He has extensive exposure and experience in strategic planning and strategy execution with wide experience in statistics.</p> <p>Mr. Makokha brings on board his extensive experience in monitoring and evaluation in the public sector where he has been involved in the Monitoring, evaluation and reporting on public projects. Most importantly, as the inspectorate of State Corporations, he monitors the performance of the Authority and advises the board on Corporate Governance and compliance.</p>

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Elema Huka - Representative: PS The National Treasury

Mr. Helema Huka is a trained Economist from the university of Nairobi and a member of Economist Society of Kenya. He has over Fifteen (15) years of Public Service professional experience in Financial Management, Project Planning and Management, having worked with the World Bank under Debt Management Practitioners' Program (Global Secondment Program) based in Washington DC, USA.

Mr. Huka holds a Bachelor degree in Economics from the University of Nairobi and currently pursuing Masters in Economics from the same University. He has trained in Financial Management, Leadership and Management (KSG), Public Investments Management & Cost Benefit Analysis (World Bank, IMF), Public Debt Management (World Bank, IMF & Mefmi), Financial Programming and Policy, Project Finance, Investment & Risk analysis (IMF/ WB& Mefmi) and PPP Project Finance and Fiscal risk (IP3, Washington).

Currently Mr. Huka is the Principal Economist and Assistant Director deployed at the Public Debt Management Directorate of the National Treasury. Previously, he worked as a programme Economist under Economic Empowerment Program, a joint program under World Bank and Government of Kenya domiciled at Social and Governance (Sectoral Planning), State Department of Planning.

Under the Global Secondment Program, Mr. Huka has worked with the World Bank as a Debt Specialist in the Macroeconomics, Trade and Investment Department at the World Bank Group.

Previously, he worked with the National Government Constituency Development Fund a Semi-Autonomous Government Agency under The National Treasury and Planning as an Officer of the Board- Fund Manager in Laisamis Constituency. He also worked with State Department of Planning as a District Development Officer DDO/Senior Economist, Marsabit North.

Mr. Huka is a member of various Taskforces and Committees such as Inter-Agency Technical Taskforce on Financial Sector Macro Prudential Policy, National Treasury Cash Management Technical Committee and M-Akiba Bond Implementation Taskforce. He therefore brings a vast experience in Public Financial Management, Project Planning and Management to the NWHSA Board where he is a member of the Finance, Strategy, Technical and Business Development, and Governance, Risk and Audit Board Committees.

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	<p>Samwel Mwati - <i>Representative: PS Ministry of Lands and Physical Planning</i></p> <p>Mr. Samuel Masoo Mwati holds a Master's Degree in Public Policy and Administration from Kenyatta University and a Bachelor of Arts Degree from University of Nairobi. He has extensive experience in Administration and Management.</p> <p>At NWHSA, Mr. Mwati is a member of Governance, Risk and Audit and Human Resource & General Purposes Board Committees.</p>
	<p>Bernard Otieno Okebe - <i>Member</i></p> <p>Mr. Bernard Otieno Okebe, HSC holds a Master of Science degree in Communication studies, Bachelor of Science degree in Communication and Public Relations and Advance Diploma in Journalism.</p> <p>Having served in several boards, he has undertaken various Corporate Governance courses such as the Corporate Governance Training for Directors conducted by State Corporations Advisory Committee- (SCAC) in conjunction with the Center for Corporate Governance.</p> <p>In 2012, H.E the President awarded Mr. Okebe the Head of State's Commendation- HSC (Civilian Division) for distinguished service to the Republic of Kenya.</p> <p>Mr. Okebe has experience of over twenty-four (24) years in Communication and Media. He has worked in various institutions in the country both in and outside the media. He has also served in various capacities in regards to community development.</p> <p>Mr. Okebe is the Coordinator (since 2009) of Suba Development Forum, a development umbrella forum for the Suba Ethnic Community; as well as Coordinator for African Media and Malaria Research Network (AMMREN) Kenya Chapter.</p> <p>Previously, Mr. Okebe worked in the media sector where he served for nine years as the reporter In-Charge for The People Daily, Kisumu Bureau. He later became the Communication Consultant for Kenyan side in the Implementation of Fisheries Management Project of EAC's LVFO for seven years (2004—2010) in the European funded Fisheries project.</p> <p>Mr. Okebe also served as a member of Water Action Group (WAG) under WASREB and a Member of Board of Governors for God-Oloo Secondary School.</p> <p>He is a member of the of Human Resources & General Purposes and Governance, Risk and Audit Board Committees at NWHSA.</p>

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Dr. Geoffrey Gitau Kamau - Member

Dr. Geoffrey Gitau Kamau has immense knowledge and experience in ICT and entrepreneurship. He holds a PhD in Entrepreneurship and MSc in Entrepreneurship both from JKUAT. Dr. Gitau also holds several postgraduate and ICT professional credentials including MISM Keller Graduate School (USA); Cisco CCNA - San Diego College (USA), Diploma IMIS –UK, Master of Communication Management - University of Rwanda & UK Telecommunications Authority, and IBM Cyber Security Specialist.

His first degree was Bachelor of Education (Mathematics and Computer Studies from Kenyatta University. He is a Senior Lecturer at Kabarak University in the School of Business and Economics, and Coordinator – Innovations and Business Incubation, where he has worked since 2013.

Dr. Gitau has served in different capacities at Kabarak University including Acting Director (Nairobi Campus), and Acting Director, (Research); Lead Trainer NITA programmes, and Chairman Board of Postgraduate Studies. He has been an external resource person in several universities including JKUAT, Kirinyaga University, Southern Eastern Kenya University, and reviewer of several peer reviewed journals. Other areas served include teaching at high school in Kenya and USA; leadership in the community and church ministry, and National Chairman of Pasha Association of Kenya (2011-2015).

He has successfully completed many consultancy projects including Analysis of Requirements on MIS for RPLRP project (Ministry of Agriculture and Livestock – under IDA/World Bank); Strategic Planning and Business Planning for Regional Center for Mapping Resources for Development (RCMRD); and Staff Scheme of Service Review for a number of secondary schools in Kenya. His professional membership includes Kenya Institute of Management (KIM), IMIS-UK, and Cisco CCNA. As a member of Board of Directors, at the National Water Harvesting & Storage Authority he serves as the Chairman of the Human Resource and General Purposes Committee.

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Hon. Banticha Abdullahi Jaldesa - Member

Hon. Banticha Abdullahi Jaldesa holds a Bachelor of Arts in Education and a Certificate in ICT Proficiency from Maseno University. Hon. Jaldesa was elected Member of Parliament for Isiolo South Constituency in 2013 where he served until 2017.

Hon. Jaldesa is experienced in legislation as well as formulation and implementation of strategies and policies that enhance public service delivery. He has experience in setting up management and accountability (M&A) systems to ensure attainment of objectives for state-funded projects and institutions. Hon. Jaldesa has worked with diverse groups in formulating and executing development agendas, financial planning and public expenditure.

During his tenure as a Member of Parliament, he served in three Parliamentary House Committees. These are: Energy, Information, and Communication & Technology Committee, Education, Science and Technology Committee, and Budget & Appropriation Committee.

As a member of these committees, Hon. Jaldesa participated in formulation and implementation of policies in various sectors such as ICT, Energy, Education and Finance. Among his key milestones include; increased power connectivity from an initial coverage of 15% to the current 50% in Isiolo South, enhanced access to education through efficient use of the Constituency Development Funds where over 350 bright children from needy homes got access to quality secondary, tertiary and University education through bursaries annually.

Hon. Jaldesa has previously worked as a Finance Director in a petroleum company where he coordinated financial strategic planning of the company, increased revenues and expanded markets for the company.

Hon. Jaldesa is the Chairman of the Governance, Risk and Audit Board Committee at NWHSA.

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	<p>Monica Namunyak Cherutich - Member</p> <p>Mrs. Monica N. Cherutich is a member of the Human Resources & General Purposes and Finance Board Committees at NWHSA.</p>
	<p>Jane Mwikali Makau - Member</p> <p>Mrs. Jane Mwikali Makau holds a Master's degree in Business Administration and a Bachelor of Arts Degree; BA (HONS) In Business and Management from University of Sunderland United Kingdom. Additionally, Jane has a higher National Diploma in Business and Technology from EDEXCEL University UK and a Marketing, Sales and Advertising Diploma from Graffins College.</p> <p>She holds a certificate in Entrepreneurship from the Prestigious Babson College in Boston USA voted the Best Entrepreneurship University in the world for the last twenty two consecutive years.</p> <p>Jane is a Seasoned Entrepreneur and Business Leader who has been awarded by Brandon College as top Seasoned Women Entrepreneur. She is a Certified Lead Trainer in National Industrial Training Authority Kenya.</p> <p>Jane has a wealth of experience in Business Development, Business Intelligence, Project Management, Research & Strategy, Brand Management & Advertising. She is the founder and President of Great Grace Empowerment Institute Kenya Certified by NITA and founder and President of Neema Supreme Distributors London United Kingdom that deals with Fashion.</p> <p>Jane is an ordained Reverend in Freedom Embassy with branches in Kenya, Liberia and USA. She has previously worked as Customer Service Manager at Akiba Bank. She is a positive, Passionate and Resilient Entrepreneur.</p> <p>She is a Director at NWHSA and the Chair of Strategy, Technical & Business Development Committee and a member of Governance Risk and Audit Board Committee. (GRAC)</p>

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Abdikadir Haji Abdi Dara - Member

Mr. Abdi Dara holds an MBA in International Marketing Management from the American Graduate School of International Management (Thunderbird), Glendale, Arizona and a Bachelor of Arts in Business Management and International Relations from Webster University, Geneva, Switzerland. Mr. Dara is a multi-faceted solar energy and green buildings consultant with experience in project development, technology assessment, engineering among others.

Mr. Dara has over fifteen years of executive level management and analytical experience supporting project initiatives in the United States, Africa and the Middle East. His main focus of activity has been getting regulatory approvals for diverse economic sectors including health, telecommunications, housing and energy.

Additionally, Mr. Dara has built a distribution of networks, established a multi-country direct sales networks and developed market-specific strategies. Mr. Dara has provided risk assessments and recommendations to 500 Fortune companies and assessed the impact of political and economic trends on investments and operations.

