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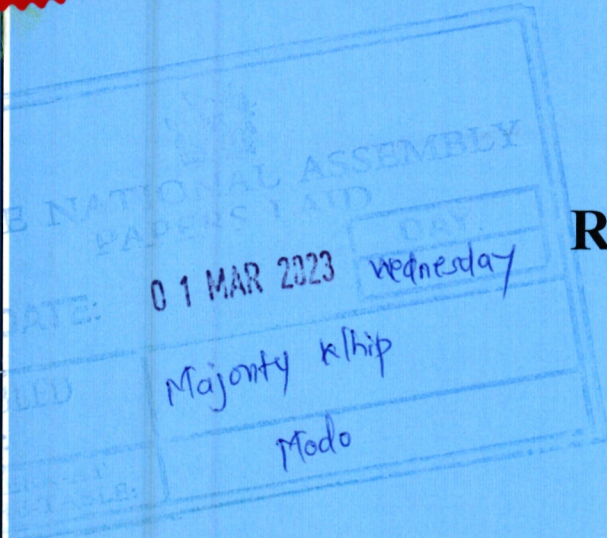
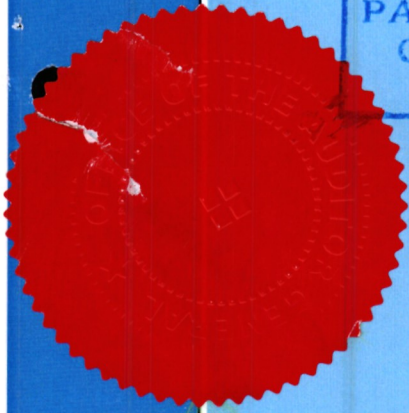


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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA WATER INSTITUTE

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



KENYA WATER INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2021**

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

KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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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, Sanitation 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, namely, Nairobi, Kitui, Kisumu and Chiakariga 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

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

II. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

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

d) Fiduciary Management

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

No.	Designation	Name
1.	Director/CEO	Prof. Patrick O. Hayombe, PhD
2.	Deputy Director Academic Affairs	Mr. David K. Ngetich
3.	Deputy Director Research, Consultancy & Technical Services	Mr. Paul N. Muthama
4.	Deputy Director Management Services/Head of Finance	CPA Kennedy R. O. Riaga
5.	Senior Supply Chain Management Officer	Mr. James Mutio
6.	Audit and Risk Manager	Mr. James Kande

e) Fiduciary Oversight Arrangements

KEWI's oversight responsibility is vested in the;

- 1) Governing Council which had 9 members
- 2) Academic, Research and Development Committee which had 3 members
- 3) Finance and Resource mobilization Committee which had 3 members
- 4) Audit and Risk Committee which had 4 members
- 5) Human resource Committee which had 3 members
- 6) Independent internal audit function

Execution of the mandate during 2020/2021 FY, inter alia

As the board had been constituted by the beginning of the financial year, induction meetings were held alongside formation of the committees as well as full board and committee meetings.

Meetings

Both full board and committee meetings were held during the reporting period.

Membership of the Audit and Risk Committee

- a. Chairman-From Non-Governmental Organization
- b. Representative -From Universities
- c. Alternate to PS. the National Treasury
- d. Alternate to PS. Ministry of Devolution
- e. Secretary-Head of Internal Audit

III. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

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
info@kewi.or.ke
Website: www.kewi.or.ke

h) Entity Bankers

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

i) Independent Auditors

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




j) Principal Legal Adviser


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

IV. THE GOVERNING COUNCIL

GOVERNING COUNCIL MEMBERS	PROFILE
 <p>BRIG. (RTD) Stephen Njung'e Kihu.</p> <p>Chairperson KEWI Governing Council</p>	<p>Brigadier. (Rtd) Stephen Njung'e Kihu was born in 1958 and holds a Masters of Business Administration (Executive) (Aviation Option) at Moi University, Master in International Studies (UK), Diploma in Strategic Studies in University of Nairobi, Aviation Security Instructor (AVSEC), Grade One Staff Course, rcds (UK), Peace Support Operations Course, Total Quality Customer Service Programme, Grade Two Staff Course, psc (K), Joint Air Warfare Course JAW (India), Grade Three Staff College G3 and Flight Instructors Course, QFI (UK).</p> <p>Brigadier Stephen Njung'e Kihu is an experienced manager of both personnel and equipment. He is a successful Senior Executive Officer who has a track record of leading Kenya Air Force to deliver outstanding results both in the air and on ground. He has the vision needed to see the most challenging, exciting and inspiring possibilities clearly. He is a multi-skilled, multi-faceted and experienced leader who is able to bring a fresh perspective in to an organization.</p> <p>Having served in Kenya Air Force for 35 years, Brigadier Njung'e has vast experience in command and leadership. He has a flying experience of over 3,500 hours and a UK trained flying instructor pilot. He trained many fighter pilots during his career.</p> <p>He chaired Central Rift Valley Water Works Development Agency (CRVWDA) with great achievements. He is also heading a team of retired Officers and men to form an association which will contribute towards aviation industry in Kenya.</p>
 <p>Festus Mwanzi Peter Rep. Principal Secretary The National Treasury</p>	<p>Mr. Festus Mwanzi Peter was born on 3rd July, 1977. He has completed course work of Master of Business Administration (MBA) Finance option degree course and currently writing research project. He further holds a degree in Business Administration from Kenyatta University and a Certified Public Accountant CPA (K), and a member of ICPAK.</p> <p>Currently, Festus is the Assistant Director Investments, The National Treasury having served as a Chief Investment Officer in the Government Investment and Public Enterprise (GIPE).</p> <p>Festus has served as a Sub county and Youth and Gender Officer, Acting District officer, Mukaa district youth office in Makueni county, Ministry of Youth Affairs and Sports, Department of Youth development as well as a Youth Officer II, Ministry of Youth Affairs and Sports in Makueni County.</p> <p>Mr. Festus is a member of Audit and Risk committee as well as Finance and Resource Mobilization Committee</p>

