

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY  
PAPERS LAID

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ON

THE FINANCIAL STATEMENTS OF  
KENYA WATER INSTITUTE (KEWI)

FOR THE YEAR ENDED  
30 JUNE 2017

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KENYA WATER INSTITUTE  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017



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KENYA WATER INSTITUTE  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017

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

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 ANNUAL REPORT AND FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2017
 

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**I. KEY ENTITY INFORMATION AND MANAGEMENT****a) Background information**

Kenya Water Institute (KEWI) is a Semi-Autonomous Government Agency (SAGA) established through the Kenya Water Institute Act 2001 Revised Edition 2012. The Institute is currently under the Ministry of Water and irrigation. The Institute is a body corporate with perpetual succession and a common seal. Its governance, control and administration are vested in the Governing Council. The Institute has four campuses, Nairobi, Kitui, Kisumu and Chiakariga Campuses in Nairobi, Kitui, Kisumu and Tharaka Nithi Counties respectively

**b) Principal Activities**

The mandate of KEWI is as follows:

- i. To provide directly or in collaboration with other institutions of higher learning, services in human resource development, consultancy, research and development in the water sector on a commercial basis to the public sector, state corporations, local authorities, the private sector and all other persons (local or foreign) who may request for such services from the institute;
- ii. To provide training programmes, seminars and workshops and produce publications aimed at maintaining standards in the water sector;
- iii. To provide a forum for effective collaboration between the public and private sectors and other interested parties for the development of the water sector; and
- iv. To conduct examinations and award diplomas, certificates and other awards to successful candidates.

**Vision**

To be a world class centre of excellence in training, research and consultancy in water, sanitation, irrigation and related sectors

**Mission**

To offer competency-based training, research, consultancy and outreach services in water, sanitation, irrigation and related sectors for sustainable development

**c) Key Management**

Kenya Water Institute's day to day management is under the following key organs:

1. The Governing Council
2. Director/ CEO
3. Senior Management
4. The Academic Board

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**d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director	Dr. Leunita A. Sumba
2.	Deputy Director Academic Affairs	Mr. David K. Ngetich
3.	Deputy Director Management Services	Mr. Kennedy O. Riaga
4.	Deputy Director Research	Mr. Paul N. Muthama

**e) Fiduciary Oversight Arrangements**

KEWI's oversight responsibility is vested in the;

- 1) Governing Council had 9 member
- 2) Programmes and Development committee had 5 members
- 3) Finance and Administration Committee had 5 members
- 4) Audit Committee of the Institute. In addition the Audit and Risk department is responsible for risk assessment and internal control systems. The committee had 5 members
- 5) During the reporting period there were 7 full Governing Council meetings, 8 Audit and Risk Committee meetings, 5 Finance and Administration committee meetings, 3 Programmes and Development committee meetings and 11 Ad-hoc meetings

**f) Entity Headquarters**

Kenya Water Institute  
Nairobi South C  
Ole Shapara Avenue  
P.O. Box 60013 – 00200  
Nairobi, KENYA.

**g) Entity Contacts**

Tel: 254-20-6003893/6003905/6007433/25  
CELL No: 0722-207757  
Fax No: 254-20-6006718  
Email: [inquiries@kewi.or.ke](mailto:inquiries@kewi.or.ke)  
[info@kewi.or.ke](mailto:info@kewi.or.ke)  
Website: [www.kewi.or.ke](http://www.kewi.or.ke)

**h) Entity Bankers**

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

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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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## II. THE GOVERNING COUNCIL

GOVERNING COUNCIL MEMBER	PROFILE
 <p><b>Col. Benjamin Muema</b> <i>Chair KEWI Governing Council</i></p>	<p>Col. Benjamin Muema is a retired Colonel of the Kenya Army. Col. Muema served in the Military for 17 years before his retirement in 1993. During his time in the army, Col. Muema undertook military training in various countries, including United Kingdom (Royal Military Academy) the United States of America among others. Col. Muema is a qualified pilot, flight instructor and examiner.</p> <p>He has held senior positions in the corporate world and served in various leadership capacities, both locally and internationally. He was the Secretary General of New Ford Kenya.</p> <p>Col. Muema has wide experience in training. He was in charge of administrative, logistics, training, operational, planning and coordination at Armed Forces Training College and its satellite colleges as well as in the Cadets Training School, where he was second in command.</p>
 <p><b>Dr Kamau Thugge</b> <i>Principal Secretary, The National Treasury</i></p>	<p>Dr. Kamau Thugge is a distinguished economist with a PhD in Economics from Johns Hopkins University. He has previously worked in the Ministry of Finance as Head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor.</p> <p>Before joining the Ministry of Finance he worked with the International Monetary Fund (IMF) as an Economist/Senior Economist and Deputy Division Chief.</p> <p>Dr. Thugge holds a Bachelor of Arts (Economics) from Colorado College, USA; Masters in Economics from Johns Hopkins University, USA; and a Doctor of Philosophy (PhD) in Economics, also from Johns Hopkins.</p>
 <p><b>Eng. Lawrence. N. Simitu</b> <i>Ag. Water Secretary</i></p>	<p>Eng. Lawrence N. Simitu is the Ag. Water Secretary. He holds a Master of Science Degree in Civil Engineering. He is a registered Engineer with Engineers Registration Board and a Corporate member of Institute of Engineers of Kenya.</p> <p>Eng. Simitu has served in the water sector in various capacities; Director Water Services, Provincial Water Officer, District Water Engineer among others.</p> <p>Eng. Simitu has 27 years of experience in the field of water supply and sanitation</p>

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**Ms Mwanamaka Amani Mabruki**  
*Principal Secretary, Ministry of Devolution and Planning*

Ms. Mwanamaka Amani Mabruki is the Principal Secretary for the State Department of Devolution. Prior to this, she was the Principal Secretary, East African Affairs, a position she held since she was appointed Principal Secretary in the Jubilee Government in July, 2013.

Ms Mabruki has worked as the Managing Director of the Kenya National Shipping Line. During her tenure at the Shipping Line, she developed the first strategic and business plans which aimed at positioning the company as a world class shipping line.

Prior to joining the National Shipping Line, Ms Mabruki was the Head of Corporate Development at the Kenya Ports Authority with the main responsibility for strategic planning and policy development at the Authority. She played a key role in the development of the second container terminal and in the implementation of the National Single Window Community Based System Project. In addition, she was a key member of the team that managed the feasibility study on the Lamu Port, Southern Sudan, and Ethiopia Transport Corridor (LAPSSET) Project.

Ms. Mwanamaka holds Master's and Bachelor's degrees in Economics, both from the University of Nairobi. She has also attended several professional and senior management workshops, seminars and courses locally and internationally.



**Ms. Lilian Janice Plapan**  
*Member*

Ms. Lilian Janice Plapan is a holder of a Masters of Arts Degree in Rural Social Development from the University of Reading (UK). She worked as a Town Clerk in Eldoret, Iten, Nandi Hills, West Pokot and Webuye.

She lectured for ten years in the University of Nairobi- Extra Mural Center Kapenguria. She is a Human Resources Management specialist.

Founder member of STAT and founder and coordinator of SETAT Women's Organization. She is a member of Court Users Committee West Pokot, and member of District Anti corruption Overseers Committee. She is also a visiting Justice to Kapenguria Prison, and the Chairperson and founder for African Coalition on Traditional Practices (ACTPEW).

On the Council, she represents registered Water Users Association.

she is an independent member and a member of the Finance and Administration committee

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 <p><b>Prof. Wilson N. Ngecu</b> <i>Member</i></p>	<p>Prof. Wilson N. Ngecu holds a PhD Degree from the University of Nairobi. He teaches Geology in the same Institution. Previously Prof. Ngecu has been Chairman of Geology Department, University of Nairobi. He was also the previous manager of the Students' Welfare Authority in charge of Chiromo campus and at one stage he was the secretary to the Geology Society of Kenya.</p> <p>Prof. Ngecu is a consulting hydrologist, a lead NEMA Environmental Expert and a lead member of the Kenya Environmental Institute.</p> <p>Prof. Ngecu is a registered geologist and a member of Geological Society of Kenya. He has published widely in the water environment issues.</p> <p>On the KEWI Governing Council, he represents professional bodies, the activities of which relates to the water sector.</p> <p>The chair of the Audit and risk committee and also a member of the Programmes and Development Committee</p>
 <p><b>Dr. Christopher M. Nyamai</b> <i>Member</i></p>	<p>Prof. Christopher M. Nyamai holds a PhD Degree from the University of Nairobi. He is the Ag. Dean, School of Physical Sciences, University of Nairobi. Prof. Nyamai has researched widely and published in the field of geology and geochemistry.</p> <p>On the KEWI Governing Council, he is a representative of the public universities.</p> <p>The chair of Programmes and Development Committee and a member of Finance and Administration Committee</p> <p>Prof. Nyamai is an independent member</p>
 <p><b>David Kamene M'alaine</b> <i>Member</i></p>	<p>Mr. David K. M'alaine is the Chairman Bwathonaro Water Users Association, an association he has managed successfully for the last seven years.</p> <p>On the KEWI Governing Council, Mr. Kamene represents Private Sector managers of community based water and sanitation programmes.</p> <p>Member of the Finance and Administration Committee</p>
 <p><b>Ms. Catherine Akinyi Mwango</b></p>	<p>Ms. Catherine A. Mwango holds a Masters Degree in Management studies for Developing Countries from University of Leeds (UK).</p> <p>She is the Executive Director of Kenya Water for Health Organization (KWAHO). Mrs. Mwango has served on a number of boards including Lake Victoria Water Services Board. She is a member of Sector Wide Approach under the auspices of the Ministry of Water and Irrigation. She is the National Convener of the Technical working group on household water treatment and</p>