Mr. Dara has held various leadership positions in various organizations in and out the country. He is currently the Chief Executive Officer of Clear Water Industries Limited. Previously, he has held the positions of Vice president, Marketing & Sales of Phyto- Riker Pharmaceuticals, Managing Director OraLife Pharmaceuticals International Inc, Senior Risk Analyst, Africa & Middle East for Kroll Information Services among others.

His key achievements include; obtaining an ECOWAS duty exempt status for pharmaceutical products in West Africa and building of a direct pharmaceutical distribution network that increased sales from \$1.6million to \$5.1million. Mr. Dara has negotiated various trade agreements between the Government of Kenya and US such as the two official signing of agreements between the U.S Overseas Private Investment and for development of a secondary mortgage market and support in developing the agricultural sector.

Mr. Dara is an expert in regulatory affairs, multi-sector planning, development and coordination, trade and investment development and Public Private Partnerships.

Mr. Dara is a member of the Finance and Strategy, Technical and Business Development Board Committees at NWHSA.

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Walubengo Waningilo - Member

Mr. Walubengo Waningilo holds a Master of Laws (LLM) and a Bachelor of Laws (LLB) degree from the University of Nairobi. He also holds a Post Graduate Diploma from the Kenya School of Law and Investigations and Prosecution Certificate from the CID Training School. Besides his professional training in Law, Mr. Walubengo holds a Masters in History and a Bachelor of Arts in Sociology & History from the University of Nairobi.

Mr. Walubengo is an advocate of the High Court and Managing Partner at Walubengo Waningilo & Company Advocates in Nairobi. Previously he worked as Head of Legal Research in Magara and Company Advocates, Nairobi. He has also worked at NHIF in various capacities rising to an assistant manager- Inspectorate where he was in charge of investigations and prosecution.

Mr. Walubengo has previously served as a Board Director at National Water Conservation & Pipeline Corporation (NWCPC) from the year 2015 to 2017 where he was the Chairman of the Governance, Risk and Audit Board Committee as well a member of the Human Resource and General Purposes Committee. With the enactment of the Water Act 2016, National Water Conservation & Pipeline Corporation (NWCPC) transited to National Water Harvesting & Storage Authority (NWHSA). Mr. Walubengo has also served as a board member in various schools and was elected Chairman of the NHIF Sacco Society Limited in the year 2001 where he served until 2008.

Mr. Walubengo is the Chairman of the Finance Board Committee at NWHSA.

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MANAGEMENT TEAM

	<p>CS. Sharon Obonyo – Ag. Chief Executive Officer</p> <p>Holds a Bachelor of Laws (LLB) and is an Advocate of the High Court of Kenya. She is also a Certified Secretary with the Institute of Certified Public Secretaries.</p> <p>She is the substantive Chief Legal Officer and previously worked with Geothermal Development Company before joining the Authority.</p>
	<p>Eng. Reuben Itiko - General Manager Construction (Acting)</p> <p>Holds a Bachelor of Science Degree in Civil Engineering.</p> <p>He is Registered with Engineers Board of Kenya and M.I.E.K.</p>
	<p>CPA. Patrick Ataro - General Manager, Finance & Corporate Planning</p> <p>Holds a Master’s degree in Business Administration (MBA) Finance option and a Bachelor of Commerce Degree (Accounting), both from Jomo Kenyatta University of Agriculture and Technology. He is a Certified Public Accountant, CPA (K) and a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK) – Membership No. 13572.</p>

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THE MANAGEMENT TEAM (continued)

	<p>Eng. Henry Kigenyi - General Manager Technical Planning & Design (Acting)</p> <p>Holds a Bsc. in Civil Engineering</p> <p>Registered Consulting Engineer and a Water Supply and Dam Expert.</p> <p>Has over 29 years' experience in the Water Sector.</p>
	<p>George Nyabicha - General Manager Corporate and Legal Services (Acting)</p> <p>Holds a Bachelors of Commerce Degree and Executive Master of Business Administration from Jomo Kenyatta University of Agriculture & Technology, and a postgraduate Diploma in Marketing.</p> <p>Member of the Marketing Society of Kenya.</p>
	<p>CS. Joseph Ojiambo - General Manager Human Resource & Administration (Acting)</p> <p>Holds a Master of Business Administration degree in Human Resource Management from UoN, Bachelor of Arts (Hons) degree in Economics and Sociology from UoN, Postgraduate Diploma in Human Resources Management from Kenya Institute of Human Resource Management.</p>

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THE MANAGEMENT TEAM (continued)

	<p>John Musyoka - Chief Procurement Officer</p> <p>Holds an Executive Masters of Business Administration, Bachelor of Commerce degree (Business Administration option) and a Post Graduate Diploma in Purchasing & Supplies.</p>
	<p>CPA Philip Nzengu - Chief Internal Auditor</p> <p>Holds a Masters Degree in Procurement and a Bachelors Degree in Finance.</p> <p>He is a Certified Public Accountant, CPA (K) and a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK)</p>

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CHAIRMAN'S STATEMENT

Stakeholders,

As the National Water Harvesting & Storage Authority (NWHSA) Board, we appreciate all our stakeholders whom we have partnered in various ways internally and externally to meet our achievements especially during this difficult period of the Covid-19 pandemic.

Foremost is a focus on the safety and health of our staff and stakeholders. We urge all our stakeholders to keep safe by following the Ministry of Health guidelines and protocols and together we shall overcome!

We have taken initiatives to assist our clients who are under pressure as a result of the COVID-19 impact. Some of our staff who are vulnerable are working remotely, while others are on a duty rota. We have embraced the new normal by holding online meetings and changed how we engage with others in everything we do for the safety of ourselves and others.

Activities during the year

Despite the challenges of Covid- 19 pandemic, the Authority can report major milestones; we managed to record a good progress in construction of Siyoi-Muruny Dam Water Supply Project, constructed 26 small dams and pans in arid and semi-arid areas, continued to implement flood works in River Kuja, River Awase, River Nyando, River Pekerra, River Kawalase and Godha-Merti. Further, the Vision 2030 flagship project; Soin-Koru Dam in Kisumu County implementation commenced where stakeholder meetings were held and land acquisition process started.

Performance Review

The Authority's asset base has continued to grow and rose from Kshs.21,744 million in the 2018 – 2019 financial year to Kshs.22,795 million in the current financial year. The Authority also received Kshs.1,474 million for Development Activities from the exchequer in the financial year under review. The total income during the year under review amounted to Kshs.703.06 million while the total operating expenses was Kshs.901 million compared to Kshs 514 million and Kshs 660 million, respectively, in 2018 - 2019.

Future Outlook

Cognizant of its specific mandate and role in the water sector, the Authority's 2019-2022 Strategic Plan has set a clear Vision and Mission to give direction of where the institution wants to be in the next three years.

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

- 1) To increase water storage in the country by 34 Million Cubic Meters and enhance sustainability of constructed water structures through operations and maintenance by the year 2022,
- 2) To protect/save lives and property from the effects of floods and drought by construction and maintenance of 70kms of dykes and 25kms of river training structures,
- 3) To mainstream cross-cutting and policy issues and align them to the legal and regulatory guidelines,

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- 4) To enhance financial sustainability,
- 5) To improve corporate image and enhance customer service.

Going forward, we believe that implementation of the above key strategic objectives will play a major role in increasing access to clean and safe water from the current 60% to 80% by the year 2022. Among the major projects earmarked for commencement during the period are: Soin-Koru Multipurpose Dam, Londiani Dam, Upper Narok Dam and Rumuruti Dam.

Appreciation

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

I also thank my Board members for their unwavering support. I appreciate them for applying their highest professional standards in carrying out the business of this Board and in decision making. Last but not least, I thank all our stakeholders who include staff and management, regulators, the media, communities where our projects are located, the county governments and the government administrators who have supported us in various ways.



**Mr. Erick Okeyo, MBS, MKIM
Chairman of the Board**

Date: 10, May, 2021.

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REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Financial Statements of the Authority for the period ended 30th June 2020. During the year the institution depicted good financial health despite operating in a very challenging environment destabilized by the Covid-19 pandemic, prolonged heavy rains and inadequate budgetary financing. The Authority faced budget constraints as it did not secure full funding from the Government as expected. Nonetheless, we managed to surmount the challenges to meet the annual targets.

In line with Vision 2030, the Authority has finalized the construction of Kiserian Dam, Chemususu Dam, Kalundu Dam and continues to oversee construction of multi-billion large reservoirs namely, Muruny (Siyoi) Dam Water Supply Project, Soin-Koru Dam, Umaa Dam and Badasa Dam. A number of dams were planned for the year namely; Rare, Londiani, Isiolo, Rumuruti, Upper Narok and Soin-Koru. The Authority continued with the construction works on the Siyoi-Muruny Dam whose completion rate was measured at 63%. The dams form bulk of the operating expenses of the Authority in line with its mandate.

Besides these dams, the Authority undertook flood control works across the country where dykes were constructed along River Kuja, River Pekerra, River Nyando, River Awase, River Kawalase and Godha-Merti while one check dam was constructed in Narok.

Human Resources remain the greatest asset of the Authority. In order to fully harness this important resource, the Institution organized and managed to send a number of officers at all cadres to various trainings as a way of building capacity. Similarly, customers and stakeholders are central to our business sustainability. Customer satisfaction is a key driver in fostering brand loyalty which leads to business growth and long-term viability.

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

In support of the Big Four Agenda, the Authority has played a key role in increasing access to clean and safe water. Water is a crucial enabler of the Big Four Agenda hence the need to work jointly with other agencies in the sector to ensure we achieved set targets.

The Report provides in summary the activities of the Authority for the financial year and provides a true and accurate status of the financial affairs of the Authority for the period ending 30th June 2020.


CS. Sharon Obonyo
Ag. Chief Executive Officer

Date: 10/5/2021

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REVIEW OF AUTHORITY'S PERFORMANCE FOR FY 2019/2020

National Water Harvesting & Storage Authority has Five strategic pillars and objectives within its Strategic Plan for the FY 2017-2022. These strategic pillars are as follows:

- Pillar 1:** Develop and Manage National Public Water Works Infrastructure
- Pillar 2:** Protect/Save Lives and Property from The Effects of Floods
- Pillar 3:** Mainstream Cross-Cutting and Policy Issues as Per Guidelines
- Pillar 4:** To Enhance Financial Sustainability of The Authority
- Pillar 5:** Improve Corporate Image of The Authority

The Authority develops its Annual Work Plan based on the above five pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The table below summarises the Company's achievements for the financial year 2019/20 based on the five strategic pillars.