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 <p>Ms. Caroline Mugwe Rep. Principal Secretary Ministry of Water & Sanitation and Irrigation</p>	<p>Ms. Caroline Mugwe holds a Masters Degree in Business Administration - Human Resource Management option (Kenyatta University) and a first degree in Bachelors of Commerce - Business Administration option, (University of Nairobi). Has also completed CPS (K), among other local and international experiences.</p> <p>Ms Mugwe is a Certified Public Secretaries and also member, institute of Human Resource Management and member, Mediators Association. She is highly experienced in Administration, Human Resource Management, Business Development, and Institutional Capacity Building, as well as short term Private Consultancy Services for a wide range of clients in Kenya and beyond. Currently she is the Director - Human Resource Management and Development (HRM & D) in the Ministry of Water, Sanitation and Irrigation, heading the HR Division.</p> <p>She is the Alternate of the Principal Secretary, Ministry of Water & Sanitation and Irrigation. She is a member of Human Resource and Finance and Resource Mobilization Committees.</p>
 <p>Ms. Lesley Khayadi Rep. Principal Secretary, Ministry of Devolution and Planning</p>	<p>Ms. Lesley Khayadi was born on 10th October 1972. Is a holder of a Master's Degree in Public Policy and Administration from Kenyatta University and a Bachelor of Arts from University of Nairobi.</p> <p>She has 14 years of experience working in Local Economic Development, governance, public finance and service provision. Her current position is Assistant Director Devolution in the Ministry of Devolution and Semi Arid Areas. Previously she has served as a Municipal Council town clerk in Ruiru, Mwingi, Vihiga, Bungoma, Webuye and Malaba, and Sub-County Administrator, County Government of Kiambu.</p> <p>Ms. Lesley Khayadi is the Alternate of the Principal Secretary, Ministry of Devolution and Semi Arid Areas. She is a member of the Audit and Risk and the Academic, Research and Development Committees.</p>
 <p>Ms. Nancy Mugure Waweru Representative of public Universities</p>	<p>Nancy Mugure was born in 1988. She holds a MSc. Degree in Environmental Engineering from SUST, China, and BSc Civil Engineering from University of Nairobi. She is an Associate Member of Association of Business Executives, United Kingdom (ABE-UK) and a trained Project Management Professional (PMP®). She is a member of Engineers Board of Kenya (EBK) and currently undertaking PhD in Civil Engineering at UoN. She is profoundly knowledgeable and analytic in the Built environment as a civil engineer and Project Management professional, where she offers consultancy services. Has remarkable commitment in teaching, research, service and other scholarly activities. She is a published scholar and presently a tutorial fellow at the University of Nairobi (UoN).</p> <p>Ms. Nancy Mugure Waweru is the Chairperson of the Academic, Research and Development Committee and a member of the Audit and Risk Committee.</p>

 <p>Mr. Peter Kahara Representative of private of community based water and sanitation programmes</p>	<p>Mr. Peter Kahara was born in 1969 and holds a Master’s degree in economics (UoN), Bachelor's of Arts in Economics and Diploma in Teaching and Training from City and Guilds – UK.</p> <p>Mr. Kahara is an expert in Financial Management, Monitoring and Evaluation of Projects and Programmes, Strategic Planning and Development and Participatory Approaches to Training and Development. He has worked in UK for ABANTU as acting Regional Programmes Manager. Mr. Kahara has also worked in the Ministry of Water and Sanitation and also the Ministry of Planning as an Economist. He has experience working at Government, Private and Voluntary sectors at Senior Management levels.</p> <p>He is an independent member of KEWI Governing Council and is the Chairman of the Finance and Resource Mobilization Committee</p>
 <p>Mr. Wilson Kipkazi Representative of local Non Governmental organization involved in activities related to the water sector</p>	<p>Mr. Wilson Kipkazi was born in 1965 and holds BA (Hons) Community Development, Graduate Diploma Community Development and Certificate in Resource Mobilization and Fund raising techniques.</p> <p>Mr. Kipkazi has served the country in a number of capacities including Chairman of the NGO Council, Director KCC, Chairman Kenya Bankers Saving and Credit Cooperative Society. He has also served as a Director Kenya National Chambers of Commerce and Industry.</p> <p>Mr. Wilson Kipkazi is an independent member of KEWI Governing Council. He is the Chairman of the Audit and Risk Committee.</p>
 <p>Eng. Peter Odhiambo Wanday Representative of Professional Bodies</p>	<p>Eng. Peter Odhiambo Wanday was born in 1964 and holds BSc (Civil Engineering), University of Nairobi, Registered Consulting Engineer (Engineers Board of Kenya), Licensed Qualified Water Resource Professional (Engineer), Fellow Member of the Institution of Engineers of Kenya</p> <p>Eng. Wanday has extensive experience spanning 31 years in the design, documentation, supervision, and contract administration of various infrastructural projects. Eng. Wanday has worked on infrastructure projects in several counties around East, Central and southern Africa.</p> <p>Eng. Peter Odhiambo Wanday is the Chairman of the Human Resource Committee and a member of the Finance and Resource Mobilization Committee and Academic, Research and Development Committee</p>

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 <p>Mr. Eric Cherop Koima Representative of registered water users associations</p>	<p>Mr. Eric Cherop Koima was born on 21st July 1967 and holds a B.ED from Kampala International University, Diploma in Education Management, Diploma in Special Education and Certificate in Primary Teacher Education PTE.</p> <p>He has 20 years of teaching and education management experience and is an independent member of KEWI Governing Council was born.</p> <p>Mr. Koima is a member of the Human Resource and Finance and Resource Mobilization Committees</p>
<p>Corporate Secretary</p>	<p>KEWI is in the process of hiring the Corporate Secretary. Mean while the Director/CEO is the one discharging the duties of that office.</p>
 <p>Prof. Patrick O. Hayombe, PhD.</p> <p>Director/CEO Kenya Water Institute & Secretary to the KEWI Governing</p>	<p>Prof. Patrick Odhiambo Hayombe, PhD was born on 24th July 1965. He holds Doctor of Philosophy in Environmental Planning and Management, and Master of Philosophy in Environmental Planning and Management from Moi University and Bachelor of Arts (Geography) Degree of University of Nairobi.</p> <p>He has profound competences in Managerial, Technical and Policy Advisory, LEAD Expert Environmental Impact Assessment and outstanding capabilities in Cultural Re-Engineering (Change management). He is a Corporate member in Kenya Institute of Planners (KIP). Has participated in Local and Regional Development Planning and Management, (UNDP, JICA). Has also participated in Induction for Board of Directors and Corporate Governance for state Corporation Programme, Strategic Leadership and Development Programme by Kenya School of Government.</p> <p>Prof. Patrick O. Hayombe, PhD has worked in Jaramogi Oginga Odinga University of Science and Technology as a Lecturer, Senior Lecturer, Senior Associate Professor and Dean of School of Spatial Planning and Natural Resource Managements and formerly Deputy Director Applied Water Research (2007 - 2010). He is the Director/Chief Executive Officer and Secretary to the KEWI Governing Council with effect from 1st October 2020.</p>

V. MANAGEMENT TEAM

	DESIGNATION
 <p>Prof. Patrick O. Hayombe, PhD. <i>Doctor of Philosophy in Environmental Planning and Management and Master in Environmental Planning</i></p>	<p>Director/CEO Kenya Water Institute</p> <p>The Director/CEO served the Institute from October 2020 to February 2022.</p>
 <p>David K. Ngetich <i>(MPhil. in Geography)</i></p>	<p>Deputy Director Academic Affairs</p> <p>Served as the Deputy Director Academic Affairs up to 3rd November, 2020.</p>
 <p>Paul N. Muthama <i>(MSc. Statistics)</i></p>	<p>Deputy Director Research, Consultancy & Technical services.</p> <p>Served as the Deputy Director Research, Consultancy & Technical services up to 9th December, 2020.</p>
 <p>CPA Kennedy R. O. Riaga <i>(MBA. Finance, BA. Economics, CPA(K), CISA)</i></p>	<p>Deputy Director Corporate Services</p> <p>Served as the Deputy Director Corporate Services up to 11th November, 2020. On 3rd February 2021 the same contract was renewed for three years. On 1st June, 2022 was appointed as the acting as the Director/CEO up to date.</p>

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

Audit and Risk Manager

Served as the Audit and Risk Manager
up to 3rd November, 2020.