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<p><i>Member</i></p>	<p>safe storage. She is also a member of the Programme Management Committee on Global Sanitation Fund.</p> <p>On the KEWI Governing Council, Mrs. Mwango represents Non-Governmental Organizations involved in activities related to the water sector.</p> <p>The Chair of Finance and Administration committee</p>
<div data-bbox="169 465 451 824" data-label="Image"> </div> <div data-bbox="169 831 424 920" data-label="Caption"> <p><b>Dr. Leunita A. Sumba</b> <i>Director/CEO</i> <i>Kenya Water Institute</i></p> </div>	<p>Dr. Sumba holds a PhD in Biology and a postgraduate Diploma in Integrated Water Resources Management. She has published in a number of refereed journals. Dr. Sumba is currently working on Ceramic filters as household water treatment solutions.</p> <p>Dr. Leunita Asande Sumba is the Director/CEO of the Kenya Water Institute. She has served in Kenya Water Institute for 20 years in various capacities. Previously she was a Lecturer, Principal Water Research Officer and the Head of the Water Resources Management Department.</p> <p>Her academic and research interests include: Drinking Water Quality; Environmental Water Quality, Integrated Water Resources Management; Gender and Water governance; Rainwater harvesting; interactions between Water, Environment, Health, and Sanitation including the epidemiology of waterborne and water-related diseases.</p>

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III. MANAGEMENT TEAM

	DESIGNATION
 <p>Dr. Leunita A. Sumba <i>(Ph.D –Biology; Pg.Dip. Integrated Water Resources Management)</i></p>	Director, Kenya Water Institute
 <p>David K. Ngetich <i>(MPhil. in Geography)</i></p>	Deputy Director Academic Affairs
 <p>Paul N. Muthama <i>(MSc. Statistics)</i></p>	Deputy Director Research
 <p>Kennedy O. Riaga <i>(BA. Economics, CPA(K), CISA))</i></p>	Deputy Director Management Services

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Isaac Agevi (*BA. Economics, MBA*)

Corporate Affairs Manager



James Kande (*B.Com. Accounting, CPA(K)*)

Audit and Risk Manager

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**IV. CHAIRPERSON'S STATEMENT**

It gives me great pleasure to present to you the Kenya Water Institute Report and Financial Statements for the financial year, 2016-2017. KEWI strives to be a world class leader in Training, Research, Consultancy and Outreach Services. This will be achieved through a deliberately well planned, carefully and transparently executed investment in Human Resource, teaching and learning systems and well developed physical facilities for both learners and trainers. KEWI has developed HR instruments that it is envisaged that will provide framework of Human Resources management.

**Financial Results:**

During the reporting period, KEWI experienced challenges majorly due to late disbursement of funds. The Institute received Ksh. 143,880,000 in recurrent grants and Ksh. 51,000,000.00 in Development grants. The Institute generated Ksh. 164,049,235 in Appropriation in Aid (AiA) compared to the previous year where Ksh. 124,380,735 was generated. This translates into 30% increase in AiA generation.

**Future Outlook:**

The challenges being experienced in the Water and Irrigation sector in the country, places KEWI in an advantaged position as far as playing a critical role in capacity development for the sector. The Government focus on irrigated agriculture as a key strategy for addressing persistent food shortages and enhancing disposable income for those involved in agricultural activities, this provides the Institute with a massive opportunity to be a critical player in Kenya's economic development. It is in this regard that KEWI embarked on the process of constructing a Water Resource Centre to act as hub of water knowledge in the region. In the same line the institute is sourcing for funds to develop a school for irrigation. It is envisaged that the school will enhance training for irrigation practitioners for the country and the region. It is envisaged that completion of those two major activities will enhance research activities in the sector and also create a platform for knowledge sharing especially on modern techniques of irrigation.

**Acknowledgement:**

As we soldier on in our quest to fulfil the Institute's mandate of providing Training, Research, Consultancy and Outreach services to the Kenyan populace, it is my sincere appeal to the Government of Kenya to continue supporting the Council to make KEWI the fountain of water Knowledge.



**Col. Benjamin Muema**  
**Chairman, Governing Council**  
**Date: 28<sup>th</sup> September, 2017**

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**V. REPORT OF THE DIRECTOR, KENYA WATER INSTITUTE**

I present the Kenya Water Institute Annual Report and Financial Statements for the financial year ended 2016/2017. During this period, the Institute faced a number of challenges but majorly financial. Nonetheless, I am pleased to report that KEWI Management handled these challenges well through planning and prudent utilisation of the available resources namely; Human Resource, Systems, Financial, Physical Facilities and the technical backstopping of the parent Ministry.

**Financial Results:**

The Institute during the year that has just ended experienced a number of challenges majorly due to insufficient direct GoK budgetary allocations.

The Institute received Ksh. 143,880,000 for recurrent budget and Ksh. 51,000,000.00 for Development budget. The Institute generated Ksh. 164,049,235 in Appropriation in Aid (AiA) compared to the previous year where Ksh. 124,380,735 was generated. This translates into 30% increase in AiA generation.

**Future Outlook:**

Over the years KEWI has been unable to sufficiently enhance its human resources capacity in terms of numbers, programmes and infrastructure in order to effectively fulfil its mandate of capacity building, training, research and consultancy in the water sector. This has been due to inadequate budgetary allocation from the National Treasury. For instance, in the period under review, KEWI received direct GoK budgetary allocation of Ksh. 171,880,000 as expected and a further Kes. 20,000,000 from the Equalization Fund for the construction of KEWI Chiakariga Campus and an additional Kes. 3,000,000 as a grant to carry out Non–Revenue Water training, besides generation of Kes 164,049,235 internally.

KEWI plans to initiate a number of projects, programmes and activities with an aim of diversifying her revenue streams so as to reduce the financing gap. As it had been anticipated that by the close of the 2<sup>nd</sup> quarter KEWI would have completed the construction of the Water Resource Centre (WRC), this did not happen due to financial challenges, this in turn has affected the capacity of the institute to generate more AiA to support operation and maintenance.

Other programmes aimed at enhancing service delivery include the establishment of e-learning infrastructure, curriculum review and development, development of training and learning facilities in Kisumu, Kitui and Chiakariga campuses, and the initiation of programmes in other counties as stated in the KEWI's Strategic Plan 2016-2020.

It is envisaged that these projects and programmes will strengthen KEWI's revenue centres thus reducing her over reliance on the exchequer.

**Acknowledgement:**

I would like to thank the Government through the Ministry of Water and irrigation for the continued financial support to KEWI. My heartfelt gratitude goes the Cabinet Secretary, Ministry of Water and irrigation and the Principal Secretary for their tireless support. I would

KENYA WATER INSTITUTE

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like to thank the Governing Council for their leadership and direction. I appreciate the contribution made by our development partners and other stakeholders in order to improve KEWI. To the management team, employees, students and guardians: I appreciate your cooperation and ideas, which have led to improved performance in service delivery during the year.

It is my sincere hope that you will all continue supporting KEWI in the coming years as she endeavours to deliver training, research, consultancy and outreach service in the water sector.



**Leunita A. Sumba PhD.**  
**Director Kenya Water Institute**  
**28th September, 2017**

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## VI. CORPORATE GOVERNANCE STATEMENT

The Institute's governance, control and administration are vested in the Governing Council, whose members are nominated by the Cabinet Secretary in charge of water and is composed of Government representatives from key Ministries and independent members drawn from different but relevant professional fields. The Governing Council is responsible for ensuring that Kenya Water Institute embraces and upholds good corporate governance and practices. The Council is accountable to Government through the Ministry of Water and Irrigation and is responsible for ensuring that the Institute complies with the highest standards of corporate governance and business ethics. The activities in the Institute are conducted with integrity and in accordance with generally accepted corporate practice and principles.

The Governing Council was in place during the start of the reporting period. The Governing Council ensured that corporate governance and good business ethics were practised at all times during the reporting period. This enabled the Management to deliver on the Institute's strategic objectives and maintain effective control of the financial, operational and compliance issues.

KEWI Act did not have the appointment of the Governing Members staggered to allow for proper succession but during the review of the Act that is ongoing that issue has been taken care off.

During the reporting period KEWI did not council charter, this was because the Government has instituted Mwongozo

The Council members in place did not earn a salary except the chair who earns honoraria of Ksh. 80,000 per month. The other council members only benefits from sitting allowances and out of pocket whenever they are on official duty out of station.

The appointment and removal of the Governing Council members is guided by the provision in the KEWI Act 2001 Para 5

The Governing Council has the following role and functions:

Subject to the KEWI Act, the governance, control and administration of the Institute shall vest in the Council.