Strategic Pillar	Objectives	Activities	Key Performance Indicators	Target by Plan Year 19/20	Achievements
Develop and Manage National Public Water Works Infrastructure	1: Construction of Large and Medium size dams	Carry out stakeholder sensitization	No. of sessions held and the reports	11	5
		Carry out feasibility studies	No. of feasibility reports	2	-
		Carry out preliminary and final designs	No. of preliminary and final design reports	1	-
		Undertake Resettlement Action Plans	No. of acres compensated (in '000')	4	-
		Commence construction of Large Dam	No. of large dams construction commenced	2	-
		Large Dams constructed	No. of large dams constructed	1	-
	2: Management of Dams	Develop management framework	Framework in place	-	-
	3: Operations and maintenance of dams	Operation & Maintenance of dams	No. of dams Operated and Maintained	-	-

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4: Develop inter-basin and cross county water works	Carry out stakeholder sensitization (Pipeline)	No. of reports/ minutes for sensitization meetings	11	-
	Feasibility studies for bulk water pipelines	No. of feasibility study reports	2	1
	Final Designs for bulk water pipelines	No. of final design reports	1	-
	Laying of bulk water pipelines	Length (km) of bulk water pipelines laid	4	-
5: Rain Water Harvesting	Carry out stakeholder sensitization/Education	No. of reports/ minutes for sensitization meetings	2	-
	Domestication of water harvesting policy for rain water harvesting.		1	-
	Resource Mobilization and partnership development	No of partners	-	-
	Implementation	No. of rain water Catchment Infrastructures Installed	-	-
6: Develop national underground water resources (aquifers)	Carry out hydro-geological surveys	No. survey reports	-	-
	Drill & develop wells	No. of wells drilled & developed	-	-
7: Manage national underground water resources	Operation & maintenance of the infrastructure	No. of reports on Operations & Maintenance	-	-
1: Construction of flood control structures	Undertake Mapping new flood areas	No. of reports of new flood prone areas mapped	2	1
	Undertake feasibility studies for new flood areas	No. of reports of new flood areas	2	-
	Design dykes	Kilometers of dykes designed	8	8
	Construct dykes	Kilometers of dykes constructed	10	11

Protect/Save Lives and Property From The Effects Of Floods

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Designs for river training	Length in kilometers of rivers designed	5	-
River training	Length in kilometers of rivers trained	5	-
Design and Construct check dams	No. of check dams constructed	1	1
Maintenance of the dykes	KM Maintained	10	-
Maintenance of the check dams (de-silting)	No. of Check dams Maintained	1	-
Collect information on national water resources	No. of Reports Prepared	1	-
Provide information on national water resources storage and flood control strategies to the CS	No. of reports prepared and forwarded to the Cabinet Secretary	1	-
Mainstream Cross-Cutting and Policy Issues As Per Guidelines			
1: Comply with Gender Mainstreaming policy as per guidelines	Implement Gender Mainstreaming policy as per guidelines	4	4
2: Comply with disability mainstreaming policy as per guidelines	Implement Disability Mainstreaming policy as per guidelines	4	4
3: Comply with HIV/AIDS Mainstreaming policy as per guidelines	Implement HIV/AIDS Mainstreaming policy as per guidelines	4	4
4: Comply with Alcohol, Drug & Substance Abuse Mainstreaming policy as per guidelines	Implement Alcohol, Drug & Substance Abuse Mainstreaming policy as per guidelines	4	4
5: Promote National Cohesion and Integration	Implement National Cohesion and Integration policy	1	1

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6: Empowerment of youth, women and persons with disability (Social-Economic factor)	Offer attachment/ internship/ apprenticeship to the youth	No. of youths offered attachment/ internship/ apprenticeship	20	32
7: Eradicate Corruption within the Authority	Offer 30% of Authority tender awards to youth, women and persons with disability	% of tender awarded	30%	65
8: Comply with legal and regulatory requirements	Implement corruption Prevention policies and Action Plans	No. of Reports	4	4
	Implement MWONGOZO code of conduct	No. of Reports	1	1
	Implement Legal and regulatory requirements	No. of Reports	1	-
	Conduct Job Evaluation	Job Evaluation Report	-	-
	Implement Job Evaluation Report findings	Reviewed Job Descriptions	-	-
	Review the Organization Structure	Reviewed Organization Structure	-	-
9: Establish offices, attract, recruit, develop and retain highly skilled staff	Review the Career Progression Guidelines	Reviewed Career Progression Guidelines	-	-
	Review of the HR Policies and Procedures Manual	Reviewed HR Policy	-	-
	Conduct a Staff Gap Analysis (HR Planning)	HR Planning Report	-	1
	Conduct Training Needs Assessment (TNA)	Training Needs Assessment (TNA) Report	1	25
10: Establish offices, attract, recruit, develop and retain highly skilled staff	Conduct and implement Training Needs Assessment (TNA) Report	Number of Staff trained	10	-

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	Competency based recruitment, placement, training and development	Number of positions recruited	3	-
11: Establish offices, attract, recruit, develop and retain highly skilled staff	Attractive and competitive remuneration	Salary structure review	-	-
	Establish and deploy staff to regional offices	Established regional offices	1	-
	Procurement of office furniture & Assorted equipment	Office furniture in place (Lot) & furniture & Assorted equipment	1	-
12: Institutionalize performance management system	Review and implement performance management system	Align Staff reward & compensation with Performance Appraisal	2	-
	Undertake Change management	No. of staff sensitized	20	-
	Maintain ISO Certification	Progress Report	-	1
13: Comply with ICT policy as per Government guidelines	Review and implement ICT policy	No. of audit reports	2	-
	Sensitization of Staff on ICT policy	Policy in place and in use	-	-
	Conduct an ICT Audit	No. of staff sensitized	-	-
	Acquire new computers with software and UPS	Audit Report	-	-
	Acquire Internal Audit System	No. of computers with software and UPS acquired	16	-
	Acquire Engineering Software and workbench tools	Internal Audit System in place	-	-
	Implement data and system security	No. of Engineering software and workbench tools	-	-
		Data and system security in place	4	1

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	Maintain and service ICT systems, ERP and equipment	No. of maintenance and service contracts	5
	Conduct ICT Research and Innovation	No. of innovations	1
	Develop & implement integrated news systems: EDMS & web portal	New Systems in place	2
	Negotiate & justify for additional funding	Amount of budget allocated	2.1
	Ensure timely performance reporting	No. of reports	4
	Undertake regular project audits	Audit reports	2
	Reduced litigations	No. of litigations	80
	Reduced external audit queries	No. of external audit queries	5
	Identify & profile potential development partners	No. of donors identified	2
	Prepare & submit fund raising proposals	No. of proposals submitted	1
	Undertake value for money studies	No. of Audits	1
	Develop & implement an engagement framework	Framework in place	1
	Develop & implement BDU policy document	BDU Policy document in place	1
	Market BDU services	No. of Activities	4
			3
14: Comply with ICT policy as per Government guidelines			
To Enhance Financial Sustainability of The Authority			
1: Attract more Government funding			
2: Comply with good Governance as per guidelines			
3: Engage development partners for financial and technical support			
4: Strengthen the capacity of Business Development Unit (BDU)			

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	No. of business contracts signed	5	-
	Develop and implement an engagement framework	1	-
	Ensure growth in profit annually	56	-
	Profits Raised	-	-
	Amount Raised	37	1
Improve Corporate Image Of The Authority	Communication Strategy in place	1	4
1: Develop & implement a communication strategy	No. of stakeholder forums	4	-
	Implement Communication Strategy		
	No. participated in	2	2
	Brand the Authority	4	-
	Develop CSR /CSI policy	1	-
	Initiate CSR/ CSI	1	-
2: Enhance customer service	Develop & implement a communication strategy	1	1
	Establish a resource center at the HQs	0	-
	Resource center in Place		
	Publish relevant Information, communication & education materials	2000	-
	Quarterly magazine		

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CORPORATE GOVERNANCE STATEMENT

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

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

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

The Board is responsible and accountable to the Government of Kenya, through the Ministry Water, Sanitation & Irrigation, in ensuring that the Authority complies with the law and the highest standards of corporate governance. During the period under review, the Board met Seventeen (17) times and attendance was as follows; -

BOARD AND COMMITTEE MEETINGS ATTENDANCE FOR THE YEAR 2019/2020

NO	NAME	NO OF MEETINGS	MEMBERSHIP	AVERAGE ATTENDANCE %
1	FULL BOARD	17	11	83%
2	FINANCE COMMITTEE MEETING	8	5	80%
3	HUMAN RESOURCE & GENERAL-PURPOSE COMMITTEE MEETING	9	6	100%
4	GOVERNANCE, RISK & AUDIT MEETING	4	5	80%
5	STRATEGY, TECHNICAL BUSINESS COMMITTEE MEETING	10	5	80%
6	ADHOC MEETINGS	21		100%
7	OTHER MEETINGS & INVITATIONS	60		
		110		

Succession Plan

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

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The Board Charter

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

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

Appointment and removal of directors

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

The current Board has eleven (11) members who possess a broad range of skills and competencies, including legal, finance, human resources, economics and management among others.

Roles and functions of the Board

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

Board Committees

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

i) Human Resource & General Purposes Committee

The Committee comprises of five non-executive directors (one of them as Chairman) and the Chief Executive Officer as the Secretary. The Board of Directors of the National Water Harvesting and Storage Authority has established the Human Resources and General Purposes Committee to review, and as appropriate, act on behalf of the Board, or make recommendations to the Board concerning staff, corporate communication, corporate social responsibility and legal issues. The Committee meets on quarterly or need basis.

ii) Finance Committee

The Committee comprises of four non-executive directors (one of them as Chairman) and the Chief Executive Officer as the Secretary. The Committee has the duties and responsibilities of

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developing, reviewing and monitoring implementation of the resource mobilization strategy of the Authority. The Committee meets on quarterly or need basis.

iii) Governance, Risk & Audit Committee

This Committee comprises of four non-executive directors (one of them as Chairman) and the secretary is the Chief Internal Auditor. The Board of Directors of the National Water Harvesting and Storage Authority has established the Risk & Audit Committee to discharge duties related to safeguarding the Authority's assets; operation of adequate systems; control processes and preparation of accurate financial reporting and statements in compliance with legal requirements and accounting standards. The Committee meets on quarterly or need basis.

iv) Strategy, Technical & Business Committee

The Committee comprises of four non-executive directors (one of them as Chairman) and the Chief Executive Officer as the Secretary. The Board of Directors of the National Water Harvesting and Storage Authority has established the Strategy, Technical and Business Development Committee to review, and as appropriate, act on behalf of the Board, or make recommendations to the Board concerning planning, strategy, technical, ICT and business development issues. The Committee meets on quarterly or need basis.