VI. CHAIRPERSON'S STATEMENT

It gives me great pleasure to present to you the Kenya Water Institute Report and Financial Statements for the Financial Year 2020/2021. 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.

Financial Results:

During the period, the Institute received Ksh. 207,753,590 for recurrent budget and Ksh. 20,000,000 for development budget.

The Institute generated Ksh. 100,512,644 in Appropriation in Aid (AiA) compared to the previous period where Ksh. 173,358,563 was generated. This translates into 42% decrease in AiA generation compared to previous year's collections.


Future Outlook:

The challenges being experienced in the Water, Sanitation 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 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 in Chiakariga. 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 also enhance research activities in the sector and create a platform for knowledge sharing especially on modern techniques of irrigation.

The other challenge that was experienced by the Institute was the late appointment of the Chairperson to the Governing Council. I am glad to now report that the Governing Council has Chairperson.

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 and beyond, it is my sincere appeal to the Government of Kenya to continue supporting the Council to make KEWI the fountain of water Knowledge.



BRIG. (RTD) Stephen Njung'e Kihu.
Chairperson, Governing Council

Date: 18th July, 2022.

VII. REPORT OF THE DIRECTOR

I present the Kenya Water Institute Report and Financial Statements for the FY 2020/2021. During this period, the Institute fared reasonably well as disbursements from the Government were received although sometimes late. The biggest challenge that was faced by the institute was raising the targeted internally generated funds, which was below the expected target by 21%. The shortfall was caused by low uptake of short causes and breakdown of the drilling rig during the entire. Over and above, the Institute had to break on 15th March 2020 up to November, 2020 due to the outbreak of the COVID 19. I am pleased to report that KEWI Management handled these challenges well through strict planning and prudent utilisation of the available resources namely; Human, Systems, Financial and Physical Facilities; this was supported by technical backstopping of the Parent Ministry.

Financial Results:

The Institute during the reporting period experienced a number of challenges majorly insufficient direct G.o.K budgetary allocations to enable the Institute to equip training and learning facilities which in return would attract more trainers. The outbreak of the COVID 19 too saw the Institute not realize the targeted revenue from exchange transactions for the FY 2020/21.

During the reporting year, the Institute received Ksh. 207,573,590 for recurrent budget and Ksh. 20,000,000 for development budget.

The Institute also generated Ksh. 100,512,644 as Appropriation in Aid (AiA) compared to the previous year where Ksh. 173,358,563 was generated. This translates into 42% decrease in AiA generation compared to last year's collections. The AiA collections of Ksh. 100,512,644 was below the targeted amount of Ksh. 205M. The shortfall was 21%. The shortfall was necessitated by breakdown of the Rig, the non completion of the WRC on time thus denying the institute revenue and the outbreak of COVID 19 which saw the Institute loose the revenue for 1st and the 2nd quarter of the FY 2020/2021.

Future Outlook:

Over the years KEWI has been unable to sufficiently enhance its human resources capacity in terms of numbers and am glad to report that additional resources were made available to reduce the shortfall on remuneration vote. However allocation for implementation of programmes and development/improvement of infrastructure which is crucial for effective fulfilment of its mandate of capacity building, training, research and consultancy in the water sector was not addressed as expected.

KEWI plans to complete a number of projects, programmes and activities with an aim of diversifying her revenue streams so as to reduce the financing gap. It had been anticipated that by the close of the FY 2020/2021, KEWI would have completed the construction and equipping of the Water Resource Centre (WRC) however, this did not happen due to financial challenges, and this in turn affected the capacity of the Institute to generate more AiA to support operation and maintenance. However am glad to report that with the allocation provided this financial year, the work is continuing well and it is anticipated that the structure and equipping will be complete by end of December, 2021.

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

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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 streams thus reducing her over reliance on the exchequer.

Acknowledgement:

I would like to thank the Government through the Ministry of Water and Sanitation & Irrigation for the continued financial and technical support to KEWI. My heartfelt gratitude goes the Cabinet Secretary, Ministry of Water and Sanitation & Irrigation and the Principal Secretary for their tireless support. I would like to thank the Governing Council for their leadership and direction. I also 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.



Kennedy R.O. Riaga
Ag. Director/CEO,
Kenya Water Institute
Date: 18th July, 2022.

VIII. 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 Sanitation & Irrigation 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 Sanitation & Irrigation and is responsible for ensuring that the Institute complies with the highest standards of corporate governance and business ethics. One of its critical activities is to ensure the Institute conducts or delivers service to all with integrity and in accordance with generally accepted corporate practice and principles.

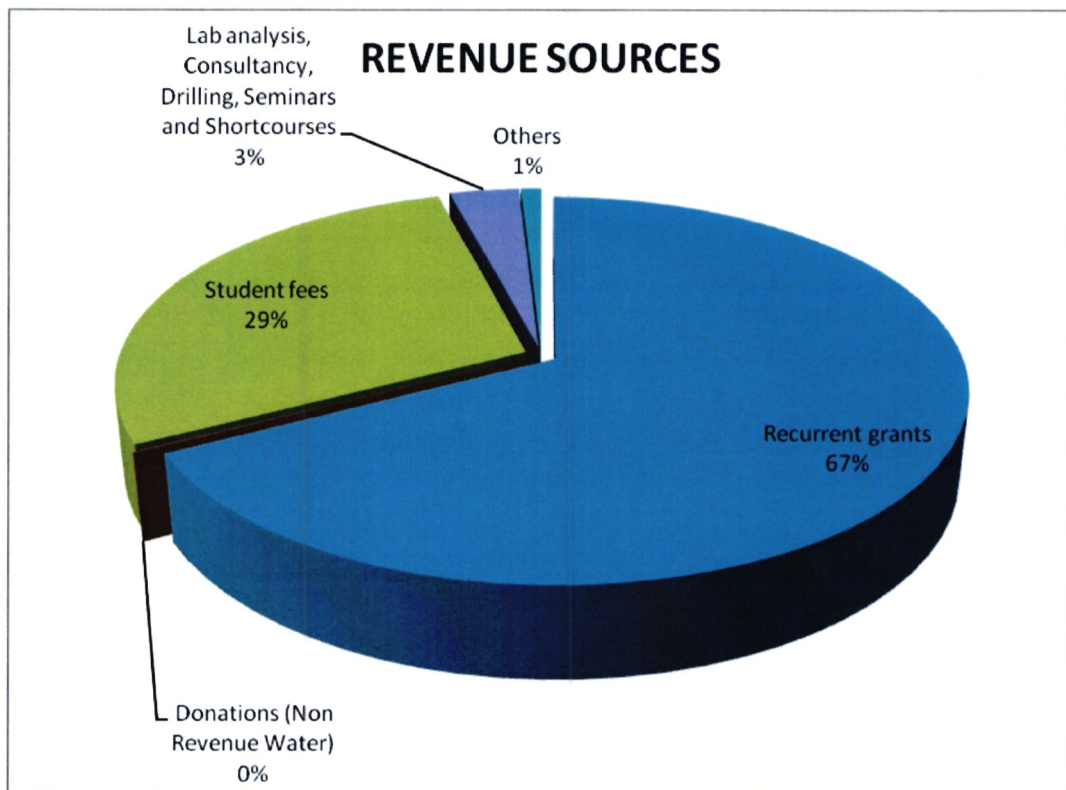
The Chairperson, Governing Council served for three Months and Festus Mwanzi eleven Months during the reporting year while the rest of the board members served for the whole year. The Governing Council ensured that corporate governance and good business ethics were practised at all times during the reporting period. This enabled the Management to deliver on the Institute's strategic objectives and maintain effective control of the financial, operational and compliance issues.