Without prejudice to the generality of subsection (1), the Council shall have power to-

- a. Formulate, with the approval of the Minister, policies pertaining to the Organization, management and implementation of the objects of the Institute;
- b. Administer the property and funds of the Institute in such manner and for such purposes as shall best promote the interests of the Institute: Provided that the Council shall not charge or dispose of the immovable Property of the Institute without the approval of the Minister;
- c. Receive, on behalf of the Institute, donations, endorsements, gifts, grants or other monies and to make legitimate disbursements there from;
- d. Borrow, generate and raise funds for the purposes of the Institute;

KENYA WATER INSTITUTE

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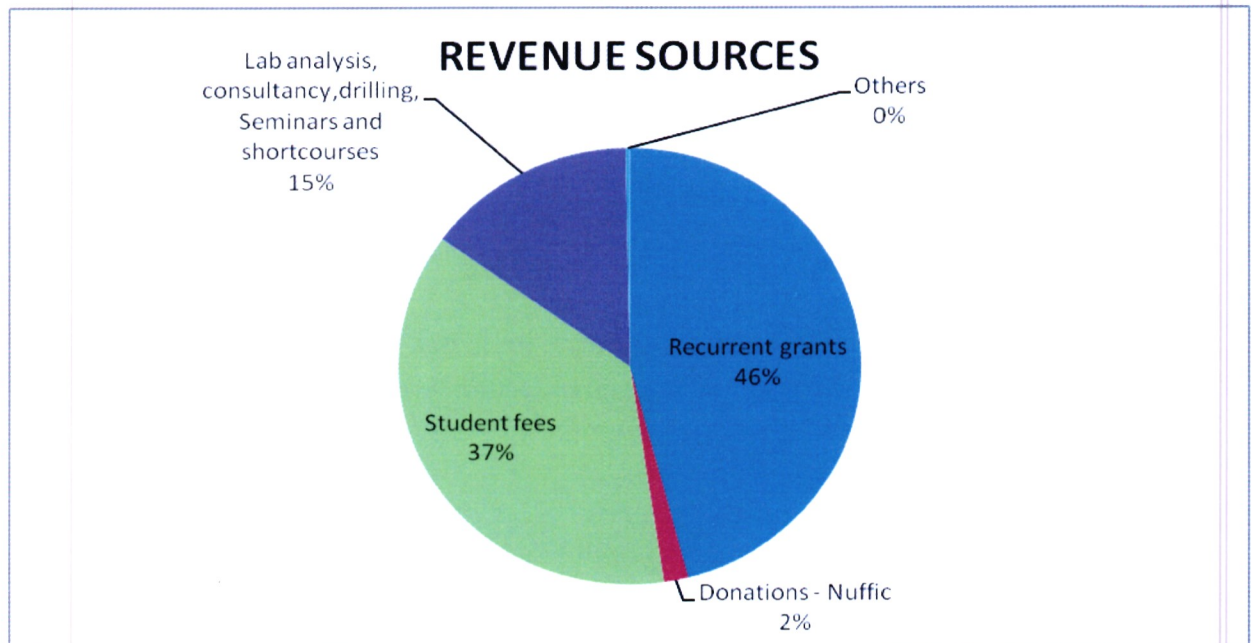
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- e. Appoint suitable academic staff for the Institute upon such terms and Conditions as it may determine;
- f. Receive reports from the Director or any officer of the Institute in respect of financial and other circumstances of the Institute and to direct any action to be taken by the Director or any officer of the Institute; and
- g. Do or perform anything or any other act for the better carrying out of the purpose of this Act.

Induction and training - All the governing council member were inducted and members of the Audit and Risk committee have received training in Audit and Risk

**VII. MANAGEMENT DISCUSSION AND ANALYSIS**

Traditionally, the Institute has relied on grants from the Government to support its activities. Recurrent grants contribute to 46% of the total revenue during the financial year 2016/17. This is followed by fees from the students at 37%. The Management has taken cognizance of the fact that these two sources cannot sustain the operation of the Institution. The inflow of grants has continued to dwindle while the Institute has continued to expand both in terms of the students' intake and geographical coverage. Most of the students come from economically disadvantaged families hence increasing school fee to support them is not tenable. This has forced the Management to introduce pro-poor interventions to accommodate the students. Analysis of revenue by sources is given below



In order to deliver her mandate within the aforementioned macro-economic environment, the Management has embarked on programmes aimed at raising revenue through commercial engagements. This include up scaling the drilling services, constructing an ultra- modern complex for conference facilities , engaging the industry to tailor made their training needs and offer short courses and grant writing and consultancy in the industry.

This will reverse the worrying trend for the last 3 years where the Institute financial performance has been on deficits

The institute for the last 6 years was undertaking consultancy and other vatable services yet it did not charge VAT since it was not registered as a VAT agent. This attracted a tax penalty of Kes 51 Million. The Management has disputed the amount and is engaging KRA on how to clear the agreed amount.

## VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KEWI defines Corporate Social Responsibility as the business strategy that defines the values underpinning the Institute's mission and the choices made each day by its staff as they engage with society. We believe in maximizing benefit of the resources bestowed to us, being accountable in whatever we do and responsive to stakeholders.

Our corporate social responsibility (CSR) encompasses the economic, environmental and social aspects of our business.

Under our economic view of CRS, we ensure costing of our products like charging college fee, drilling of boreholes and offering consultancy in the water sector is set at a point that does not exclude the under privileged. It will also be noted that KEWI takes sharing of water knowledge as a moral obligation as such creating an environment that allows wide spread of the same is key to its operations. This in essence has become the foundation of KEWI's programming which is rooted in corporate social responsibility principle.

Environment- KEWI being a training and research institution for the water sector, sustainable management of the water resource is the backbone of the institute, our training programmes on water resource management is specifically designed to enable the trainees acquire the knowledge of managing the water resources sustainably.

Our social aspect of CSR in KEWI places emphasis on Responsibility and Accountability. KEWI take the issue of CSR seriously as evidenced in our daily dealings, for instance when an employee is dealing with customer(s) the Institution expects him/her to behave in an honest and ethical manner. In that regard the issue of corporate social responsibility is quickly moving from a "nice to have" to an "absolutely must have."

As KEWI's mandate is to offer training, research, consultancy and outreach most of our specific CRS activities revolve around the water and natural resources, as will be seen from some of the activities undertaken and mention below;

Every year the institute has always undertaken servicing of community boreholes in selected ASAL areas like Taraka Nithi with an aim of working with communities on repairing key sources of their livelihood and at the same time transferring knowledge and or developing vital skills. KEWI also on annual basis participates in the Ndakaini marathon, cleaning of the rivers banks and the general surroundings in areas we operate. Most of these activities are made possible through partnerships and collaborations

KEWI has also a mentorship programme, this programme targets school going girls, with an aim of mentoring them to be responsible students. The key focus of the programme is on encouraging girls to take science subjects, this was informed by the hitherto stereotype believe of science subjects/ courses being a preserve of men.

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**IX. REPORT OF THE DIRECTORS**

The Governing Council Members submit their report and the Financial Statements for the year ended 30th June 2017, which show the state of Institute's financial affairs.

**1. Principal activities**

The principal activities of the Institute are to provide quality Training, Research, Consultancy and Outreach Services.

**2. Results**

The results of the Institute for the year are set out on pages 1 to 2

**3. Reserves**

The movements in the Institute's reserves are as shown on page 3

Director/ Governing Council Members who served during the year and to the date of this report were:

S/No	Name	Organization	Appointment Date	Designation
1	Col. Benjamin Muema	Independent	Appointment Date - 22.1.2016	Chairperson
2	Prof. Wilson M. Ngecu	Professional bodies	Appointment Date - 20.2.2015	Member
3	Dr. Christopher Munyao Nyamai	University of Nairobi	Appointment Date - 20.2.2015	Member
4	Ms. Catherine A. Mwangi	Kenya Water for Health Organization (Independent)	Appointment Date - 20.2.2015	Member
5	Ms. Lilian Janice Plapan	Chair of African Coalition on Traditional Practices (Independent)	Appointment Date - 20.2.2015	Member
6	Mr. David Kamene M'alaine	Bwathonaro Water Users Association (Independent)	Appointment Date - 20.2.2015	Member
7	Ms. Lesley Khayadi	Ministry of Devolution and Planning	Appointment Date - 20.2.2015	Alternate Member
8	Mr. Seth Odhiambo	National Treasury	Appointment Date - 20.2.2015	Alternate Member
9	Eng. Samuel O. Alima	Ministry of Water & Irrigation	Appointment Date - 20.2.2015	Member

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10	Dr. Leunita A. Sumba	KEWI	Appointment 20.2.2015	Date	-	Secretary to the Governing Council
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**4. Auditors**

The Auditor General, as amended by the new Constitution of Kenya, commenced audit of the Institute's accounting records in accordance with the Public Audit Act of 2003.

**X. STATEMENT OF GOVERNING COUNCIL RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 13 of the Kenya Water Institute Act, 2001 require the Governing Council to prepare financial statements in respect of that Institute, which give a true and fair view of the state of affairs of the Institute at the end of the financial year and the operating results of the Institute for that year. The Governing Council are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Governing Council are also responsible for safeguarding the assets of the Institute.