Induction and Training

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

Board and member performance

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

The following key areas are covered by Board evaluations:

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

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Conflict of Interest

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

Board Remuneration

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

Ethics and conduct

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

Governance Audit

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

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MANAGEMENT DISCUSSION AND ANALYSIS

a. Financial Performance Highlights

The Authority's financial performance recorded an improvement with the deficit increasing by 36% from Kshs.(145.37million) to Kshs.(198.02million). This was triggered by a marginal growth in revenues at 36.60% (from Kshs.514.7million to Kshs.703.06) while the expenditure grew by 36.51% (Kshs.660million to Kshs.901.08million).

Table 1: Financial Performance Highlights

	2019-2020	2018-2019	Change in Income	
	Kshs	Kshs	Kshs	%
Surplus for the year	-198,017,536	-145,374,113	52,643,423	-36%

i. Income

The recurrent exchequer increased by Kshs.7.1million although the other sources of raising funds internally including the rendering of services item, rental revenue and interest income declined marginally by 0.02%. The decline was attributable to delays in execution of business unit contracts and poor interest rates on balances held by KCB owing to the Covid 19 pandemic.

ii. Expenses

Generally, the expenses increased from Kshs. 660,046,341 to Kshs. 901,078,122 over the period. The biggest variance is recorded on the director costs at 257% mainly due to the board transacting for a longer period compared to the previous year when the Authority was without a board for nearly 7 months. Further, there was a 12.38% increase in the expenditure Grants & Subsidies mainly as a result of expensing of small dams and pans which had been completed and handed over to the Waterworks Agencies during the year under review.

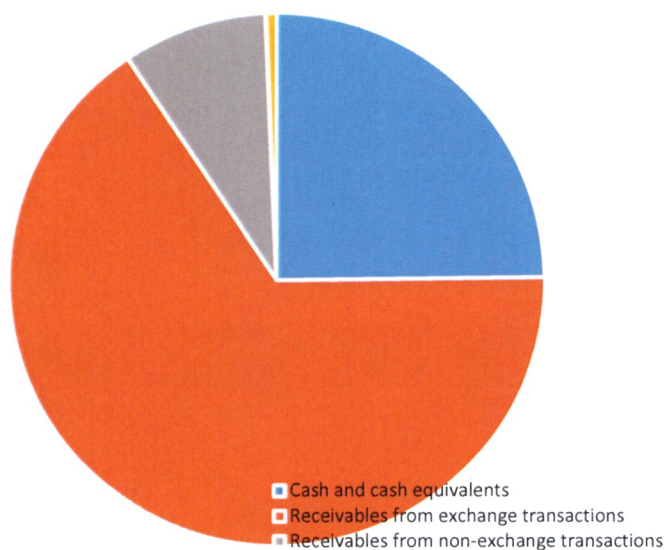
iii. Position Highlights

The Authority continued to maintain a healthy funding of Kshs.22,795,163,619. The Property, Plant & Equipment portfolio was Kshs.21,69 billion and was composed of Capital W.I.P items of Kes.12.33 billion which consisted of capital expenditures including Siyoi Dam, Koru Dam, Bosto Dam, Umaa and Badasa Songa Dam. Chemususu, Kalundu and Kiserian dams have been transferred to assets.

Receivables from exchange transactions decreased by Kshs.42.98 while receivables from non-exchange transactions decreased by Kshs.2.92. This is a good indicator that the receivables are being collected and therefore pose a low risk of default to the Authority.

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Composition of Assets during the Year



Further, against a Development budget of Kshs. 1,770,985,831, the Authority received Kshs. 1,473,985,831.00 by the close of the Financial Year. This Development Budget was to be utilized on Muruny (Siyoi) Dam Water Supply Project, Flood Control and Drought Mitigation. As such the following projects were implemented during the year were:

- Muruny (Siyoi) Dam Water Supply Project– West Pokot County
- River Awase Flood Control – Homabay County
- River Nzoia Flood Control – Busia County
- River Nyando Flood Control – Kisumu County
- River Kawalase Flood Control – Turkana County
- Narok Flood Control-Narok County
- River Kuja Flood Control – Migori County

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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

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

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

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

Our approach

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

Below is a brief highlight of our achievements in each pillar

1. Social sustainability strategy and profile

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

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

2. Environmental performance

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

3. Employee welfare

Competence management

During the year ended 30 June 2020, the Authority trained various cadres of staff to improve the competency levels. The Authority also paid professional fees to professional bodies and facilitated trainings and conferences for staff members.

Safety and security measures

During the year ended 30 June 2020, the Authority procured protective gear for technical staff who are engaged in project implementation. Further, Internal audit of the Information Security Management System (ISMS) and backups for the data centre were also undertaken in the period.

4. Market place practices

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

5. Market place practices

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

6. Community engagements

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

National Water Harvesting & Storage Authority

**NATIONAL WATER HARVESTING & STORAGE AUTHORITY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th June, 2020**

REPORT OF THE DIRECTORS

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

Principal activities

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

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

Results

The results of the Authority for the year ended June 30, 2020 are set out on page 1- 23

Directors

The members of the Board of Directors who served during the year are shown on page vi to ix. During the year the Chairman of the Board (Dr. David Ole Nkedianye) retired and Mr Eric Okeyo was appointed with effect from March 2020.


Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority did not make any surplus during the year 2020 and hence no remittance to the Consolidated Fund.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Authority for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015.

By Order of the Board


CS. Sharon Obonyo
Ag. Chief Executive Officer
Nairobi
Date:.....10/5/2021.....

National Water Harvesting & Storage Authority
Annual Reports and Financial Statements
For the year ended June 30, 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

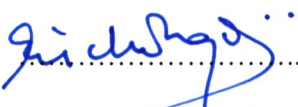
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS Accrual), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2020, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on _____ 2021 and signed on its behalf by:


.....
Chairperson of the Board


.....
Chief Executive Officer

REPUBLIC OF KENYA

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Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL WATER HARVESTING AND STORAGE AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Water Harvesting and Storage Authority set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Water Harvesting and Storage Authority as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Other Expenses

The statement of financial performance reflects an expenditure of Kshs.90,675,539 in respect of other expenses which, as disclosed in Note 16 to the financial statements, includes an amount of Kshs.89,347,854 being payment of tax assessed on the Authority by the Kenya Revenue Authority (KRA). The payment of Kshs.89,347,854 was intended to clear all existing tax liabilities due to KRA. However, the Authority's ledgers continue to reflect balances of Kshs.13,048,119 and Kshs.14,107,851 for withholding Value Added Tax (VAT) and withholding tax payables respectively, which were still outstanding, an indication that Management did not reconcile its tax ledgers.

In view of the above discrepancies, the accuracy and completeness of tax assessment of Kshs.89,347,854 could not be confirmed.

2. Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.370,513,551 under cash and cash equivalents as at 30 June, 2020. However, as previously reported, the balance excluded an amount of Kshs.31,860,430 relating to unposted items reflected in the bank reconciliations, as detailed below:

Account Name	Account No.	Date First Reported	Amount (Kshs.)
Development A/c	1114280593	2009	24,671,142
Special A/c	1114279978	2006	2,133,280
Recurrent A/c	1114280488	2006	5,056,008
			31,860,430

The items have been outstanding for more than ten (10) years and it is not clear why Management has not investigated the unposted items to clear them from the reconciliation statements.

Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs.370,513,551 as at 30 June, 2020 could not be confirmed.

3. Undisclosed Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.631,407,221 under receivables from exchange transactions. However, and as previously reported, the balance excludes water supply debts of Kshs.1,377,265,028 and pre-payments totalling to Kshs.754,400 transferred to Water Service Boards (currently Water Works Development Agencies) under various agreements between the Authority and the Water Service Boards in the financial year 2005/2006. However, the agreements had not been formalized and the legal status of the debts remained uncertain.

Consequently, the accuracy and completeness of the reported receivables balance of Kshs.631,407,221 could not be confirmed.

4. Trade and Other Payables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.1,255,092,379 under trade and other payables from exchange transactions which, as disclosed in Note 23 to the financial statements, includes trade payables of Kshs.803,836,872, accruals of Kshs.16,994,133 and third party payments of Kshs.17,057,894. These payables include debit balances of Kshs.443,239,411, Kshs.26,826,009 and Kshs.10,860,642, respectively, which were netted off against the credit balances. This is contrary to International Public Sector Accounting Standards (IPSAS) 1: Preparation and Presentation of Financial Statements – which requires assets and liabilities to be presented separately in the financial statements. The supporting schedules and explanations for netting off the balances were not provided.

Further, the Authority had legal cases and the courts awarded judgement against the Authority with costs amounting to Kshs.104,765,214. However, the legal costs have not been accrued as part of the trade and other payables from exchange transactions.

In addition, the trade and other payables balance of Kshs.1,255,092,379 includes amounts received in advance totalling to Kshs.17,686,720, relating to the Authority's business unit. However, some of the business unit's works were completed and handed over to the respective clients while others became dry boreholes and others had no supporting documentation. The balance of Kshs.17,686,720 should have been recognized as income for the completed works or refundable amounts for the dry boreholes.

The trade and other payables balance of Kshs.1,255,092,379 also includes trade payables amounting to Kshs.189,854,326 and retention funds held on behalf of suppliers amounting to Kshs.92,526,421 which have been outstanding for more than two years. No explanation was provided for failure to refund the amounts due to the creditors.

Under the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.1,255,092,379 as at 30 June, 2020 could not be confirmed.

5. Undisclosed and Long Outstanding Loans

As previously reported, the Authority has not disclosed in its financial statements an outstanding balance of Kshs.3,014,375,749 relating to various loans as detailed below.