Under the KEWI Act, the responsibility of appointing and removal of the Governing Council members and the Chairperson is vested in the Cabinet Secretary in charge of Water and Sanitation & Irrigation. While the process of appointment, roles, functions, remuneration and evaluation of the board is guided by Mwongozo. The institute has been observing the guidelines provided in Mwongozo strictly.

The Chairperson who was appointment in April 2021 has already been inducted by State Corporation Advisory Committee and internally by Management. For the rest of the board members who were appointed on 22nd June 2019 and 12th August, 2020 plans were made for them and inducted by SCAC and by Management during the reporting period.

IX. MANAGEMENT DISCUSSION AND ANALYSIS

Traditionally, the Institute has relied on grants from the Government to support its activities. Student fees contributed 29% of the total revenue generated during the year ended 30th June, 2021. This was second to the Government Grants which stood at 67%. 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 to high rate of fee defaulters. 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 proposal writing and consultancy in the industry.

This will reverse the worrying trend where the Institute's financial performance has been on deficits

X. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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 CSR, 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 less 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 to its key 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 CSR activities revolve around the water and natural resources, as will be seen from some of the activities undertaken and mentioned below;

Every year the institute has always undertaken servicing of community boreholes in selected counties. The period under review, KEWI trained selected water users in Kakamega with an aim of equipping them with skills necessary for them to continue servicing the boreholes that KEWI had drilled on behalf of NGAAF. This guaranteed sustainability of the project and providing a source of revenue to those trained. KEWI also on annual basis participates in the Ndakaini marathon, cleaning of the river banks and the general surrounding areas we operate in. KEWI was also involved in erecting water tanks in Kakamega, Bomet, Homabay and Kisii County, as well as training residents on how to properly clean their hands in the fight against COVID 19 and other water borne diseases. The Institute participated in planting trees in Labwe forest and Kitui Campus and cleaning of Jaramogi Oginga Odinga Teaching and Referral Hospital during the World Toilet Day. 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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XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended June 30, 2021 which show the state of the Institute's affairs.

Principal activities

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

Results

The results of the Institute for the year ended June 30, 2021 are set out on page 1.

Directors


The members of the Board of Directors who served during the year are shown in the table below.

S/N0	Name	Organization	Appointment Date	Designation
1	BRIG. (RTD) Stephen Njung'e Kihu	Independent	1 st April, 2021	Chairperson
2	Mrs. Nancy Mugure Waweru	Universities	22 nd June 2019	Member
3	Mr. Wilson Kipkazi	NGO	22 nd June 2019	Member
4	Mr. Peter Kahara	PCBWP	22 nd June 2019	Member
5	Eng. Peter Odhiambo Wanday	Professional body	22 nd June 2019	Member
6	Mr. Eric Cherop Koima	RWUA	22 nd June 2019	Member
7	Mr. Festus Mwanzi	Treasury	12 th August 2020	Member
8	Mrs. Caroline Mugwe	MW&S	28 th June 2018	Member
9	Ms. Lesley Khayadi	MD&P	22 nd June 2019	Member
10	Prof. Patrick O. Hayombe PhD.	KEWI	1 st October 2020	Secretary to the Governing Council.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Water Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the period ended June 30, 2021.

By Order of the Board


Kennedy R.O. Riaga.
Ag. Director/CEO,
Kenya Water Institute
Date: 18th July, 2022

XII. STATEMENT OF GOVERNING COUNCIL RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, and Kenya Water Institute Act, CAP.372A, Section 1*), require the Governing Council to prepare financial statements in respect of Kenya Water Institute, which give a true and fair view of the state of affairs of the Institution at the end of the financial period and the operating results of the Institute for that year. The Governing Council Members are also required to ensure that Kenya Water Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Directors are also responsible for safeguarding the assets of the Institute.

In this regard KEWI Governing Council caused preparation of these financial statements in conformity with the applicable laws and guidelines. The council has also ensured that proper records which disclose reasonable accuracy and financial position of the institution have been provided. The council accepts responsibility of KEWI financial statements and confirm the appropriateness of the accounting policies applied.

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 23rd September, 2021 and signed on its behalf by:



BRIG. (RTD) Stephen Njung'e Kihu.
Chairperson, KEWI Governing Council

Date: 18th July 2022



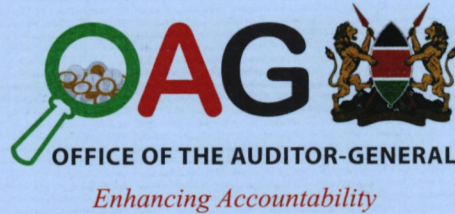
Kennedy R.O. Riaga.
Ag. Director/CEO

Date: 18th July 2022

**KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA WATER INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Water Institute set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for

the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Kenya Water Institute as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Water Institute Act, 2001 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unreconciled Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.11,568,814 as disclosed in Note 17 to the financial statements. Review of the bank reconciliation statements revealed cash book balances of Kshs.4,600,602 while the financial statements reflects a balance of Kshs.4,625,802 resulting to an unexplained variance of Kshs.25,200. Further, the cash books provided for audit for the two bank accounts had no closing balances as at 30 June, 2021. In addition, the Institute did not prepare bank reconciliation statements for all the months except June, 2021.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.11,568,814 could not be confirmed.

2. Receivable from Exchange and Non-Exchange Transactions

2.1 Unsupported Trade Receivable from Exchange Transactions

The statement of financial position reflects trade and other receivables balance of Kshs.86,301,842 as disclosed in Note 18A to the financial statements. Included in the balance is an amount of Kshs.17,261,129 owed to the Institute by a supplier. However, no supporting documents were provided for audit to support this transaction.

In the circumstances, the accuracy of trade receivables from exchange transactions balance of Kshs.17,261,129 could not be confirmed.

2.2 Long Outstanding Debts

The statement of financial position reflects trade receivables from exchange transactions of Kshs.86,301,842 as disclosed in Note 18A to the financial statements which includes student debtors of Kshs.57,188,440 and sundry debtors of Kshs.36,140,558 that have been outstanding for more than 90 days. Further, the Management did not provide evidence of a Finance Policy or a Debt Management Policy which guides the financial management processes put in place to recover the long overdue trade receivables.

In addition, review of the ageing analysis revealed that the student's debtors of Kshs.57,188,440 includes Kshs.17,432,184 relating to the students who graduated between the years 2017 and 2021 with outstanding balances. Management did not

explained how the receivable balance of Kshs.17,432,184 will be recovered from those students who have left the Institute.

In the circumstances, the recovery of the student's debtors of Kshs.17,432,184 and sundry debtors of Kshs.36,140,558 could not be confirmed.

2.3 Variance in Trade Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions of Kshs.13,423,654 and as disclosed in Note 18B to the financial statements. However, supporting schedule for staff receivables reflects an amount of Kshs.13,743,999 while Note 18B staff receivables reflects Kshs.13,423,645 resulting to an unexplained variance of Kshs.330,345.