The Governing Council is responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute; 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; safeguarding the assets of the Institute; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Governing Council accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kenya Water Institute Act, 2001. The Governing Council is of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended June 30, 2017, and of the Institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute'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 Institute 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 Institute's financial statements were approved by the Board on 27<sup>th</sup> September 2017 and signed on its behalf by:



**Col. Benjamin Muema**  
**Chair, Governing Council**  
**28<sup>th</sup> September, 2017**

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### **AUDIT REPORT OF THE AUDITOR-GENERAL ON KENYA WATER INSTITUTE (KEWI) FOR THE YEAR ENDED 30 JUNE 2017**

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#### REPORT ON THE FINANCIAL STATEMENTS

##### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Water Institute (KEWI) set out on pages 1 to 23, which comprise the statement of financial position as at 30 June 2017, 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, and Section 14(2) of the Kenya Water Institute Act, 2001. 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 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 Kenya Water Institute as at 30 June 2017, 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 Kenya Water Institute Act, 2001 (revised 2012) and the State Corporations Act, Cap 446 of the laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Other Matter section of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me believe that public money has not been applied lawfully and effectively.

##### **Basis for Qualified Opinion**

###### **1. Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.1,559,220,216 as at 30 June 2017. Further, the Institute has included in its statement of financial position and records in note 17A, land valued at a total of Kshs.1,044,642,000. However, the Institute has not secured the land by obtaining valid title deeds for the different parcels of land.

In addition, the Kisumu land has a document indicated as Certificate of Title in the name of another Institution, while the land at Nairobi (South C) has only an allotment letter. The land in Kisumu was purchased in the financial year 2013/2014. However, the Management does not have in their custody, the relevant documents necessary to support the purchase such as;- official search document, transfer form duly executed, survey plan of this land, letter of consent from the Commissioner of Lands or Land Control Board whichever is applicable, application of consent that approved the transfer, valuation report for stamp duty purposes and receipts of all the various levies including stamp duty paid for purposes of this transfer and the sale agreement duly executed.

Further, the Management has not maintained a fixed asset register to indicate the cost/valuation, acquisition period, location and point of use, and safety of the fixed assets. In the circumstances, it has not been possible to confirm the accuracy, ownership, custody, safety and completeness of property, plant and equipment balance of Kshs.1,559,220,216 as at 30 June 2017.

## **2. Receivables**

### **2.1 Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions of Kshs.67,119,264 as at 30 June 2017 (Kshs.50,131,639 for 2015/2016). This includes a long outstanding debt (over 90 days) of Kshs.53,345,092 relating to trade receivables. Further, the amount includes student receivables balance of Kshs.40,826,061 which is doubtful since some of the students left the institute over three years ago.

### **2.2 Receivables from Non-Exchange Transactions**

Further, included in the statement of financial position are receivables from non- exchange transactions of Kshs.17,685,000 as at 30 June 2017 (Kshs.9,604,616 for 2015/2016), an increase of 46 % after a bad debts provision of Kshs.7,185,299 that is not supported. An amount of Kshs.10,359,079 represents net staff receivables aged over 90 days.

In the circumstances, it has not been possible to confirm the correctness and recoverability of the total receivables balance of Kshs.84,804,264 as at 30 June 2017.

## **3. Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.34,031,793 as at 30 June 2017. However, the financial statements cash and cash equivalents in note 14 relating to Kenya Commercial Bank Current Account balance of Kshs.13,712,028 whose bank reconciliation was not produced for audit review.

Consequently, it has not been possible to confirm the accuracy and completeness of cash and cash equivalents balance of Kshs.34,031,793 as at 30 June 2017.

#### **4. Irregular and Illegal Paid Salaries**

During the audit under audit, the Institute incurred Kshs.164,289,439 as employee costs and one employee who served as a senior lecturer (Job group KW4) was seconded on February, 2016 to a position of Ag. Chief Executive Officer, for UNESCO category II. However, the Institute continued to pay the salary for the seconded staff and as at 30 June 2017, he had been paid a total of Kshs.2,595,920 despite the fact that he was no longer serving the Institute. The Institute therefore irregularly and illegally paid him for no services received.

Consequently, it has not been possible to confirm the accuracy and validity of the employees cost of Kshs.164,289,439 as at 30 June 2017.

#### **5. Unvouched Expenditure**

During the year under review, the Institute spent Kshs.142,816,736 on general expenses. However, payment vouchers totaling Kshs.15,942,138 were not made available for audit review.

As a result, it has not been possible to confirm the accuracy and completeness of general expenses balance of Kshs.142,816,736 as at 30 June 2017.

#### **6. Trade and Other Payables**

Trade payables balance of Kshs.66,532,237 was outstanding as at 30 June 2017. However, the schedule of creditors made available for audit review lacked crucial information such as, goods supplied or service rendered, invoice numbers, delivery notes, receipts among others to authenticate the payables. Further, ageing schedule of the payables was not prepared to show how long the amounts have been outstanding and the likely effect to the financial statements presented for audit.

In consequence, it has not been possible to confirm the accuracy and completeness of trade and other payables balance of Kshs.66,532,237 as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Water Institute in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are most significant in the audit of the financial statements. Except for the matters described in the Basis for

Qualified Opinion and Other Matter sections of my report, I have determined that there are no other Key Audit Matters to communicate in my report.

## **Other Matter**

### **1. Financial Performance**

The statement of receipts and payments indicates a deficit of Kshs.52,441,295 (Deficit 2016: Kshs.70,225,712) as at 30 June 2017. No explanation has been provided for the huge accumulating deficit that impacts negatively on service sustainability by the Institute.

### **2. Comparative Budget and Actual Amounts**

The Institute's development budget (Appendix 1) was Kshs.51,000,000 against an expenditure of Kshs.1,706,814 representing only about 3.3 percent of the budget. The reason given for the huge under-expenditure is delay in completing the procurement process and failure to pay the contractor for the Water Resource Centre due to a dispute in the valuation of the works. However, by the close of the financial year, the Institute only had a balance of Kshs.34,031,793 as cash and cash equivalents, implying that part of the development budget had already been used in other programmes. No explanation has been provided on when and how development budget for the year in review is to be implemented.

### **3. Financial Statements (Entity Information and Management)**

The International Public Sector Accounting Standards Board requires entities to present additional information about the entity and management, including compliance with legislative, regulatory and other-externally-imposed regulations.

The Institute has not included such other information in its financial report:

- i) Details of the roles played by the fiduciary oversight bodies, including membership, attendance of meetings and how their mandated was executed in the year under review, have not been given
- ii) The corporate governance statement has no details of
  - a. The number of board meetings held and attendance
  - b. The succession plan
  - c. The Institute Charter
- iii) The management discussion and analysis section has not captured the extent of performance in the year under review in relation to the Institute's mission: To offer competency-based training, research, consultancy in water, sanitation, irrigation and related sectors.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Institute's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting. Unless management either intends to liquidate the Institute, or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

## **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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 of Kenya. 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 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

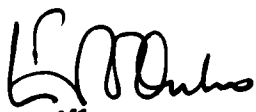
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance and for the purpose of giving an assurance on the effectiveness of the Institute's 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 Institute's ability to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to sustain services
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute 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.



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

**Nairobi**

**03 October 2018**

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2016/2017 Kshs	2015/2016 Kshs
<b>Revenue from non exchange transactions</b>			
Government grants & Other Donations	4	149,283,162	225,004,046
		<b>149,283,162</b>	<b>225,004,046</b>
<b>Revenue from exchange transactions</b>			
Rendering of services	5	163,079,881	123,219,708
Rental revenue from facilities and equipment	6	776,450	711,345
Other income	7	192,904	449,682
		<b>164,049,235</b>	<b>124,380,735</b>
<b>Total revenue</b>		<b>313,332,397</b>	<b>349,384,781</b>
<b>Expenses</b>			
Employee costs	8	164,289,439	179,755,611
Remuneration of Governing Council	9	12,840,153	10,322,380
Depreciation and amortization expense	10	27,641,817	31,271,289
Repairs and maintenance	11	14,072,466	10,796,086
Contracted services	12	4,113,081	4,902,442
General expenses	13	142,178,578	182,562,683
<b>Total expenses</b>		<b>365,135,535</b>	<b>419,610,493</b>
<b>Surplus(Deficit) for the Year</b>		<b>- 51,803,138</b>	<b>- 70,225,712</b>

The notes set out on pages 6 to 20 form an integral part of these Financial Statements

KENYA WATER INSTITUTE  



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ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

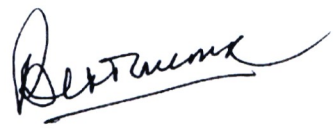
**XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	34,031,793	9,580,561
Receivables from exchange transactions	15A	67,757,421	50,131,639
Receivables from Non- exchange transactions	15B	17,685,000	9,604,616
Inventories	16	4,477,996	1,604,426
<b>Total Current Assets</b>		<b>123,952,209</b>	<b>70,921,241</b>
<b>Non-current assets</b>			
Property, plant and equipment	17A	1,559,220,216	1,585,155,219
Intangible assets	17B	-	-
Work In Progress	18	181,711,828	181,711,828
<b>Total Non- Current Assets</b>		<b>1,740,932,044</b>	<b>1,766,867,047</b>
<b>Total assets</b>		<b>1,864,884,253</b>	<b>1,837,788,288</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	19	66,532,237	34,158,943
Refundable deposits from students	20	5,007,000	6,809,200
Provisions for Audit fees		580,000	630,000
VAT Payable		-	1,168,536
Deferred income	21	7,114,938	9,766,007
<b>Total liabilities</b>		<b>79,234,175</b>	<b>52,532,686</b>
<b>Net assets</b>			
Capital Reserves		144,184,894	144,184,894
Revaluation Reserves		1,393,516,687	1,393,516,687
Revenue Reserves		195,405,883	247,554,021
Capital Fund		52,542,614	-
<b>Total net assets</b>		<b>1,785,650,078</b>	<b>1,785,255,602</b>
<b>Total net assets and liabilities</b>		<b>1,864,884,253</b>	<b>1,837,788,288</b>