Donor	Purpose	Currency	Amount (Kshs.)
IDA (International Development Association)	Mombasa and Coastal Water Supply, Engineering and Rehabilitation project	USD 17,400,000	1,774,800,000
AFD (Agence Francaise De Development)	Sabaki Wellfield Rehabilitation Project	EUR 9,146,941	969,575,749
KfW (Kreditanstalt Fur Wiederaufbau)	Improvement of the Operational Conditions of Drinking Water Transmission and Distribution System.	DM 5,000,000	270,000,000
Total			3,014,375,749

Further, although the loan repayments were due, the Authority did not make any repayment or recognize the interest due in the books of account, together with the related arrears. According to Management, the loans were supposed to have been passed over to the Water Works Development Agencies which took over the facilities constructed using the loans, and which were supposed to generate the revenue to repay the loans. However, no formal documentation was provided to support the explanation.

In addition, although Management explained that the Authority had no capacity to repay the loans without financial support from The National Treasury and that they had sought the intervention of the Ministry of Water on the matter, the loans continued to attract interest and penalties and the lenders might invoke the terms of lending to the disadvantage of the Authority, the Water Works Development Agencies or The National Treasury.

6. Long Outstanding Receivables from Non-Exchange Transactions

As disclosed in Note 19 to the financial statements, the statement of financial position reflects receivables from non-exchange transactions amounting to Kshs.89,423,364 as at 30 June, 2020. As reported in the prior year, the receivables amount of Kshs.89,423,364 includes deposits of Kshs.13,987,475 which have remained outstanding from the Judiciary from the financial year 2015/2016. The receivables also included temporary imprests of Kshs.91,064,585 which in turn included long outstanding imprest of Kshs.67,379,065, which was yet to be recovered from the payroll. However, a specific provision for bad debts of Kshs.18,302,852 on outstanding imprest has been made, and according to Management, this relates to staff members who have either passed on or left the Authority.

Under the circumstances, the recoverability of receivables from non-exchange balance of Kshs.89,423,364 as at 30 June, 2020 could not be confirmed.

7. Undisclosed Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.21,689,383,960 under property, plant and equipment as at 30 June, 2020. However, and as previously reported, the balance excludes an amount of Kshs.16,781,832 being the value of various assets earmarked for transfer to various Water Works Development Agencies. Although Management explained that the Ministry of Water, Sanitation and Irrigation had directed the Agencies to have the transfer agreements signed, the matter had not yet been finalized as at 30 June, 2020.

Consequently, the accuracy and completeness of the reported balance of Kshs.21,689,383,960 for property, plant and equipment could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2020. Management has not provided reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Delays and Escalated Costs in Construction of Siyoi – Muruny Dam

The statement of financial position reflects a balance of Kshs.21,689,383,960 under property, plant and equipment which, as disclosed in Note 21 to the financial statements, includes an amount of Kshs.20,067,919,582 relating to capital work - in – progress. The work in progress of Kshs.20,067,919,582 includes an amount of Kshs.6,216,292,564 relating to construction of the Siyoi Muruny Dam and Water Supply Project, located in West Pokot County, in two lots.

1.1 Lot 1

Lot 1 entailed construction of the dam whose contract was awarded to a Chinese contractor in March, 2015, at a contract price of Kshs.5,056,182,763. The Authority has made payments amounting to Kshs.2,337,267,275 to the contractor. However, although the contract, which was for thirty-six (36) months commencing 30 March, 2015 and ending on 30 March, 2018, had 3 extensions, to 20 July, 2018, 19 August, 2018 and subsequently to 16 March, 2020, the progress report provided for audit review indicated that only approximately 54% of the works had been completed as at 30 June, 2020.

Further, payment certificates totalling Kshs.427,380,292 due for payment as at 30 June, 2020 were yet to be settled due to lack of budgetary allocation from The National Treasury. However, the contractor resumed work in November, 2020.

1.2 Lot 2

Lot 2 entailed construction of Siyoi Kapenguria Water Supply for which the contract was awarded to a contractor in March, 2015 for 52 Months (225 Weeks) at a contract price of Kshs.4,149,828,304. The Authority had made accumulative payments of Kshs.3,879,025,289 to the contractor as at 30 June, 2020. The contract completion date

was extended by five (5) months to 29 August, 2018 and subsequently to 19 July, 2019. However, the progress report provided for audit indicated that the contractor resumed works in November, 2020.

Under the circumstances, it was not possible to confirm that the Project would be completed within schedule and in a cost-effective manner.

2. Composition of the Board of Directors

The statement of financial performance reflects an expenditure of Kshs.47,452,021 in respect of remuneration of Directors during the year under review. However, the Cabinet Secretary appointed twelve (12) Directors including the Chief Executive Officer instead of ten (10) Directors as provided for under Section 31(e) of the Water Act, 2016, resulting to an excess of two (2) Directors. This resulted in unnecessary extra costs on remuneration to the Directors. Further, the Audit and Risk Committee did not have any Director with expertise in auditing, financial management or accounting experience and knowledge in risk management and membership of professional body in good standing, as required under the Mwongozo Code of Governance for State Corporations. The Board was therefore, not properly constituted.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Automation of the Financial Reporting Process

Review of the Accounting System in place revealed that the Authority's financial records were mainly manual with the trial balance and financial statements maintained in excel work sheets. Although the ledgers are extracted from the Navision Information System, critical information processing and reporting modules such as user rights access, cut off, trial balance, budget variance and financials, had not been incorporated in the system. Further, the inventory management and control module of Navision system did not meet the records management criteria as per the Records Management Procedures Manual of

October, 2010, issued by the Public Procurement Regulatory Authority (PPRA). In addition, manual intervention exposes the Authority's financial statements to risk of material misstatement.

2. Incomplete Fixed Asset Register

The Authority did not maintain a comprehensive fixed assets register. Details of the cost of the assets, disposals, depreciation and accumulated depreciation, location of the assets, tagging and officer responsible for each asset were not disclosed in the register. Further, the Authority computed depreciation charge for furniture and fittings and office equipment using rates which were different from rates documented in the approved Finance Manual. In the absence of a comprehensive and updated fixed asset register, Management may not be able to effectively monitor and safeguards its assets.

3. Formulation of the Authority's Policies

Review of Plans, Policies and Manuals of the Authority revealed that the documents had not been updated or formulated as detailed below;

No.	Policy	Status
a)	Financial Management Systems Manual	Not Revised
b)	IT Strategic Plan	Not Done
c)	IT Security and User Management Policy	Not Done
d)	Business Continuity and Disaster Recovery Plan	Not Done
e)	Human Resource Policy and Procedures Manual	Not Approved
f)	Risk Management Policy Framework	Not Done
g)	Procurement and Inventory Management Manual	Not Revised
i)	Anti-Corruption Policy	Not Done

In the absence of approved and updated policies to guide its business process, Management may not be able to guide its processes on a structured and consistent way, and this may hinder achievement of the mandate of the Authority.

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Authority's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 December, 2021

National Water Harvesting & Storage Authority
Annual Reports and Financial Statements
For the year ended June 30, 2020

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE, 2020

	Notes	2019-2020 Kshs	2018-2019 Kshs
Revenue from non-exchange transactions			
Transfers from other governments	5	399,999,998	392,850,000
		399,999,998	392,850,000
Revenue from exchange transactions			
Rendering of services	6	67,716,680	78,644,246
Rental revenue from facilities and equipment	7	38,762,588	32,769,890
Finance income - external investments	8	8,731,234	6,261,703
Other income	9	187,850,086	4,146,389
		303,060,588	121,822,228
Total revenue		703,060,586	514,672,228
Expenses			
Use of goods and services	10	186,405,278	210,752,464
Employee costs	11	333,460,590	344,338,879
Remuneration of directors	12	47,452,021	13,256,227
Depreciation and amortization expense	13	55,467,492	85,967,922
Repairs and maintenance	14	1,260,565	3,134,869
Grants and Subsidies	15	186,374,636	1,656,725
Other expenses	16	90,657,539	939,255
Total expenses		901,078,121	660,046,341
Deficit for the year		(198,017,535)	(145,374,113)



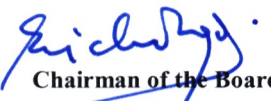
The notes set out on pages 6 to 23 form an integral part of these financial statements

National Water Harvesting & Storage Authority
Annual Reports and Financial Statements
For the year ended June 30, 2020

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE, 2020

	Notes	2019-2020 Kshs	2018-2019 Kshs Restated
ASSETS			
Current assets			
Cash and cash equivalents	17	370,513,551	256,191,108
Receivables from exchange transactions	18	631,407,221	674,383,971
Receivables from non-exchange transactions	19	89,423,364	92,339,809
Inventories	20	11,888,159	6,852,946
		1,103,232,295	1,029,767,834
Non-current assets			
Property, plant and equipment	21	21,689,383,960	20,710,104,988
Intangible assets	22	2,547,365	3,802,037
		21,691,931,325	20,713,907,025
TOTAL ASSETS		22,795,163,620	21,743,674,859
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	23	1,255,092,379	1,134,402,781
		1,255,092,379	1,134,402,781
Net assets		21,540,071,241	20,609,272,078
Reserves		358,080,032	358,080,032
Accumulated surplus		(720,039,436)	(522,021,901)
Capital Fund		21,902,030,645	20,773,213,947
TOTAL NET ASSETS AND LIABILITIES		21,540,071,241	20,609,272,078

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

		
Ag. Chief Executive Officer	Head of Finance	Chairman of the Board
CS. Sharon Obonyo	CPA Patrick Ataro	Mr. Erick Okeyo, MBS, MKIM
	ICPAK Member Number: 13572	

Date: 10/5/2021 Date: 10/05/2021 Date: 10, May, 2021.