In the circumstances, the accuracy and completeness of the receivables from non-exchange transaction of Kshs.13,423,654 could not be confirmed.

3. Remuneration of Governing Council

3.1 Irregular Payment to Alternate Members of the Governing Council

The statement of financial performance reflects remuneration of Governing Council amount of Kshs.12,095,938, as disclosed in Note 12 to the financial statements. The amount however, includes Kshs.846,996 and Kshs.298,600 paid as allowances to alternate Board Members representing The National Treasury and Inspector General respectively. This is contrary to the Mwongozo code of conduct that outline who Board Members are and the requisite allowances they are entitled to.

In the circumstance, the accuracy and regularity of the remuneration paid could not be confirmed.

3.2 Variances in Remuneration of Governing Council Expenses

Review of Board expenses surrender vouchers numbers ISN2289 and ISN2288 dated 25 August, 2020 of Kshs.254,800 and Kshs.472,800 respectively reflects variances of Kshs.831,721 when compared with the supporting schedules attached for daily subsistence allowance, sitting allowance and Mileage allowance all totalling Kshs.1,559,321 as analyzed below:

Date	Document No.	Amount per Surrender Voucher (Kshs.)	Amount as per Supporting Schedule (Kshs.)	Variance (Kshs.)
8/25/2020	ISN2289	254,800	691,600	436,800
8/25/2020	ISN2288	472,800	867,721	394,921
Total		727,600	1,559,321	831,721

Explanation by the Management that the variance of Kshs.831,721 relates to the excess amount that was spent on Board retreat was not supported with approvals.

Further, examination of the surrender vouchers indicated that the Board retreat took place on 7 to 10 December, 2016 in Naivasha but the imprest had remained outstanding for a

period of 5 years. This is contrary to the PFM Act, 2012 which requires that imprest be surrendered within 7 days upon completing the task the amount was issued for. The expense is therefore misrepresented as the expenditure related to past years (2016-2017) and not the year under review.

In the circumstances, the accuracy and completeness of the expenditure for remuneration of governing council of Kshs.12,095,938 could not be confirmed.

4. Unsupported Expenditure on Use of Goods and Services

The statement of financial performance reflects expenditure for use of goods and services of Kshs.95,946,897 as disclosed in Note 16 to the financial statements. The expenditure includes advertising cost of Kshs.1,865,207 out of which an amount of Kshs.309,610 for advertising and Kshs.172,450 relating to subscription to membership was not supported.

In the circumstances, the accuracy and completeness of expenditure of Kshs.482,060 could not be confirmed.

5. Land Without Title Deeds

As previously reported, the statement of financial position reflects a balance of Kshs.1,477,569,370 for property, plant and equipment balance as disclosed in Note 20A to the financial statements. The balance includes an amount Kshs.1,044,642,000 in respect of three (3) parcels of land in different locations where the Institute has campuses. Although allotment letters for the land parcels were provided, the Institute had no title deeds. Further, the Management did not maintain a register of assets indicating the details and pertinent information as required under Regulation 143 of Public Finance Management (National Government) Regulations, 2015.

In the circumstance, ownership, accuracy and existence of property, plant and equipment valued at Kshs.1,004,642,000 could not be confirmed.

6. Unsupported Refundable Deposits from Students- Caution Money

The statement of financial position reflects refundable deposits from students of Kshs.2,736,480 as disclosed in Note 23 to the financial statements, which includes opening and closing balances for caution money of Kshs.730,250 and Kshs.1,601,250 respectively. Documents provided for audit revealed, that the Institute refunded an amount of Kshs.85,000 during the year under audit. However, the control account for caution money based on this information in Note 23 reflects that, the Institute received caution money of Kshs.956,000. However, no supporting schedule for the caution money received during the year of Kshs.956,000 was provided for audit.

In the circumstance, it was not possible to confirm the accuracy and validity of caution money balance of Kshs.1,601,250 as at 30 June, 2021.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Water Institute Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements

applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts revealed that the Institute had an approved revenue budget of Kshs.412,753,560 but only realized Kshs.326,353,214 or 79% of the budget. In addition, the Institute spent Kshs.351,153,102 or approximately 85% of the budgeted expenditure of Kshs.412,753,561 resulting to under-expenditure of Kshs.61,600,459 or 15% of the budget.

The under realization and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Outstanding Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.72,997,381 as disclosed in Note 22 to the financial statements, out of which Kshs.50,817,180 relates to trade payables which were not paid during the year under review but were instead carried forward to 2021/2022 financial year. The Management did not provide sufficient explanation for non-payment of these pending payables.

Failure to settle bills in the year to which they relate adversely affects the subsequent year's budgetary provisions and the cash flows.

3. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit

procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delayed Projects Completion

1.1 Proposed Interior Refurbishment, Fit Outs, Signage and Furnishing of KEWI Resource Centre

The Institute awarded contract on 15 September, 2020 to a local company for interior refurbishment, fit out, signage and furnishing of the Resource Centre at a contract price of Kshs.69,823,860. Based on the agreed work plan, the work was to start on 28 January, 2021 to take 32 weeks and to be handed over on 14 September, 2021. Physical inspection conducted during the month of March, 2022 revealed that the works had not yet been completed.

In the circumstances, the delay in completion will deny the Institute, the benefits of the Resource Centre, result to project escalation cost and value for money may not be achieved.

1.2 Chiakariga Campus Classrooms Project

The statement of financial position reflects work in progress of Kshs.328,824,588 as disclosed in Note 21 to the financial statements which includes an amount of Kshs.1,966,141 in respect of construction of classrooms at Chiakariga Campus at a contract sum of Kshs.19,903,802. The works commenced on 27 September, 2017 for a period of forty-two (42) weeks; which was later extended by a further twenty-four (24) months to March, 2019. However, as at the time of the audit in March, 2022 almost four and a half (4½) years later, the classrooms were yet to be completed and the construction had stalled.

In the circumstances, the delay in completion will deny the Institute, the benefits of the classrooms, and value for money may not be achieved.

2. Anomalies in Construction of a Resource Centre

Contract for construction of a Resource Centre was awarded to a construction firm at original contract price of Kshs.245,658,688 which was later revised to Kshs.266,616,477. The work commenced in 2015/2016. However, the schedule of certificate paid to the contractor indicates that, as at the time the certificate of practical completion was raised, the retention money payable to the contractor amounted to Kshs.12,282,933. However, schedules supporting the retention payable reflects an amount of Kshs.11,890,585 resulting to an unexplained variance of Kshs.392,348. Further, at the time of audit in March, 2022, the defect liability period had already lapsed and the Management did not provide the inspection report of the building for audit.

In the circumstance, it was not possible to confirm the accuracy of the certificates paid and retention amount, defects noted and remedies done and that value for money on the construction of the Centre was obtained.

3. Abandoned Projects - Chiakariga Campus

The Institute anticipated to convert six (6) staff houses at Chiakariga Campus into guest houses as per internal memo dated 15 August, 2014 from Principal Chiakariga Campus. The main objective was to boost the campus revenue generation and reduce dependence on Government grants and allocation. As a result, the staff that occupied the houses vacated to pave way for refurbishment. Inspection carried out in the campus in February, 2022 revealed that the project was abandoned in 2015. Unless financial resources are allocated to complete the project, the Institute will continue to lose the projected revenue.