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

  
**Leunita A. Sumba (PhD).**  
**28th September, 2017**  
**Director**

  
**Kennedy O. Riaga**  
**ICPAK Member Number: 8653**  
**28th September, 2017**  
**Head of Finance**

  
**Col. Benjamin Muema**  
**28th September, 2017**  
**Chair, Governing Council**

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Capital Reserves Kshs '000</b>	<b>Capital Funds Kshs '000</b>	<b>Revaluation Reserves Kshs '000</b>	<b>Revenue Reserves Kshs '000</b>	<b>Total Kshs '000</b>
<b>Balance as at 1st July 2015</b>	<b>144,184,894</b>	-	<b>1,393,516,687</b>	<b>317,779,733</b>	<b>1,855,481,314</b>
Revaluation	-	-	-	-	-
Gain(Loss)	-	-	-	(70,225,712)	(70,225,712)
Surplus/(deficit) for the period	-	-	-	-	-
Transfers to/from accumulated surplus	-	-	-	-	-
<b>Balance as at 30 June 2016</b>	<b>144,184,894</b>	-	<b>1,393,516,687</b>	<b>247,554,021</b>	<b>1,785,255,602</b>
Addition for the period	-	52,542,614	-	-	52,542,614
Adjustment for 2015/2016 rent	-	-	-	(345,000)	(345,000)
Surplus for the period	-	-	-	(51,803,138)	(51,803,138)
Transfers to/from accumulated surplus	-	-	-	-	-
<b>Balance as at 30 June 2017</b>	<b>144,184,894</b>	<b>52,542,614</b>	<b>1,393,516,687</b>	<b>195,405,883</b>	<b>1,785,650,078</b>

The first Kenya Water Institute audited accounts for the FY 2003/2004 shows that the original valuation of Kenya Water Institute Property, Plant and Equipment to the tune of Ksh. 141,627,439 was carried out by a valuation firm in the year 2000 and Ksh. 125,578,337 valuation by an inter-ministerial technical committee on transition of Kenya Water Institute to a Semi-Autonomous Government Agency. These valuations have been used to come up with the reported capital reserves of Ksh.144,184,894.

KENYA WATER INSTITUTE  


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ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**XV. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2016/17 Kshs	2015/16 Kshs
Cash flow from Operating Activities before changes in working capital			
<b>Net profit/(Loss) for the year</b>		- 51,803,138	- 70,225,712
Adjustment for Depreciation	10	27,641,817	31,271,289
Adjustment for 2015/2016 rent		- 345,000	
		<b>- 24,506,321</b>	<b>- 38,954,423</b>
<b>Changes in working capital</b>			
Increase in Receivables	15	- 25,706,166	69,289,070
Increase in Inventories	16	- 2,873,570	245,854
Increase in Payables	19/20/ 21	26,701,489	6,059,109
Net Cash flow generated from operating activities		<b>- 1,878,246</b>	<b>75,594,033</b>
<b>Cash flow from Investing Activities</b>			
Acquisition of Property, Plant and Equipment & WIP	17	- 1,706,814	- 103,981,424
Net Cash flow from investing activities		<b>- 1,706,814</b>	<b>-103,981,424</b>
Net Cash flow from financing activities		52,542,614	
Net Decrease in Cash and Cash equivalents		24,451,232	- 67,341,813
Cash and cash equivalents at the start of year		<b>9,580,561</b>	<b>76,922,374</b>
Cash and cash equivalents at end of year		<b>34,031,793</b>	<b>9,580,561</b>

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2016/2017**

		Budget	Actual			Explanat on of material variance
	Note		30th June 2017 Kshs	Variance  Kshs		
<b>Revenue</b>						
Government grants and Other Donations	4	140,880,000	149,283,162	8,403,162	6%	
Rendering of services	5	143,374,000	163,079,881	19,705,880	12%	a)
Rental revenue from facilities and equipment	6	800,000	776,450	- 23,550	-3%	
Other income	7	841,000	192,904	- 648,096	-336%	b)
<b>Total income</b>		<b>285,895,000</b>	<b>313,332,397</b>	<b>27,437,397</b>	<b>9%</b>	
<b>Expenses</b>						
Compensation of employees	8	180,900,000	164,289,439	16,610,561	10%	
Remuneration of Governing Council	9	16,000,000	12,840,153	3,159,847	25%	c)
Rent paid	13	2,900,000	2,400,000	500,000	21%	
Repairs and maintenance	11	8,900,000	14,072,466	-5,172,466	-37%	
Contracted services	12	4,300,000	4,113,081	186,919	5%	
General expenses	13	69,895,000	125,016,354	- 55,121,354	-44%	d)
<b>Non-Cash Expenses</b>						
Bad Debts	13	-	14,762,225			
Depreciation & Amortization	10	-	27,641,817			
<b>Total expenditure</b>		<b>282,895,000</b>	<b>365,135,535</b>	<b>- 82,240,535</b>	<b>-29%</b>	
<b>Surplus for the period</b>	-	<b>3,000,000</b>	<b>- 51,803,138</b>			

**Explanation of material variance**

- a) The variance is due to increase in number of students generally, a better portion of which turned to be boarders thus seeing an increase of both the tuition and the accommodation fees. On the same the drilling revenue also went up due to controls being implemented on the drilling activity.
- b) The other income is miscellaneous in nature. During the period, such activities were minimal, hence the negative variance.
- c) The positive variance in Governing Council remuneration was caused by cash flow challenges which led to reduction in Governing Council activities.
- d) The variance is due to increase in number of students generally, a better portion of which turned to be boarders thus seeing an increase of expenditure most specifically on food and rations and the accommodation related expenses. On the same the drilling activity attracted some expenses for it to generate the disclosed revenue. The movement too is due to unforeseen expenditure such as legal fees, which led to an over expenditure on the vote.

KENYA WATER INSTITUTE  

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**XVII. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Kenya Water Institute (KEWI) was established by and derives its authority and accountability from Kenya Water Institute Act No. 11, 2001. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Institutes' principal activity is to provide directly or in collaboration with other institutions of higher learning services in human resource development, consultancy, research and development, training programmes, seminars and workshops in the water sector on a commercial basis and to conduct examinations and award diplomas, certificates and other awards to successful candidates.

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

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

The financial statements have been prepared on the basis of historical cost modified to include the revaluation of certain classes of assets and estimation of extra useful life of the fully depreciated assets unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

**3. ADOPTION OF NEW AND REVISED STANDARDS**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 33:</b> First time adoption of Accrual Basis IPSAS	Kenya Water Institute adopted International Public Sector Accounting Standards in the year ended 30 <sup>th</sup> June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the Institute.
<b>IPSAS 34:</b> Separate Financial Statements	Kenya Water Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
<b>IPSAS 35:</b> Consolidated Financial Statements	Kenya Water Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply
<b>IPSAS 36:</b> Investments in Associates and Joint Ventures	Kenya Water Institute does not have investments in associates or joint ventures.
<b>IPSAS 37:</b> Joint Arrangements	Kenya Water Institute does not have an interest in a joint arrangement and therefore the standard does not apply.
<b>IPSAS 38:</b> Disclosure of Interests in Other Entities	Kenya Water Institute does not have any interests in other entities and therefore the standard does not apply.

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a) Revenue from exchange transactions

**Rendering of services** - fees represent invoiced value of services rendered during the year in relation to training, consultancy and miscellaneous revenue taking care of the deferred income. However, this revenue is recognized on accrual bases.

**Other Income** – This constitutes miscellaneous, sale of tender and surcharges. These are revenues that do not recur and are not earned from the Institute’s core activities. They are recognized when earned.

**Rental revenue from facilities and equipment** – This is revenue earned from hiring out conference halls, grounds and rental income from staff houses. This revenue is recognized when earned.

##### *Inter-Entity Transfers*

Entity	Disbursement	Development	Recurrent	Date
Ministry of Water & Irrigation	23,480,000.00	-	23,480,000.00	12/9/2016
Ministry of Water & Irrigation	7,750,000.00	7,750,000.00	-	11/10/2016
Ministry of Water & Irrigation	4,220,000.00	-	4,220,000.00	18/11/2016
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	9/11/2016
Ministry of Water & Irrigation	7,750,000.00	7,750,000.00	-	17/11/2016
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	7/12/2016
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	4/1/2017
Ministry of Water & Irrigation	7,750,000.00	7,750,000.00	-	24/2/2017
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	3/2/2017
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	9/3/2017
Ministry of Water & Irrigation	4,220,000.00	-	4,220,000.00	7/4/2017
Ministry of Water & Irrigation	3,300,000.00	-	3,300,000.00	7/4/2017
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	7/4/2017
Ministry of Water & Irrigation	20,000,000.00	20,000,000.00	-	9/4/2017
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	8/5/2017
Ministry of Water & Irrigation	7,750,000.00	7,750,000.00	-	8/5/2017
Ministry of Water & Irrigation	3,000,000.00	-	3,000,000.00	8/5/2017
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	9/6/2017
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	30/6/2017
<b>Total</b>	<b>194,880,000.00</b>	<b>51,000,000.00</b>	<b>143,880,000.00</b>	

**Recurrent grants have been recognized as income while development grants recognized as a capital fund.**

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**b) Budget information**

The original budget for FY 2016-2017 was approved by the National Assembly. 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Institute recorded additional appropriations of Ksh. 104 Million the 2016-2017 budget following the governing body's approval. Additionally, the Institute received Ksh. 20 Million through a Presidential directive for construction of an administration block at KEWI Chiakariga campus.