National Water Harvesting & Storage Authority
Annual Reports and Financial Statements
For the year ended June 30, 2020

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

	Revaluation reserve Kshs	Retained earnings Kshs	Capital/ Development Grants/Fund Kshs	Total Kshs
At July 1, 2018	358,080,032	(376,647,788)	19,271,578,672	19,253,010,916
Total comprehensive income	-	(145,374,113)	-	(145,374,113)
Capital/Development grants received during the year	-	-	1,503,292,000	1,503,292,000
Recognised as Other Incomes	-	-	(1,656,725)	(1,656,725)
At June 30, 2019	358,080,032	(522,021,901)	20,773,213,947	20,609,272,078
At July 1, 2019	358,080,032.00	(522,021,901)	20,773,213,947	20,609,272,078.00
Total comprehensive income	-	(198,017,535)	-	(198,017,535.00)
Capital/Development grants received during the year	-	-	1,473,985,831	1,473,985,831.00
*Prior year adjustment	-	-	(158,794,497)	(158,794,497.00)
Recognised as Other Incomes	-	-	(186,374,636)	(186,374,636.00)
At June 30, 2020	358,080,032.00	(720,039,436)	21,902,030,645	21,540,071,241.00

* This relates to completed water pipelines incurred in the year 2016 and were handed over to Water Boards but disclosed as to Capital Work in Progress in the Financial Statements

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2020

		2019-2020	2018-2019
		Kshs	Kshs
			Restated
Cash flows from operating activities			
Receipts			
Transfer from other governments	5	399,999,998	392,850,000
Rendering of services	6	67,716,680	78,644,246
Rental revenue from facilities and equipment	7	38,762,588	32,769,890
Finance income - external investments	8	8,731,234	6,261,703
Other income	9	187,850,086	4,146,389
Total Receipts		703,060,586	514,672,228
Payments			
Use of goods and services	10	186,405,278	210,752,464
Employee costs	11	333,460,590	344,338,879
Remuneration of directors	12	47,452,021	13,256,227
Repairs and maintenance	14	1,260,565	3,134,869
Grants and Subsidies	15	186,374,636	1,656,725
Other expenses	16	90,657,539	939,255
Total Payments		845,610,629	574,078,419
Adjusted for changes in working capital			
Receivables from exchange transactions	18	42,976,750	81,091,372
Receivables from non-exchange transactions	19	2,916,445	-1,670,076
Inventories	20	-5,035,213	8,842,004
Trade and other payables from exchange trans	23	120,689,598	-206,480,394
Other payments		161,547,580	-118,217,094
Net Cash generated from/(used in) Operating Activities	24	18,997,537	-177,623,286
Cash flows from investing activities			
Purchase of PPE and intangible assets	21&22	-1,192,286,289	-982,211,404
Net cash flows used in investing activities		-1,192,286,289	-982,211,404
Cash flows from financing activities			
Receipts from Government grants		1,287,611,195	1,342,840,778
Net cash flows used in financing activities		1,287,611,195	1,342,840,778
Increase in cash and cash equivalents		114,322,443	183,006,088
Cash and cash equivalents at 1 st July		256,191,108	71,706,486
Cash and cash equivalents at 30 JUNE 2020	17	370,513,551	256,191,108

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE, 2020

Revenue	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs
Government grants and subsidies - recurrent	400,000,000		-		400,000,000		399,999,998		2	
Government grants and subsidies - Development	3,596,000,000		1,825,014,169		1,770,985,831		1,473,985,831		297,000,000	
Other income A.I.A	100,000,000		-		100,000,000		116,685,952		16,685,952	
Total income	4,096,000,000		1,825,014,169		2,270,985,831		1,990,671,781		280,314,050	
Expenses										
Use of goods and services	31,500,000		-		31,500,000		186,405,278		154,905,278	
Employee costs	325,000,000		-		325,000,000		333,460,590		8,460,590	
Remuneration of directors	40,000,000		-		40,000,000		47,452,021		7,452,021	
Depreciation and amortization expense	-		-		-		55,467,492		55,467,492	
Repairs and maintenance	3,200,000		-		3,200,000		1,260,565		1,939,435	
Grants & Subsidies	100,300,000		-		100,300,000		186,374,636		86,074,636	
Other Expenses	-		-		-		90,657,539		90,657,539	
Dams & Pans	2,930,000,000		1,650,000,000		1,280,000,000		879,729,694		400,270,306	
Flood control	438,000,000		175,014,169		262,985,831		87,749,322		175,236,509	
Construction of Buildings	228,000,000		-		228,000,000		214,405,261		13,594,739	
Total expenditure	4,096,000,000		1,825,014,169		2,270,985,831		2,082,962,398		188,023,433	
Surplus for the Year									92,290,617	

Budget notes

The positive variance of 16.69% on A.I.A is as a result of increase in recognized Business Development Works. In addition, the Remuneration of directors negative variance of 18.63% is as a result of increased committee meeting engaged in recruitment of key management staff while that of the general expenses variance of 58.05% is due to inadequate recurrent budget to meet operational costs, increased legal awards on court cases, a huge pending bill on security costs. Still, the negative variance of 100% on taxation was due to a KRA tax assessment during the year arising from a historical tax agreement against the Authority. Finally, the positive variance of 17.65% and 57.40% on the dams and flood control respectively, was as a result delayed implementation and thus invoicing of contracted works by contractors as a result of the Covid 19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Authority recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic

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benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly on May 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded additional appropriations of Kshs. -1,825 Million on the 2019-2020 budget following the governing body's approval.

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

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

c) Investment property

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

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

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

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

d) Property, plant and equipment

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

e) Leases

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

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

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

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

f) Intangible assets

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

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

g) Research and development costs

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

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

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

h) Inventories

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

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

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

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

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nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

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

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

i) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

j) Nature and purpose of reserves

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

Accumulated Reserves

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

Capital Reserves

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

Revaluation Reserve

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

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

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

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

m) Foreign currency transactions

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

n) Borrowing costs

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

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

Related parties

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

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o) Service concession arrangements

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

p) Cash and cash equivalents

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

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

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4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

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5. TRANSFERS FROM OTHER GOVERNMENTS

Description	2019-2020 KShs	2018-2019 KShs
Unconditional grants		
Operational grant – State Dept of Water	399,999,998	392,850,000
Total government grants and subsidies	399,999,998	392,850,000

5 (a). Transfers from Ministries

Name of the Ministry sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2018-2019 KShs
Ministry of Water, Sanitation & Irrigation	399,999,998	1,473,985,831	1,873,985,829	1,896,142,000
Total	399,999,998	1,473,985,831	1,873,985,829	1,896,142,000

6. RENDERING OF SERVICES

Description	2019-2020 KShs	2018-2019 KShs
Sales - Drilling of Boreholes	67,716,680	78,644,246
Total revenue from the rendering of services	67,716,680	78,644,246

The Corporation runs a Business Unit Division. The division is headed by the General Manager Finance. Its primary function is to generate revenues to help boost the Recurrent Budget portion of Appropriations in Aid.

7. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2019-2020 KShs	2018-2019 KShs
Straight-lined operating lease receipts	38,762,588	32,769,890
Total rentals	38,762,588	32,769,890

The Corporation has leased part of its Head Quarter building which sits on the Land (LR.NO.209,13971) The lease arrangements are:

Leasee	Area	Period	Gross Receipts	Net Receipts
National Environment Trust Fund	1st Floor	5 yr renewable	10,473,311	9,187,115
Nairobi City Water & Sewerage Company	2nd Floor	5 yr renewable	10,812,018	9,484,226
Anti Counterfeit Agency	3rd Floor	5 yr renewable	16,709,172	14,657,168
Ereava Catering Services	Kitchen	5 yr renewable	3,719,277	3,262,523
Kenya Water For Health Organization	Old Building	5 yr renewable	942,271	826,554
Kenya Climate Change Working Group	Old Building	5 yr renewable	407,442	357,405
Arienne Trading Company	Old Building	5 yr renewable	284,310	249,395
Grand Cleaning Services	Old Building	5 yr renewable	263,491	231,133
Afrik Tours and Travel	Old Building	5 yr renewable	364,589	319,814
Kenya Health and Safety Consultants	Old Building	5 yr renewable	84,948	74,516
Green Africa Foundation	Old Building	5 yr renewable	128,522	112,739
			44,189,351	38,762,588

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8. FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2019-2020 KShs	2018-2019 KShs
Interest on monies held in current accounts with Kenya Commercial Bank Ltd	8,731,234	6,261,703
Total finance income – external investments	8,731,234	6,261,703

The Corporation has negotiated interest on daily bank balances on its Current Accounts held at KCB. Such interest is deposited on a monthly basis net of 15% withholding tax. It is then reported under this note as Gross.

9. OTHER INCOME

Description	2019-2020 KShs	2018-2019 KShs
Income from disposal of assets	1,475,450	1,966,000
Recognised capital fund	186,374,636	1,656,725
Hire of Equipment	-	23,664
Dam Conference Contributions	-	500,000
Total other income	187,850,086	4,146,389

The recognized capital fund relates to the expenses incurred on small dams, drilled boreholes, renovation & rehabilitation of plant & equipment and routine maintenance of project vehicles which are funded through Development Grants expenses under Note 15 of the Grants and Subsidies.

10. USE OF GOODS AND SERVICES

Description	2019-2020 KShs	2018-2019 KShs
Electricity	6,432,716	6,745,129
Water	1,481,163	1,634,824
Security	16,614,785	43,241,602
Professional services	5,965,900	-
Subscriptions	521,885	701,585
Publicity Costs	7,319,929	3,540,634
Audit Costs	1,704,600	1,768,705
Computer Accessories & Software License	2,200,179	1,494,378
Legal expenses	18,877,918	19,513,440
Fuel and oil	296,198	462,000
Sanitary Expenses	5,000	39,000
Rates	822,708	477,094
Postage	118,250	105,388
Printing and stationery	10,654,723	8,905,840
Monitoring & Evaluation	4,590,700	6,338,577
Local Travel Expenses	18,345,932	25,505,569
Insurance	9,046,265	3,505,383
Cleaning Costs	11,009,155	12,184,260
Bank Charges	1,424,500	1,658,476
Office Tea, Beverages and Consumables	1,698,773	644,045
Telecommunication	4,141,827	3,424,038
Training	9,825,243	13,864,867
Expenses - Rendering of Services	53,056,179	54,991,830
Licenses	250,750	5,800
Total good and services	186,405,278	210,752,464

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11.EMPLOYEE COSTS

	2019-2020	2018-2019
	KShs	KShs
Salaries and wages for permanent and contracted staff	177,689,030	181,758,314
Employee related costs - Defined Pension Scheme, NSSF, Gratuity and Medical Insurance	60,524,143	64,670,391
Commuter Allowance	16,751,218	18,052,483
House Allowance and all other allowances	75,061,193	74,101,186
Staff Welfare	3,435,006	5,756,504
Employee costs	333,460,590	344,338,878

12. REMUNERATION OF DIRECTORS

Description	2019-2020	2018-2019
	KShs	KShs
Chairman's Honoraria	996,774	1,001,786
Directors emoluments	40,891,159	9,067,092
Other allowances	5,564,088	3,187,349
Total director emoluments	47,452,021	13,256,227

13.DEPRECIATION AND ARMOTISATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	54,212,820	84,066,904
Intangible assets	1,254,672	1,901,018
Total depreciation and amortization	55,467,492	85,967,922

14.REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
Buildings	898,275	2,243,699
Motor Vehicle Repairs	-	861,670
Office Equipment	362,290	29,500
Total repairs and maintenance	1,260,565	3,134,869

15. GRANTS & SUBSIDIES

Description	2019-2020	2018-2019
	KShs	KShs
Expenses related to Small Dams	162,100,815	-
Expenses related to Drilling	12,235,995	-
Routine Maintenance of Project Vehicles	12,037,827	1,656,725
Total general expenses	186,374,636	1,656,725

The expenses relating to small dams and routine maintenance of project vehicles is funded through Development Grant have been recognized as Deferred Income Recognized under Note 9.