In the circumstances, value for money on the anticipated conversion of staff houses to guest houses could not be confirmed.

4. Irregular Award of Contract

The Institute re-advertised tender for provision of security services on 11 February, 2020 where four (4) firms were registered. During the evaluation process, firm 1 and 3 were not responsive to the mandatory requirements and were hence disqualified. Review of the procurement proceedings, revealed that Members of the Evaluation Committee did not sign or write their names on the individual evaluation score sheets. Out of the five (5) Evaluation Committee Members only three (3) individual score sheets were attached in the procurement file. This therefore contravened the requirement of Regulations 31 (2) of the Public Procurement and Asset Disposal Regulations, 2020 which states that the individual score sheets shall be kept as records of a procurement proceeding.

In the circumstance, it was not possible to confirm whether the procurement was carried out in accordance with the Public Procurement and Asset Disposal Act, 2015.

5. Management of Imprest

5.1 Issuance of Multiple Imprests

Review of imprest management, revealed that Management issued some officers with multiple imprests. Three (3) officers were issued with a cumulative imprest amount of Kshs.3,674,297 which had not been surrendered as at 30 June, 2021. This is in contravention of the requirements of Regulation 93 (8) of the Public Finance Management (National Government) Regulations, 2015.

5.2 Long Outstanding Imprest

Included in the receivables from non-exchange transactions of Kshs.13,423,654 as at 30 June, 2021 are unsurrendered imprest of Kshs.11,337,864 which have been outstanding for more than ninety (90) days.

The Management did not provide explanations why the imprest have been outstanding for long without recovery or evidence of efforts put in place to recover the imprest.

5.3 Irregular Accounting of Imprest

During the year under review, the Management disbursed imprest to personal bank accounts operated by various imprest holders totalling Kshs.970,200. However, these

imprests were accounted for by only one officer, instead of each imprest holders who received the imprest. Further, other than the imprest request, Management did not provide evidence of imprest warrants issued to imprest holders.

This is contravention with Regulation 91(2) of Public Finance Management (National Government) Regulations, 2015 on management of imprest, which provides for issue of imprest to an individual and not to a group.

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

5.4 Irregularities in the Management of Temporary Imprest

The statement of financial performance reflects use of goods and services of Kshs.95,946,897 and as disclosed in Note 16 to the financial statements. The expense includes pre-feasibility expenses of Kshs.15,026,424 out of which Kshs.1,844,100.00 was irregularly paid out to some officers on behalf of others to cater for daily subsistence allowances.

The issuance of imprest on behalf of other officers was contrary to Regulation 91(2) of Public Finance Management (National Government) Regulations, 2015 on management of imprest which provides for issue of imprest to individual and not to a group. No explanation was provided by the Management as to why imprests were not paid directly to the individual staffs' accounts as required by Regulation 91(3) of Public Finance Management (National Government) Regulations, 2015. It was also not possible to confirm whether each officer individually accounted for the imprests received as required by Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015. Management was in breach of the Act.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Understaffing in Staff Establishment

According to the Institute's organization structure, grading and staff establishment of May, 2018, the Institute's staff establishment is three hundred and fourteen (314) employees. However, the Institute had only seventy eight (78) substantive employees in place. This translates to 25% of the staff establishment. The Institute may not be able to deliver its full mandate due to lack of adequate staff as per the approved establishment.

In the circumstances, efficiency and effectiveness of service to the public by the Institute could not be confirmed.

2. Violation on a Third Rule on Basic Pay

Analysis of the payroll for the twelve months (12) revealed that various employees received net pay which was below a third (1/3) of their basic pay. This is contrary to Section 19(3) of the Employment Act, 2007 and Section C.1(3) of the Public Service Human Resource Policies and Procedures Manual 2016, which states that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource should ensure compliance.

In the circumstance, Management was therefore in breach of the law.

3. Employees Acting for More than Six (6) Months

The statement of financial performance reflects employee cost of Kshs.227,129,136 and as disclosed in Note 11 to the financial statements. Included in this expenditure is acting and special duty allowances of Kshs.3,594,940, paid to twenty-eight (28) officers who have been acting for more than 6 months. Further, out of the twenty-eight (28) staff on acting and special duty allowance, four (4) of them are acting more than two job grades higher than their substantive grades. This is contrary to Public Service Commission Human Resources Policies Manual May, 2016.

In the circumstance, Management was therefore in breach of the Act.

4. Anomalies in Bank Account Signatories

Review of bank transactions revealed that the Institute updated signatories for two accounts on 20 June, 2018 with details of four (4) members of staff. However, three (3) officers continued to be signatories of the Institute even after their contracts expired. The situation continued until 26 February, 2021 and therefore the signatories transacted the Institute's accounts irregularly for almost 17 months.

Further, one staff continued offering services to the Institute from 10 December, 2020 to 26 February, 2021 which was irregular since the contract had already been revoked. This confirms weak internal controls since the officer accessed key Management information even after his contract was revoked. The officer went ahead and had a negotiation out of court settlement on Employment and Labour Relations with the Management requesting to be compensated for the services offered outside the contract period. This therefore, exposed the institution to high management risk and stalling of Institute's operations.

In the circumstances, the delays in changing the bank signatories, allowed staff whose contracts expired be appointed bank signatories without following the recommendations of the Finance and Resources Mobilization Committee exposed the Institute to the risk of irregularities.

5. Lack of Business Continuity and Information Technology Disaster Recovery Plan

Review of Kenya Water Institute Policy documents revealed that the Institute has not developed Business Continuity or Information Technology Disaster Recovery Plan. This policy document if developed would provide policy and strategic guidance and framework that would ensure confidentiality, integrity and availability of the entity's data in case of a disaster, significant delays or disruption of activities occurs.

In the circumstances, the business continuity and disaster recovery processes and safety could not be confirmed.

6. Lack of Risk Management Policy

The Institute operated without a documented Risk Management Policy Framework. Further, the Management did not perform formal risk assessment during the year under review. This contrary to Regulation 165(1) a and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires all National Government entities to develop risk management strategies and a system of risk management and internal control that builds robust business operations.

In the circumstance, the risk management and accountability in the Institute could not be confirmed and Management was in breach of the law.