The Institute'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 on page 5 of these financial statements.

**c) Revenue from exchange transactions**

These are revenues received from non- arms- length transactions. They include Recurrent and Development grants from the Government, as well as, donations from development partners. These are recognized when received.

**d) Employee Benefit**

The Institute has sponsored a defined contribution pension scheme for permanent staff whereby it contributes 15% while the employees contribute 7.5% of the basic salary. For employees on contract, the Institute pays gratuity at the expiry of the contract, which is calculated at the rate of 31% of the basic salary. The Institute has a medical cover for all permanent employees.

**e) Property, Plant and Equipment**

Kenya Water Institute property, plant and equipment are stated at cost less accumulated depreciation and amortization losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is

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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 the statement of financial performance as and when incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

.Depreciation and amortization is calculated on a straight-line basis at annual rates estimated to write off carrying values of the assets over their expected useful lives at the rates below:

Buildings	2.00%
Plant and Equipment	12.50%
Furniture	10.00%
Motor Vehicles	20.00%
Computers	30.00%
Software	20.00%

**d) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, The Institutes Bank account balances include amounts held at the Kenya Commercial Bank at the end of the financial year 2016/2017

**e) Research and development costs**

Kenya water Institute expenses research costs as and when incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- Its intention to complete and its ability to use the asset
- How the asset will generate future economic benefits or service potential

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 statement of financial performance.

**f) Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost comprises expenditure incurred in the normal course of business, including direct material costs on a weighted average basis. Net realizable value is the price at which the stock can be realized in the normal course of business after allowing for the costs of the realization and, where appropriate, the cost of conversion from its existing state to a realizable condition. Provision is made for obsolete, slow moving and defective stocks as and when determined.

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**g) Receivables**

These are comprised of; receivables from exchange transactions, that is, trade receivables and prepayments; and receivables from non exchange transactions - staff receivables. The receivables are aged into; 1-30, 31-60, 61-90 and > 90 days. They are recognized when earned and accounted for, net of provision for bad and doubtful debts.

**h) Bad and doubtful debts**

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success. The institute's policy on provision for bad debts is 15%, 20%, 25% and 35% for debts aged, 1-30, 31-60, 61-90 and > 90 days respectively.

**i) Deferred Income**

The Institute defers incomes that have been received but not yet earned.

**j) Refundable Deposits from Students**

This constitutes the amounts held by the Institute on behalf of students in the form of medical funds and caution money. The students are allowed to access the medical funds, to a limit of the amount contributed per semester, only if they fall sick. These deposits are refundable on completion of the course.

**k) Subsequent events**

The Institute is committed to making disclosures for any significant changes that occur after the closure of the financial period, that are likely to influence decision making.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

- a) The Government will continue the budgetary support to the Institute will still be demanded by the entire water sector.
- b) The macroeconomic environment will be conducive for the Institute to continue discharging her mandate.
- c) The Kenya Water Institute legislation that is proposed will be enacted and will include training levy fee in the water sector.
- d) There shall be a continued demand for Kenya Water Courses and programs in the water sector.

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**6. RELATED PARTIES**

The institute is wholly owned and controlled by the government. Hence, no subsidiaries and directors do not have shares.

Details of other related parties are as follows;

**a) National Government**

The institute is under the Ministry of Water and Irrigation and a grants of Ksh. 194,880,000 were received; recurrent grant of Ksh. 143,880,000 and development grant of Ksh. 51,000,000. Besides, the Ministry sponsor their technical staff to be trained in the Institute.

**b) County Governments**

The institute actively trains the technical staff of water companies from the County Governments. In addition, the counties sponsor students on long term courses. Kenya Water Institute offers consultancy and outreach programmes to the same institutions mentioned above, the main client being the Nairobi City Water and Sewerage Company, Taita Taveta and Turkana County Governments.

**c) Governing Council**

This is the body entrusted with the overall management of the institute. The members do not earn a salary except the chair who earns honoraria of Ksh. 80,000 per month. The other council members only benefits from sitting and other applicable allowances.

	2016/2017 Kshs	2015/2016 Kshs
Remuneration of Governing Council	12,840,153	10,322,380

**d) Senior Management**

Out of the employees cost of Ksh. 154,458,142, the 7 senior management members get a share of 12%.

**4. Revenue from non exchange transactions**

	2016-2017 Kshs	2015-2016 Kshs
Development Grants - Capital(Ministry of Water & Irrigation)	-	90,000,000
Personal Emoluments (Ministry of Water & Irrigation)	143,880,000	132,804,046
Other Donations (Kitui CDF in Kitui County & NUFFIC)	5,403,162	2,200,000
<b>Total</b>	<b>149,283,162</b>	<b>225,004,046</b>

**5. Rendering of services**

	2016-2017 Kshs	2015-2016 Kshs
Tuition fees - Students	73,452,275	65,450,697
Registration fees-500004	462,600	386,500
ID Card	462,900	388,700
Examination Fee-500007	7,491,330	6,399,530
Accomodation-500001	31,529,430	29,384,400

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Kitchen Cash Sales	673,850	746,825
Graduation fees	802,000	593,000
Student Refers	839,750	676,950
Students lunch fee	198,250	301,850
Lab analysis	1,096,950	794,526
Consultancy fee	2,075,070	730,180
Application fee	969,350	437,000
Seminars and Workshops	2,857,774	2,814,328
Short Courses	11,281,896	12,081,862
Drilling Revenue	28,882,456	2,033,360
Activity fee	4,000	-
<b>Total</b>	<b>163,079,881</b>	<b>123,219,708</b>
<b>6. Rental revenue from facilities and equipment</b>		
Hire of Conference Facilities	<b>776,450</b>	<b>711,345</b>
<b>7. Other Revenues</b>		
Miscellaneous Income	159,234	385,510
Sale of Tender Documents	8,000	5,000
Library fines and Staff Surcharges	25,670	59,172
<b>Total</b>	<b>192,904</b>	<b>449,682</b>
<b>8. Employee costs</b>		
Salaries & Wages	150,828,055	166,283,228
Pension & Gratuity	13,461,384	13,472,383
<b>Total</b>	<b>164,289,439</b>	<b>179,755,611</b>
<b>9. Remuneration of Governing Council</b>		
Chairman's Honoraria	960,000	800,000
Other allowances	11,880,153	9,522,380
<b>Total Governing Council Emoluments</b>	<b>12,840,153</b>	<b>10,322,380</b>
<b>10. Depreciation and amortization expense</b>		
Property, plant and equipment	27,641,817	29,415,941
Intangible assets	-	1,855,348
<b>Total depreciation and amortization</b>	<b>27,641,817</b>	<b>31,271,289</b>
<b>11. Repairs and maintenance</b>		
Maintenance of Motor vehicles	3,107,181	4,140,769
Maintenance of computers	1,137,186	96,005
Maintenance of buildings & stations	8,788,112	4,587,873
Maintenance of office furniture	30,000	19,601
Maintenance of Plant & machinery	1,009,987	1,774,539
Refurbishment of buildings	-	177,300
<b>Total</b>	<b>14,072,466</b>	<b>10,796,086</b>

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**12. Contracted services**

Contracted Guards	4,113,081	4,899,122
Contracted Technical Services	-	3,320
<b>Total</b>	<b>4,113,081</b>	<b>4,902,442</b>

**13. General expenses**

Electricity	6,319,176	7,602,101
Water & Connections	2,258,187	2,871,309
Gas Expenses	1,877,395	2,853,573
Telephone Expenses	1,121,819	1,932,177
Internet Connections	4,216,041	2,252,915
Postal & Courier	64,835	114,377
Travel Costs-Domestic	464,423	3,000
Accommodation-Domestic	422,872	613,215
Daily Subsistence-Domestic	11,015,064	12,576,305
Travel Costs(Airlines)-Foreign	364,893	374,570
Accommodation-Foreign	-	203,669
Daily Subsistence Allowance- Foreign	1,019,624	2,063,448
Publishing & Printing	800,630	577,847
Subscription To Newspapers	90,740	381,663
Advertising	1,815,166	4,558,640
Trade Shows	646,928	211,610
Payment of Rent & Rates	2,400,000	3,725,848
Training Expenses	137,810	58,774
Graduation Expenses	1,010,319	-
Catering Expense	2,959,512	2,808,757
Group Personal Insurance	666,803	9,600
Plant, Equipment & Machinery Insurance	1,576,367	-
Motor Vehicle Insurance	1,077,122	1,051,236
Medical Insurance	11,770,660	14,422,360
Fungicides	385,136	282,470
Purchase of W/Shop Tools	528,765	223,790
Lab Materials & Supplies	688,275	762,313
Education & Lib Supplies	128,100	281,150
Food & Rations	24,326,742	11,509,461
Purchase of Staff Uniforms	182,253	33,414
Purchase of Beddings	40,000	99,450
General Office Supplies	4,264,825	1,115,860
Supplies & Accessories	317,829	815,013
Sanitary & Cleaning Materials	1,791,547	877,571
Refined Fuels - transport	2,440,685	3,610,436
Other fuels	42,700	141,125
Bank Charges	482,316	569,355
Membership Fees, Dues	629,745	366,150
KETISA	1,352,855	-
NUFFIC Expenses	4,415,429	-