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16. OTHER EXPENSES

Description	2019-2020	2018-2019
	KShs	KShs
Tax on Interest income	1,309,685	939,255
Tax Assessment	89,347,854	-
Total other expenses	90,657,539	939,255

17. CASH AND CASH EQUIVALENTS

Description	Account number	2019-2020	2018-2019
		KShs	KShs
<u>Kenya Commercial bank:</u>			
Recurrent Account	1114280488	15,617,373	30,883,896
Development Account	1114280593	231,144,002	101,309,935
Special Account	1114279978	30,311,993	23,159,992
Deposits Account	1114279889	2,250,667	2,213,717
Retention Account	1124316329	91,189,516	98,628,588
Equalization Fund Account	1209755858	-	-5,020
Grand total		370,513,551	256,191,108

18. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Current receivables		
Rent Receivable	19,482,036	14,361,121
Prepaid Insurance & others	18,330,507	-
Net Business Unit Debtors	133,596,221	133,201,582
Recoverable Advances	459,998,457	526,821,268
Total receivables	631,407,221	674,383,971

19. RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Current receivables		
Temporary Imprests to staff	91,064,585	92,983,913
Specific Provision for Bad Debts	(18,302,852)	(18,302,852)
Net Temporary Imprests to staff	72,761,733	74,681,061
Salary Advances to Staff	2,674,156	3,641,273
Deposit with the Courts	13,987,475	14,017,475
Total current receivables	89,423,364	92,339,809

20. INVENTORIES

Description	2019-2020	2018-2019
	KShs	KShs
Consumable stores	11,888,159	6,852,946
Total inventories at the lower of cost and net realizable value	11,888,159	6,852,946

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21. PROPERTY PLANT AND EQUIPMENT

Cost	Leasehold Land		Buildings		Plant & Field Equipment		Motor Vehicles & Cycles		Furniture & Fittings		Office Equipment		Computer & Accessories		Large Dams		Capital Work In Progress		Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
At 1st July 2018	340,000,000	-	68,597,700	230,042,450	255,805,000	7,573,201	7,454,700	5,460,090	-	18,992,543,048	19,907,476,189	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	12,516,000	697,200	270,000	-	1,126,043,966	1,139,527,366	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(5,050,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2019	340,000,000	-	68,597,700	230,042,450	250,755,000	20,089,201	8,151,700	5,730,090	-	20,118,587,214	21,041,953,355	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	4,456,000	-	5,946,213	-	1,181,884,076	1,192,286,289	-	-	-	-	-	-	-	-
Transfers to Assets	-	-	1,073,757,211	-	-	-	-	-	-	7,741,762,344	-	-	-	-	-	-	-	-	-
Prior year adjustment - Expensed Water pipeline	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(900,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2020	340,000,000	-	1,142,354,911	230,042,450	249,855,000	24,545,201	8,151,700	11,676,303	7,741,762,344	12,326,157,238	22,074,545,147	-	-	-	-	-	-	-	-
Depreciation																			
At 1st July 2018	12,444,000	-	5,144,828	34,506,368	191,091,250	2,439,950	2,722,513	4,482,752	-	252,831,661	252,831,661	-	-	-	-	-	-	-	-
Depreciation	4,148,000	-	1,714,943	11,502,123	62,688,750	2,511,150	1,018,988	482,952	-	84,066,906	84,066,906	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	(5,050,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2019	16,592,000	-	6,859,771	46,008,491	248,730,000	4,951,100	3,741,501	4,965,704	-	331,848,567	331,848,567	-	-	-	-	-	-	-	-
Depreciation	4,148,000	-	28,558,873	11,502,123	2,025,000	3,068,150	1,018,963	3,891,712	-	54,212,820	54,212,820	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	(900,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2020	20,740,000	-	35,418,644	57,510,614	249,855,000	8,019,250	4,760,464	8,857,416	-	385,161,387	385,161,387	-	-	-	-	-	-	-	-
Net book values																			
At 30th June 2020	319,260,000	-	1,106,936,267	172,531,837	-	16,525,951	3,391,237	2,818,887	7,741,762,344	12,326,157,238	21,689,383,960	-	-	-	-	-	-	-	-
At 30th June 2019	323,408,000	-	61,737,929	184,033,959	2,025,000	15,138,101	4,410,199	764,386	-	20,118,587,214	20,710,104,788	-	-	-	-	-	-	-	-
Dep Policy Rate	1.22%	-	2.50%	5.00%	25.00%	12.50%	12.50%	33.33%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-

The capital work in progress includes costs associated with construction of Large Dams, Dykes & Canals, Head quarter office block and Water pipelines. These assets, upon completion, are handed over to the Water Service Boards who then operate them or are transferred to assets. Details of the capital work in progress are as shown here below:

	Transfers to Assets		Additions		2018-2019	
	2019-2020	2019-2020	2019-2020	2018-2019	2018-2019	2018-2019
Large Dams	11,023,360,094	Shs	879,729,694	Shs	17,885,392,743	Shs
Dykes & Canals	1,302,797,344	(7,741,762,344)	87,749,322	1,215,048,022	859,351,951	
HQ Office Block	-	(1,073,757,211)	214,405,261	20,118,587,213		
Total	12,326,157,438	(8,815,519,555)	1,181,884,277	20,118,587,213		

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22. INTANGIBLE ASSET

Description	2019-2020 KShs	2018-2019 KShs
Cost		
At beginning of the year	37,146,430	37,146,430
Additions–internal development	-	-
At end of the year	37,146,430	37,146,430
Amortization and impairment		
At beginning of the year	33,344,393	31,443,375
Amortization	1,254,672	1,901,018
At end of the year	34,599,065	33,344,393
NBV	2,547,365	3,802,037
Dep Policy Rate	33%	33%

23. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020 KShs	2018-2019 KShs
Trade payables	803,836,872	707,555,700
Payments received in advance	17,686,720	30,670,071
Third-party payments	17,057,894	22,818,154
Retentions held on behalf of suppliers	399,516,760	350,709,889
Accruals	16,994,133	22,648,967
Total trade and other payables	1,255,092,379	1,134,402,781

24. NET CASHFLOWS FROM OPERATING ACTIVITIES

Description	2019-2020 KShs	2018-2019 KShs
Deficit for the year	-198,017,535	-145,374,113
<u>Adjusted for:</u>		
Depreciation and Impairment	55,467,492	85,967,922
Working capital adjustments:		
Change in Inventories	-5,035,213	8,842,004
Change in Receivables from exchange transactions	42,976,750	81,091,372
Change in Receivables from non-exchange transactions	2,916,445	-1,670,076
Change in Trade and other payables from exchange transactions	120,689,598	-206,480,394
Net cash flows from operating activities	18,997,537	-177,623,286

25. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the

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statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Receivables from exchange transactions	631,407,221	-	670,048,087	4,335,884
Receivables from non-exchange transactions	89,423,364	-	68,711,821	20,965,420
Bank balances	370,513,551	370,513,551	-	-
Total	1,091,344,136	370,513,551	738,759,908	25,301,304
At 30 June 2019				
Receivables from exchange transactions	674,383,971	-	670,048,087	4,335,884
Receivables from non-exchange transactions	92,339,809	-	68,711,821	20,965,420
Bank balances	256,191,108	256,191,108	-	-
Total	1,022,914,888	256,191,108	738,759,908	25,301,304

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

(ii) Liquidity risk management

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2020				
Trade payables	14,568,952.00	21,458,963.00	1,219,064,464.43	1,255,092,379.43
Total	14,568,952.00	21,458,963.00	1,219,064,464.43	1,255,092,379.43
At 30 June 2019				
Trade payables	241,568,969.00	92,560,004.00	800,273,813.94	1,134,402,786.94
Total	241,568,969.00	92,560,004.00	800,273,813.94	1,134,402,786.94

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(iii) Market risk

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

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

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

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

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Authority's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	358,080,032	358,080,032
Retained earnings	(720,039,437)	(522,021,901)
Capital reserve	21,902,030,645	20,773,213,947
Total funds	21,540,071,240	20,609,272,078
Total borrowings	-	-
Less: cash and bank balances	370,513,551	256,191,108
Net debt/(excess cash and cash equivalents)	(370,513,551)	(256,191,108)
Gearing		

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26. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

	2019-2020 Kshs	2018-2019 Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	1,873,985,829	1,896,142,000
Total	1,873,985,829	1,896,142,000
b) Key management compensation		
Directors' emoluments	47,452,021	13,256,227
Total	47,452,021	41,532,227

27. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	2019-2020 Kshs	2018-2019 Kshs
Contingent liabilities		
Court Judgments, Arbitral Awards and Legal Fees	304,013,494	204,568,963
Total	304,013,494	204,568,963

28. CAPITAL COMMITMENTS

	2019-2020 Kshs	2018-2019 Kshs
Capital commitments		
Authorised and contracted for: Siyoi Muruny Dam Water Supply Project	3,255,000,245	4,005,000,245
Total	3,255,000,245	4,005,000,245

29. DIVIDENDS/SURPLUS REMISSION

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

30. EVENTS AFTER THE REPORTING PERIOD

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

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31. ULTIMATE AND HOLDING AUTHORITY

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

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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