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

Responsibilities of Management and Governing Council

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

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Institute or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the Institute's policies and procedures may deteriorate.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 September, 2022

KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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

	Note	2020/2021 Kshs	2019/2020 Kshs
Revenue from non exchange transactions			
Government grants & Other Donations	7	207,982,205	218,753,558
		207,982,205	218,753,558
Revenue from exchange transactions			
Rendering of services	8	97,654,349	170,464,027
Rental revenue from facilities and equipment	9	2,100,504	2,401,800
Other income	10	18,616,155	492,736
		118,371,009	173,358,563
Total revenue		326,353,214	392,112,121
Expenses			
Employee costs	11	227,129,136	245,558,211
Remuneration of Governing Council	12	12,095,938	25,515,434
Depreciation and amortization expense	13	25,297,136	25,332,216
Repairs and maintenance	14	9,900,097	14,232,825
Contracted services	15	6,081,034	6,354,806
Use of Goods and Services	16	95,946,897	136,596,273
Total expenses		376,450,239	453,589,765
Surplus(Deficit) for the Year		- 50,097,025	- 61,477,644

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

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

	Notes	2020/2021 Kshs	2019/2020 Kshs
Assets			
Current assets			
Cash and cash equivalents	17	11,568,814	36,745,052
Receivables from exchange transactions	18A	86,301,842	106,929,048
Receivables from Non- exchange transactions	18B	13,423,654	15,040,390
Inventories	19	10,717,646	6,057,276
Total Current Assets		122,011,957	164,771,767
Non-current assets			
Property, plant and equipment	20A	1,477,569,370	1,496,628,096
Work In Progress	21	328,824,588	263,395,793
Total Non- Current Assets		1,806,393,957	1,760,023,888
Total assets		1,928,405,914	1,924,795,656
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	72,997,381	58,430,337
Refundable deposits from students	23	2,736,480	1,865,480
Provisions for Audit fees		580,000	580,000
Deferred income	24	18,269,240	-
Total liabilities		94,583,101	60,875,817
Net assets			
Capital Reserves		144,184,894	144,184,894
Revaluation Reserves		1,393,516,687	1,393,516,687
Revenue Reserves		53,840,868	103,937,893
Capital Fund		242,280,364	222,280,364
Total net assets		1,833,822,813	1,863,919,838
Total net assets and liabilities		1,928,405,914	1,924,795,655



Ag. Director/CEO
Kennedy R.O Riaga



Ag. Head of Finance
Jorum Muli
ICPAK Member No: 17444



Chairperson, KEWI GC
BRIG. (RTD) Stephen Njung'e Kihu.

Date: 18th July 2022

Date: 18th July 2022

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

	Capital Reserves	Capital Fund	Revaluation Reserves	Revenue Reserves	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30 June 2019	144,184,894	138,280,364	1,393,516,687	165,415,537	1,841,397,482
Addition for the period	-	84,000,000	-	-	84,000,000
Surplus/(deficit) for the period	-	-	-	(61,477,644)	(61,477,644)
Transfers to/from accumulated surplus	-	-	-	-	-
Balance as at 30 June 2020	144,184,894	222,280,364	1,393,516,687	103,937,893	1,863,919,838
Addition for the period	-	20,000,000	-	-	20,000,000
Surplus/(deficit) for the period	-	-	-	(50,097,025)	(50,097,025)
Transfers to/from accumulated surplus	-	-	-	-	-
Balance as at 30 June 2021	144,184,894	242,280,364	1,393,516,687	53,840,868	1,833,822,813

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 Kshs. 141,627,439 was carried out by a valuation firm in the year 2000 and Kshs. 125,578,337 valuations 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.

In the Financial Year 2013/2014, the Institutes' assets were revalued at Kshs 1,393,516,687 and this is the valuation used to come up with the reported revaluation reserve of Kshs 1,393,516,687.

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

	Notes	2020/2021 Kshs	2019/2020 Kshs
Cash flow from Operating Activities before changes in working capital			
Net profit/(Loss) for the year		- 50,097,025	- 61,477,644
Adjustment for Depreciation	13	25,297,136	25,332,216
		- 24,799,889	- 36,145,428
Changes in working capital			
Decrease in Receivables	18A/18B	22,243,942	5,063,258
Increase in Inventories	19	- 4,660,370	- 2,576,973
Increase in Payables	22/23/24	- 33,707,283	- 36,290,116
Net Cash flow generated from operating activities		- 16,123,711	- 33,803,831
Cash flow from Investing Activities			
Acquisition of Property, Plant and Equipment & WIP	20A/21	- 42,915,919	- 29,881,469
Net Cash flow from financing activities		20,000,000	84,000,000
Net Decrease in Cash and Cash equivalents		- 25,176,238	- 15,830,728
Cash and cash equivalents at the start of year		36,745,052	52,575,780
Cash and cash equivalents at end of year		11,568,814	36,745,052

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XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 30 JUNE 2021

	Note	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Performance Difference	Variation	Explanations
		2020-2021	Shs	2020-2021	Shs	2020-2021	Shs	2020-2021	Shs			
Revenue												
Government grants and Other Donations	7	207,753,560	-	207,753,560	-	207,753,560	207,982,205	228,645	0%			
Renting of services	8	194,000,000	-	193,000,000	-	193,000,000	97,654,349	95,345,651	-49%	a)		
Rental revenue from facilities and equipment	9	6,000,000	-	7,000,000	-	7,000,000	2,100,504	4,899,496	-70%	b)		
Other income	10	5,000,000	-	5,000,000	-	5,000,000	18,616,155	13,616,155	-87%	c)		
Total income		412,753,560	-	412,753,560	-	412,753,560	326,353,214	86,400,346				
Expenses												
Compensation of employees	11	222,432,433	-	222,432,433	-	222,432,433	227,129,136	4,696,703	-2%			
Remuneration of Governing Council	12	20,000,000	-	20,000,000	-	20,000,000	12,095,938	7,904,062	65%	d)		
Rent paid	16	2,355,000	-	2,355,000	-	2,355,000	4,024,950	1,669,950	-41%	e)		
Repairs and maintenance	14	16,000,000	-	16,000,000	-	16,000,000	9,900,097	6,099,903	62%	f)		
Contracted services	15	5,620,000	-	5,620,000	-	5,620,000	6,081,034	461,034	-8%	g)		
General expenses	16	146,346,128	-	146,346,128	-	146,346,128	91,921,947	54,424,181	59%	h)		
Non-Cash Expenses		412,753,561	-	412,753,561	-	412,753,561	351,153,102	61,600,459				
Bad Debts	16	-	-	-	-	-	-	-				
Depreciation & Amortization	13	-	-	-	-	-	25,297,136					
Total expenditure		412,753,561	-	412,753,561	-	412,753,561	376,450,239	61,600,459				
Surplus for the period							50,097,025					

Explanations

- The negative variance in revenue from rendering services is as a result of reduced activity as a result of the outbreak of COVID – 19 pandemic in the country where the Institute was closed for the first two quarters.
- The negative variance in rental revenue from facilities and equipment shows a drop in earnings from the revenue stream due to reduced activity as a result of the outbreak of COVID – 19 pandemic in the country.
- The other income is miscellaneous in nature. During the period, such activities were very minimal due to the outbreak of COVID – 19 pandemic in the country.
- The variance is explained by the reduction in physical meetings and activities of the board. This is because the facilities were in minimal use since the closure of the Institute in March 2020, after the outbreak of COVID – 19 pandemic up to reopening which was done partially in November 2020.
- The variance was as a result of new revised land rates which the institute was invoiced during the 2nd Quarter FY 2020/2021 of Kshs 2,314,950.
- & h) The Institute did not meet her expenditure targets due to low revenue generation and slowed down activity as a result of COVID – 19 pandemic.
- The variance in the Contracted services is as a result of increased cost of security services. Since the outbreak of COVID – 19 in March 2020 to date.