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Legal Fees	3,870,000	-
Audit Fees	650,000	630,000
Bad Debts	14,762,225	82,466,164
Research Expenses	454,704	4,110,222
Pre-Feasibility	8,867,345	6,588,954
Capacity Building	63,450	3,926,420
Drilling Expense	17,397,267	2,886,371
<b>Total</b>	<b>142,178,578</b>	<b>182,562,683</b>
<b>14. Cash and cash equivalents</b>		
Account with Kenya Commercial Bank-current	13,712,028	7,014,099
Account with Kenya Commercial Bank-savings	118	114,865
Account with Kenya Commercial Bank -guarantee	551,242	-
Account with Kenya Commercial Bank -Project Account	19,578,231	2,451,597
Cash in Hand	190,174	-
<b>Total</b>	<b>34,031,793</b>	<b>9,580,561</b>
<b>15A. Receivables from exchange transactions</b>		
Trade Receivables	97,981,040	65,091,227
Less: Prov. For bad debts	- 31,254,126	- 19,708,792
Net Receivables	66,726,914	45,382,435
Prepayments	1,030,507	4,749,204
<b>Total</b>	<b>67,757,421</b>	<b>50,131,639</b>
<b>15B. Receivables from Non- exchange transactions</b>		
Staff Receivables	24,870,299	13,573,023
Less: Prov. For bad debts	-7,185,299	- 3,968,408
<b>Net Receivables</b>	<b>17,685,000</b>	<b>9,604,616</b>
<b>16. Inventories</b>		
Main Campus	2,674,643	1,050,079
Chiakariga Campus	1,708,490	526,800
Kitui Campus	94,863	27,547
<b>Total</b>	<b>4,477,996</b>	<b>1,604,426</b>

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**17A. Property, plant and equipment**

Cost	Land	Buildings	Motor vehicles	Furniture and fittings	Plant and Equipment	Computers	Total
	Kshs		Kshs	Kshs	Kshs	Kshs	Kshs
<b>At 1 July 2015</b>	<b>1,044,642,000</b>	<b>485,738,475</b>	<b>17,700,000</b>	<b>9,575,397</b>	<b>42,064,919</b>	<b>10,187,060</b>	<b>1,609,907,851</b>
Additions	-	-	6,000,000	-	40,790,027	1,968,819	48,758,846
Disposals	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
<b>At 30 June 2016</b>	<b>1,044,642,000</b>	<b>485,738,475</b>	<b>23,700,000</b>	<b>9,575,397</b>	<b>82,854,946</b>	<b>12,155,879</b>	<b>1,658,666,697</b>
Additions	-	1,562,614	-	-	144,200	-	1,706,814
Disposals	-	-	-	-	-	-	-
<b>At 30 June 2017</b>	<b>1,044,642,000</b>	<b>487,301,089</b>	<b>23,700,000</b>	<b>9,575,397</b>	<b>82,999,146</b>	<b>12,155,879</b>	<b>1,660,373,511</b>
<b>Depreciation</b>							
<b>At 1 July 2015</b>	-	<b>19,429,540</b>	<b>7,080,000</b>	<b>1,819,140</b>	<b>9,975,637</b>	<b>5,791,221</b>	<b>44,095,537</b>
Depreciation	-	9,714,770	4,740,000	957,540	10,356,868	3,646,764	29,415,941
On Disposals	-	-	-	-	-	-	-
<b>At 30 June 2016</b>	-	<b>29,144,309</b>	<b>11,820,000</b>	<b>2,776,679</b>	<b>20,332,505</b>	<b>9,437,985</b>	<b>73,511,478</b>
Depreciation	-	9,746,022	4,740,000	957,540	10,374,893	1,823,362	27,641,817
<b>At 30 June 2017</b>	-	<b>38,890,331</b>	<b>16,560,000</b>	<b>3,734,219</b>	<b>30,707,398</b>	<b>11,261,347</b>	<b>101,153,295</b>
<b>Net book values</b>							
<b>At 30 June 2017</b>	<b>1,044,642,000</b>	<b>448,410,758</b>	<b>7,140,000</b>	<b>5,841,178</b>	<b>52,291,748</b>	<b>894,532</b>	<b>1,559,220,216</b>
<b>At 30 June 2016</b>	<b>1,044,642,000</b>	<b>456,594,166</b>	<b>11,880,000</b>	<b>6,798,718</b>	<b>62,522,441</b>	<b>2,717,894</b>	<b>1,585,155,219</b>
<b>Rates</b>	Nil	2%	20%	10%	12.50%	30%	

**NB: The computation of the depreciation charge for the computers for the financial year 2016/2017 is as per the following schedule since some of the computers had fully depreciated.**

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**Computer Cost**

Financial years	2013/2014	2014/2015	2015/2016	2016/2017
Revalued Amount/Cost	4,623,510	9,117,010	10,187,060	12,155,879
Additions during the year	4,493,500	1,070,050	1,968,819	-
<b>Total cost</b>	<b>9,117,010</b>	<b>10,187,060</b>	<b>12,155,879</b>	<b>12,155,879</b>

**Computation of the Depreciation charge for Computers at 30%**

Year of Depreciation	Year of Acquisition		Total
	2014/2015	2015/2016	
13/14	-	-	2,735,103
14/15	321,015	-	3,056,118
15/16	321,015	590,646	3,646,764
16/17	321,015	590,646	1,823,362
<b>Total</b>	<b>963,045</b>	<b>1,181,291</b>	<b>11,261,346</b>

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<b>17B. INTANGIBLE ASSETS</b>	<b>Kshs</b>	
<b>Cost</b>		
<b>At beginning July 2015</b>	<b>9,276,740</b>	
Additions	-	
<b>At end of June 2016</b>	<b>9,276,740</b>	
<b>At beginning July 2017</b>	<b>9,276,740</b>	
Additions	-	
<b>At end of June 2017</b>	<b>9,276,740</b>	
<b>Amortization</b>		
<b>At beginning of July 2015</b>	<b>9,276,740</b>	
Amortization	-	
<b>At end of June 2016</b>	<b>9,276,740</b>	
<b>At beginning of July 2016</b>	<b>9,276,740</b>	
Amortization	-	
<b>At end of June 2017</b>	<b>9,276,740</b>	
<b>Net Book Value</b>	-	
<b>Rate</b>	20%	
<b>18. WIP</b>		
Relates to Water Resource Centre, Mechanical Production Unit & Kitui Fencing		
WIP b/f	181,711,828	126,489,250
Additional WIP for the year	-	55,222,578
	<b>181,711,828</b>	<b>181,711,828</b>
<b>19. Trade and other payables from exchange transactions</b>		
Staff Payables	6,592,487	5,165,783
Student Payables	7,390,783	14,022,890
Trade Payables	39,927,477	9,952,538
Retention Fee	12,621,490	5,017,732
<b>Total</b>	<b>66,532,237</b>	<b>34,158,943</b>
<b>20. Refundable Deposits from Students</b>		
Caution Money	1,734,000	1,450,000
Medical funds	3,273,000	5,000,000
Welfare funds	-	359,200
<b>Total</b>	<b>5,007,000</b>	<b>6,809,200</b>
<b>21. Deferred Income</b>		
Tuition fee	4,917,590	6,436,740
Accommodation fee	2,197,348	3,329,267
<b>Total</b>	<b>7,114,938</b>	<b>9,766,007</b>
<b>22. Capital Fund</b>		
GOK Development Grants	51,000,000.00	-
Kitui CDF Donation - Building	1,542,614.00	-
	<b>52,542,614.00</b>	-

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**23. Prepayments**

<b>Vendor Name</b>	<b>Contract Period</b>	<b>Value</b>	<b>Remarks</b>	<b>Prepayments as at 30/6/17</b>
British American Insurance Company(K) Ltd.	12.02.17 to 13.2.2018	957,236	Motor Vehicle Insurance	638,157
Skillman Construction Ltd.	N/A	392,350	Retention fee	392,350
<b>Total</b>				<b>1,030,507</b>

**24.** The Construction Work in Progress of Ksh. 181,711,828 is in respect of Water Resource Centre, Mechanical Production Unit, and Kitui Campus Fencing. However, the value of a Construction in KEWI Chiakariga campus is not included since its value had not been determined by an expert as at the end of 30<sup>th</sup> June, 2017.

**25. Board Expenses**

Board expenses comprise of sitting allowance, Board Travel Expenses and Chairman's Honoraria

**26. Refundable Deposits from students**

This constitutes the amounts held by the Institute in form of students' medical funds and caution money.

**27. Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year

**28. Capital commitments**

Capital commitments this financial year are in respect of the following approved projects:

**Commitments**

	<b>Ksh</b>
a) Construction of Water Resource Centre	27,000,000
b) Expansion in Campuses	20,000,000
c) Geo-Information Centre	4,000,000
<b>Total</b>	<b>51,000,000</b>

**29. Currency**

The Institute financial statements have been presented in Kenya shillings (Ksh)

**30. Taxation:**

The Institute major source of income comprises of government grants. In addition, the Institute is a non-commercial entity, thus, exempt from paying corporation taxes. However, the Institute is a withholding agent for VAT, Withholding income tax and PAYE.

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**31. Government Grants:**

The government grants are recognized when realized and spread throughout the financial year. Recurrent grants constitute 46% of the Institutes revenue.