Ref. No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Focal Point	Status	Time Frame
1.	Trade Payables Reconciliation of the payables and failure to settle long outstanding payables	The trade payables are being reconciled and a pending bills committee has been put in place to interrogate the accuracy of the bills. Budget constraints have been identified as the challenge to settling these bills.	CEO	Not resolved	30 th November, 2021
2.	Cash & Cash Equivalent Reconciliations with reconciling items	The management is reconciling the items with the aim of tabling them to the Board with a request to write off.	CEO	Not resolved	30 th November, 2021.
3	Receivables from Exchequer Transactions Water Service Boards Debtors Carrying value of Kshs. 856,189,729 excludes water supply debt of Kshs. 1,377,265,028 yet the transfer agreements, transferring the same to WSBs are unsigned.	The Authority sought the intervention of the Cabinet Secretary, Ministry of Water and Irrigation (CS, MWI). The CS, MWI directed vide letter Ref. No. MWI/IDD/1/10/VOL.VII(2) dated 11 th November, 2016 the various WSBs to have the transfer agreements signed. The Authority has since written to the Water Boards but the transfer agreements are yet to be signed. The management shall seek the intervention of the Parent Ministry.	CEO	Not Resolved	30th June 2021
4	Long Outstanding Loan An on-lent loan of Kshs. 2,460,874,897 and the interest accrued for late payment has not been reflected in the financial statements	The Authority had obtained three loans through various subsidiary agreements with the Government of Kenya for various projects. The loans were disbursed through the National Treasury who in turn disbursed to the Ministry of Water and Irrigation and thereafter the same was disbursed to the Authority. The loans were to be serviced as per indicated repayment plans at the indicated interest rates. The proceeds obtained from water sales were to be partly	CEO	Not resolved	30th June 2021

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		<p>used in defraying the same. However, the water tariffs were to be adjusted to accommodate the repayment but this was never done.</p> <p>On 12th August 2005, the then Minister for Water and Irrigation gazetted (Legal Notice No. 101 in the Kenya Gazette Supplement No. 61) the water (plan of transfer of water services) rules, 2005 to guide on the enactment of the Water Act 2002. The Notice required that the Authority finalizes the transfer of certain roles relating to sale of water to Water Service Boards in their jurisdictions. The deadline for such execution of transfer agreements was 30th June 2006. The transfer was to be in the form of signed transfer agreements. Though drafted, the transfer agreements were not signed. However, the Water Service Boards assumed the assets and the ensuing liabilities.</p> <p>Severally, the National Treasury has continued to claim from the Authority, and the Authority has written to the Ministry of Water seeking on its intervention for both the signing of the transfer agreements and assistance on repayment of the loan due before handing over. Through a letter dated 19th October, 2016 (See Annex 10), the Principal Secretary in the State Department of Water directed the Authority to hand over the loan portfolio taken by the Authority to the relevant Water Service Board as per the Transfer Plan.</p>		
1.1	<p>Capital W.I.P-HQ Building The first contractor abandoned works. The project was delayed and there was a significant increase in cost.</p>	<p>The project has been completed and the final account has been analysed and final dues paid out to the contractor. The same will be presented to the auditors for verification.</p>	CEO	Resolved
1.2	<p>Sivoi (Muruvu) Dam Water Supply Project Likelihood of project not being completed as per the provisions of the contracts.</p>	<p>The project has suffered several suspensions as a result of inadequate budgetary allocation. As such, the management will request for adequate annual funding and undertake to complete the same by 31st October, 2021</p>	CEO	Not-Resolved 31 st October, 2021
1.3	<p>Umaa Dam</p>	<p>The Umaa Dam dispute has been resolved amicable and a final exit figure of Kshs.536,464,310.58 determined. After</p>		

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	Failure to manage the contract properly leading to cost escalations due to failure to complete the first contract in time.	allocation by Parliament, the amount was paid vide PV-16-17:1675 effectively resolving the dispute. The project is under status determination by a consultant with the objective to complete the construction. The same shall be completed in the fy 2021-2022.	CEO	Not-Resolved	30 th June, 2022
1.4	Badasa Dam Failure to manage the contract properly leading to cost escalations due to failure to complete the first contract in time.	The Badasa Dam dispute had been resolved amicably and a final exist figure of Kshs.194,219,651.24 determined. After allocation by Parliament in the Estimates of 2016/2017, the amount was paid and the contractor vacated site. The project is under status determination by a consultant with the objective to complete the construction. The same shall be completed in the fy 2021-2022.	CEO	Not-Resolved	30 th June 2022
1.5	Construction of Narok Dam The Management of the Authority did not explain how the dam development plan will be implemented without resolving the conflict with the community	The project implementation was postponed as the Authority sensitizes the community on the need for the project.	CEO	Not-Resolved	30 th June 2022


CS. Sharon Obonyo
Ag. Chief Executive Officer

Date.....10/5/2021.....


Mr. Erick Okeyo, MBS, MKIM
Chairman of the Board

Date.....10 May, 2021.....

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APPENDIX II: PROJECTS IMPLEMENTED BY THE AUTHORITY

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Muruny (Siyoi) Dam	9,900million	5,948million	63%	850,000,000	949,401,242	GoK
2	Flood Control and Mgmt	263 million	0	40%	262,985,831	102,489,223	GoK
Stalled Projects							
1	Badasa Dam	3,627,316	2,056,000	40%	0	0	GoK
2	Umaa Dam	2,771,024	1,190,000	40%	0	0	GoK
Ongoing Projects - Under Planning and Design							
					0		
1	Londiani Dam	96,936	50,233	75%	0	0	GoK
2	Upper Narok Dam	112,357	43,933	65%	0	0	GoK
3	Rumuruti Dam	167,051	24,973	35%	0	0	GoK
4	Soin-Koru	26,480	16,212	70%	0	0	GoK
5	Isiolo Dam	56,237	44,990	80%	0	0	GoK
6	Rare Dam	84,980	30,816	65%	0	0	GoK
7	Pesi (Nyahururu) Dam	36,500	1,500	25%	0	0	GoK
8	Kinja Dam	30,300	300	10%	0	0	GoK
9	Kinale Dam	35,250	250	10%	0	0	GoK

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APPENDIX III: INTER-AUTHORITY TRANSFERS

ENTITY NAME:		NATIONAL WATER HARVESTING & STORAGE AUTHORITY		
Break down of Transfers from the State Department of Water				
FY 19-20				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>		<u>Indicate the FY to which the amounts relate</u>
		<u>Month/day/year</u>	<u>Amount (KShs)</u>	
		8/14/2019	33,333,333.00	FY 2019-2020
		9/5/2019	33,333,333.00	FY 2019-2020
		10/4/2019	33,333,333.00	FY 2019-2020
		11/5/2019	33,333,333.00	FY 2019-2020
		1/14/2020	33,333,333.00	FY 2019-2020
		1/14/2020	33,333,333.00	FY 2019-2020
		6/12/2020	33,333,333.00	FY 2019-2020
		6/12/2020	33,333,333.00	FY 2019-2020
		6/15/2020	33,333,334.00	FY 2019-2020
		6/15/2020	33,333,333.00	FY 2019-2020
		6/15/2020	33,333,333.00	FY 2019-2020
		6/30/2020	33,333,334.00	FY 2019-2020
			399,999,998.00	
b.	Development Grants			
		<u>Bank Statement Date</u>		<u>Indicate the FY to which the amounts relate</u>
		<u>Month/day/year</u>	<u>Amount (KShs)</u>	
		7/4/2019	142,500,000.00	FY 2018-2019
		7/15/2019	50,000,000.00	FY 2018-2019
		11/27/2019	629,000,000.00	FY 2019-2020
		1/14/2020	109,500,000.00	FY 2019-2020
		6/12/2020	10,000,000.00	FY 2019-2020
		6/15/2020	109,500,000.00	FY 2019-2020
		6/15/2020	423,485,831.00	FY 2019-2020
		Total	1,473,985,831.00	

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

General Manager Finance & Corporate Planning
 National Water Harvesting & Storage Authority

Sign  -----

Head of Accounting Unit
 Ministry of Water, Irrigation
 and Sanitation

Sign-----

National Water Harvesting & Storage Authority
Annual Reports and Financial Statements
For the year ended June 30, 2020

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA Transferring the funds	Date received as per bank statement	Nature:	Total Amount - KES	Where Recorded/recognized	
				Statement of Financial Performance	Total Transfers during the Year
Ministry of Water, Sanitation & Irrigation	8/14/2019	Recurrent	33,333,333	33,333,333	33,333,333
Ministry of Water, Sanitation & Irrigation	43,594.00	Recurrent	33,333,333	33,333,333	33,333,333
Ministry of Water, Sanitation & Irrigation	43,565.00	Recurrent	33,333,333	33,333,333	33,333,333
Ministry of Water, Sanitation & Irrigation	43,596.00	Recurrent	33,333,333	33,333,333	33,333,333
Ministry of Water, Sanitation & Irrigation	1/14/2020	Recurrent	33,333,333	33,333,333	33,333,333
Ministry of Water, Sanitation & Irrigation	1/14/2020	Recurrent	33,333,333	33,333,333	33,333,333
Ministry of Water, Sanitation & Irrigation	44,171.00	Recurrent	33,333,333	33,333,333	33,333,333
Ministry of Water, Sanitation & Irrigation	44,171.00	Recurrent	33,333,333	33,333,333	33,333,333
Ministry of Water, Sanitation & Irrigation	6/15/2020	Recurrent	33,333,334	33,333,334	33,333,334
Ministry of Water, Sanitation & Irrigation	6/15/2020	Recurrent	33,333,333	33,333,333	33,333,333
Ministry of Water, Sanitation & Irrigation	6/15/2020	Recurrent	33,333,333	33,333,333	33,333,333
Ministry of Water, Sanitation & Irrigation	6/30/2020	Recurrent	33,333,334	33,333,334	33,333,334
Ministry of Water, Sanitation & Irrigation	43,562.00	Development	142,500,000		142,500,000
Ministry of Water, Sanitation & Irrigation	7/15/2019	Development	50,000,000		50,000,000
Ministry of Water, Sanitation & Irrigation	11/27/2019	Development	629,000,000		629,000,000
Ministry of Water, Sanitation & Irrigation	1/14/2020	Development	109,500,000		109,500,000
Ministry of Water, Sanitation & Irrigation	44,171.00	Development	10,000,000		10,000,000
Ministry of Water, Sanitation & Irrigation	6/15/2020	Development	109,500,000		109,500,000
Ministry of Water, Sanitation & Irrigation	6/15/2020	Development	423,485,831		423,485,831
Total			1,873,985,829	399,999,998	1,873,985,829