**32. Leave Pay:**

The leave allowances are recognized when the employees take the leave. There exist no material outstanding leave allowances to warrant alternative treatment.

**33. Contingent liabilities:**

The former Director Eng Mwalimu Musau has taken the Institute to court claiming damages of approximately Ksh. 39 Million for wrongful termination of employment. The case is pending determination in High court of Kenya.

Kenya Revenue Authority audited the Institute for the period July 2011 to June 2016 and assessed an amount of Ksh.51M – claimed to be outstanding tax. However, the Institute raised an objection which is yet to be settled.

**34. Composition, Nature, and Purpose of Reserves:**

The reserves comprise of accumulated revenue and capital reserves as set out in the Statement of changes in the Owners' Funds.

**35. RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Financial Risk Management**

The institute is exposed to various risks in course of executing its mandate which include liquidity risk, credit risk and market risk. The Institute's risk policy focuses on mitigating the adverse effects in the event that the said risks crystallises.

The Governing Council through the Audit and Risk Committee gives policy direction on the overall risk management and sets the risk appetite levels. The management is responsible for assessing and profiling the various risks their treatment and overall risk management.

**(a) Foreign exchange risk**

The carrying amounts of the Institute currency is denominated in local currency, Kenya Shillings. Thus changes in the Kenya Shilling, if it appreciates or depreciates against the other currencies will have no direct impact on the Institute's reporting.

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**(b) Interest rate risk.**

The Institute does not hold investment that would be subject to interest rate risk; hence this risk does not apply

**(c) Liquidity risk**

Liquidity risk is current or prospective risk that the Institute is unable to meet its short term obligation and long-term maturing obligations when they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed operations, without incurring unacceptable losses. The Institute has a list of all liabilities and assets in maturity date order.

**To mitigate this risk,**

- i. The Institute has ensured that all government grants are timely disbursed
- ii. There is a good working capital management where all payables are known and planned for save for the real emergency once which is rare. This is managed through innovative entering into contracts that are negotiated to be paid 30 days after delivery or completion of the assignment
- iii. For all trainings and consultancies, the customer pays deposits of 50% before the commencement of the assignment, while students pay their two thirds of their fees before admission
- iv. There is a follow of revenue from trade debtors to ensure they honour their obligations
- v. There fidelity guarantee of officers handling cash and insurance of cash in the office and in transit, and reduction of payment in cash

The table below shows cash flows on the Institute's current assets and liabilities

	Notes	2016/2017	2015/2016
Total Current Assets	14,15,16	123,952,209	70,921,241
Total Current Liabilities	19,20,21	79,234,175	52,532,686
Net current Asset		<b>44,718,034</b>	<b>18,388,555</b>
Liquidity ratio (Current ratio)		1.56	1.35

If the ratio is higher than one, it shows that the Institute is capable of paying its obligations as it has a larger proportion of its asset value relative to the value of its liabilities.

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017****(d) Credit Risk**

Credit risk is the risk of financial loss to the Institute when customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the operations and that a counterparty will be unable to pay amounts in full when due. There is an implied credit rating when dealing with various customers based on the amount and previous experience.

The Institute manages, limits and controls concentration of credit risks periodically against internal and regulatory requirements with respect to individual parties

- i. Salary advance and salary in advance to staff have been serviced and are kept low
- ii. All amount due from the government grants was received
- iii. Donors and development partners disbursed their donations
- iv. No collateral is held for any of the Institute's assets

The Institute establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables by providing for bad and doubtful debts.

**To mitigate credit risk,**

The Management is responsible for oversight of the Institute's credit risk through

- i. For exchange transactions, customers make a deposit before drilling work is commenced
- ii. Establishing approval to granting credit to customers

**OPERATIONAL RISK**

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes associated with the Institute's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risk arising from legal and statutory requirement.

The Institute seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks. The management has the overall responsibility of ensuring compliance to operational risk policies and procedures.

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**XVIII. PROGRESS REPORTS ON AUDITORS RECOMMENDATIONS**

<b>No.</b>	<b>Issue</b>	<b>status</b>	<b>Way Forward</b>
1	Cash and cash equivalents	The issue has since been resolved	
2	Property, Plant and Equipment	The Institute has acquired title deed for its Kisumu campus and has registered with the Ministry of Lands to acquire other titles for other campuses	The Management is still pursuing on title deeds

KENYA WATER INSTITUTE  
 ANNUAL REPORT AND FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2017

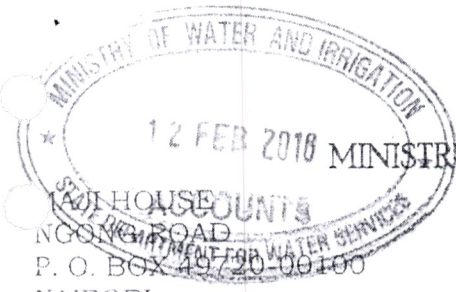
**IX. APPENDIX I**

**KENYA WATER INSTITUTE**  
**Schedule of Grants for the FY 2016/17**

<b>Entity</b>	<b>Disbursement</b>	<b>Development</b>	<b>Recurrent</b>	<b>Date</b>
Ministry of Water & Irrigation	23,480,000.00	-	23,480,000.00	12/9/2016
Ministry of Water & Irrigation	7,750,000.00	7,750,000.00	-	11/10/2016
Ministry of Water & Irrigation	4,220,000.00	-	4,220,000.00	18/11/2016
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	9/11/2016
Ministry of Water & Irrigation	7,750,000.00	7,750,000.00	-	17/11/2016
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	7/12/2016
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	4/1/2017
Ministry of Water & Irrigation	7,750,000.00	7,750,000.00	-	24/2/2017
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	3/2/2017
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	9/3/2017
Ministry of Water & Irrigation	4,220,000.00	-	4,220,000.00	7/4/2017
Ministry of Water & Irrigation	3,300,000.00	-	3,300,000.00	7/4/2017
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	7/4/2017
Ministry of Water & Irrigation	20,000,000.00	20,000,000.00	-	9/4/2017
Ministry of Water & Irrigation	3,000,000.00		3,000,000.00	8/5/2017
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	8/5/2017
Ministry of Water & Irrigation	7,750,000.00	7,750,000.00	-	8/5/2017
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	9/6/2017
Ministry of Water & Irrigation	11,740,000.00	-	11,740,000.00	30/6/2017
<b>Total</b>	<b>194,880,000.00</b>	<b>51,000,000.00</b>	<b>143,880,000.00</b>	



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REPUBLIC OF KENYA  
MINISTRY OF WATER AND IRRIGATION

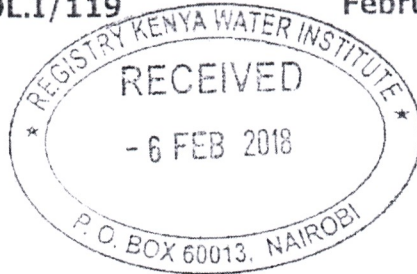
MAJI HOUSE COUNTS  
NGONG ROAD  
P. O. BOX 49720-00100  
NAIROBI  
Website: [www.water.go.ke](http://www.water.go.ke)

Telegrams: "MAJI" Nairobi  
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G.L +254 20 2716103  
Fax: +254 20 2728703  
Email: [ps@water.go.ke](mailto:ps@water.go.ke)

ACCTS/GEN/2017-18/VOL.I/119

February 5, 2018

Director  
Kenya Water Institute  
P O Box 60013 00200  
NAIROBI



RE: CONFIRMATION OF FUNDS TRANSFERRED IN THE FINANCIAL YEAR  
2016/2017

The regulation under IPSAS require you confirmation of the amount transferred to SAGAs during the Financial Year 2016/17.

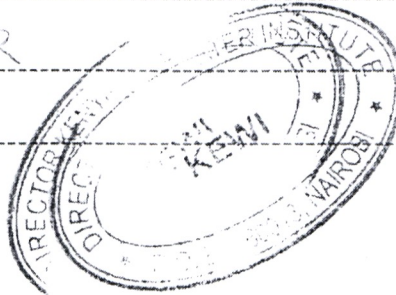
The funds we have transferred to you is as follows:-

S/No.	PAYMENT DATE	AMOUNT PAID (KSHS)
1	02/09/2016	23,480,000.00
2	04/10/2016	7,750,000.00
3	17/10/2016	4,220,000.00
4	19/10/2016	7,750,000.00
5	08/11/2016	11,740,000.00
6	05/12/2016	11,740,000.00
7	28/12/2016	11,740,000.00
8	01/02/2017	11,740,000.00
9	16/02/2017	7,750,000.00
10	01/03/2017	11,740,000.00
11	22/03/2017	11,740,000.00
12	24/03/2017	4,220,000.00
13	30/03/2017	20,000,000.00
14	03/04/2017	3,300,000.00
15	24/04/2017	7,750,000.00
16	27/04/2017	11,740,000.00
17	03/05/2017	3,000,000.00
18	06/06/2017	11,740,000.00

19	12/06/2017	11,740,000.00
<b>TOTAL</b>		<b>194,880,000.00</b>

Please confirm by signing the below:-

Amount 194,880,000.00  
 Name: DR. LEUNITA SUMBA  
 Designation DIRECTOR  
 Date: 12-02-18



**PETER N. KABEBE**  
**FOR PRINCIPAL SECRETARY**