XIX. 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 Institute 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 2021

Standard	Impact
IPSAS First time adoption of Accrual Basis IPSAS	33: Kenya Water Institute adopted International Public Sector Accounting Standards in the year ended 30 th June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the Institute.
IPSAS Separate Financial Statements	34: Kenya Water Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
IPSAS Consolidated Financial Statements	35: Kenya Water Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply

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Standard	Impact
IPSAS Investments Associates Joint Ventures	36: Kenya Water Institute does not have investments in associates or joint ventures.
IPSAS Joint Arrangements	37: Kenya Water Institute does not have an interest in a joint arrangement and therefore the standard does not apply.
IPSAS Disclosure Interests in Other Entities	38: Kenya Water Institute does not have any interests in other entities and therefore the standard does not apply.

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 & Sanitation	17,312,797	-	17,312,797	8/31/2020
Ministry of Water & Sanitation	17,312,797	-	17,312,797	9/8/2020
Ministry of Water & Sanitation	10,000,000	10,000,000	-	9/17/2020
Ministry of Water & Sanitation	17,312,796	-	17,312,796	10/5/2020
Ministry of Water & Sanitation	17,312,797	-	17,312,797	11/6/2020
Ministry of Water & Sanitation	17,312,797	-	17,312,797	12/7/2020
Ministry of Water & Sanitation	17,312,796	-	17,312,796	1/18/2021
Ministry of Water & Sanitation	17,312,797	-	17,312,797	2/4/2021
Ministry of Water & Sanitation	17,312,797	-	17,312,797	3/4/2021
Ministry of Water & Sanitation	17,312,797	-	17,312,797	4/9/2021
Ministry of Water & Sanitation	17,312,797	-	17,312,797	5/5/2021
Ministry of Water & Sanitation	17,312,797	-	17,312,797	6/23/2021
Ministry of Water & Sanitation	17,312,797	-	17,312,795	7/5/2021
Ministry of Water & Sanitation	10,000,000	10,000,000	-	7/7/2021
Total	227,753,590	20,000,000	207,753,590	

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

b) Budget information

The original budget for FY 2020-2021 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.

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 actual as per the statement of financial performance has been presented on page 5 of these financial statements and report.

c) Revenue from exchange transactions

These are revenues received from non- arms- length transactions. They include recurrent 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 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, Paybill A/C and cash at bank, The Institutes Bank account balances include amounts held at the Kenya Commercial Bank at the end of the financial year.

e) Research and development costs

Kenya water Institute expenses research costs as and when incurred. Development costs on an individual projects 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.

g) Receivables

These comprise of; receivables from exchange transactions, that is, trade receivables, student receivables and prepayments; and receivables from non exchange transactions - staff receivables. The receivables from exchange transactions 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; this applies to tuition fees and accommodation charges due to long term course students.

j) Refundable Deposits from Students

This constitutes the amounts held by the Institute on behalf of students in the form of caution money. These deposits are refundable on completion of the course and the student claims.

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 support the Institute's budgetary requirement that will 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 Institute Courses and programs in the water sector.

6. RELATED PARTIES

The institute is wholly owned and controlled by the government. Thus, no subsidiaries and directors who have shares in the Institute.

Details of other related parties are as follows;

a) National Government

The institute is under the Ministry of Water and sanitation& Irrigation and grants of Ksh. 227,753,590 were received; recurrent grant of Ksh. 207,753,590 and development grant of Ksh. 20,000,000. 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, Kakamega 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 benefit from sitting and other applicable allowances.

	2020/2021	2019/2020
	Kshs	Kshs
Remuneration of Governing Council	12,095,938	25,515,434

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d) Senior Management

Out of the employees cost of Ksh 227,129,136 the 6 senior management members got a share of 9%.

	2020/2021	2019/2020
	Kshs	Kshs
7. Revenue from non exchange transactions		
Recurrent Grants (Ministry of Water & Irrigation)	207,753,562	215,753,558
Donations (Non Revenue Water)	228,643	3,000,000
Total	207,982,205	218,753,558
8. Rendering of services		
Tuition fees - Students	58,907,550	82,250,560
Registration fees-500004	478,100	407,400
ID Card	550,100	431,900
Examination Fee-500007	7,542,000	6,450,400
Accommodation-500001	9,240,246	24,912,842
Kitchen Cash Sales	667,055	501,230
Graduation fees	2,018,700	2,022,100
Student Refers	350,550	454,760
Students lunch fee	54,650	105,950
Lab analysis	4,997,500	3,634,850
Consultancy fee	633,000	998,000
Application fee	790,730	573,000
Seminars and Workshops	736,774	785,526
Short Courses	3,467,066	6,676,400
Drilling Revenue	-	38,453,104
Activity fee	1,657,000	1,438,000
KUCCPS Processing Fee	154,500	57,000
Student Personal effects	-	311,005
Students Welfare	3,227,228	-
Students Medical	2,181,600	-
Total	97,654,349	170,464,027
9. Rental revenue from facilities and equipment		
Hire of Conference Facilities	2,100,504	2,401,800
10. Other Revenues		
Miscellaneous Income	106,616	31,945
Sale of Tender Documents	3,000	12,000
Library fines and Staff Surcharges	515,685	49,390
Cheque Clearance fee	490	2,484
Gain on disposal of assets	-	396,917
Decrease in provision for the bad and doubtful debts	17,990,365	-

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Total	18,616,155	492,736
11. Employee costs		
Salaries & Wages	120,917,687	140,950,782
Contribution to Pensions	7,358,736	6,754,430
Staff medical insurance	26,390,149	13,361,318
Group personal insurance	861,602	904,208
Travel Costs-Domestic	2,000,307	1,549,102
Accommodation-Domestic	936,380	-
Daily Subsistence-Domestic	18,364,472	36,637,556
Travel Costs(Airlines)-Foreign	-	635,471
Accommodation-Foreign	-	212,926
Daily Subsistence Allowance- Foreign	76,995	1,336,197
Other allowances	15,744,921	14,511,050
Housing allowances	25,099,116	27,298,252
Overtime payments	430,682	1,406,919
Gratuity	8,948,092	-
Total	227,129,136	245,558,211
12. Remuneration of Governing Council		
Chairman's Honoraria	240,000	521,290
Other allowances	11,855,938	24,994,144
Total Governing Council Emoluments	12,095,938	25,515,434
13. Depreciation and amortization expense		
Property, plant and equipment	25,297,136	25,332,216
Intangible assets	-	-
Total depreciation and amortization	25,297,136	25,332,216
14. Repairs and maintenance		
Maintenance of Motor vehicles	2,571,942	1,804,282
Maintenance of computers	254,037	1,703,070
Maintenance of buildings & stations	5,208,858	8,239,140
Maintenance of office furniture	38,400	485,747
Maintenance of Plant & machinery	531,192	1,041,503
Refurbishment of buildings	1,295,668	959,082
Total	9,900,097	14,232,825
15. Contracted services		
Contracted Guards	6,081,034	6,354,806
Contracted Technical Services	-	-
Total	6,081,034	6,354,806

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16. Use of Goods and Services

Electricity	5,332,222	7,028,854
Water & Connections	2,338,629	1,956,221
Gas Expenses	1,766,500	2,072,080
Telephone Expenses	1,598,923	1,248,192
Internet Connections	3,537,867	2,288,036
Postal & Courier	134,652	90,448
Publishing & Printing	989,705	659,530
Subscription To Newspapers	99,940	103,000
Advertising	1,865,207	9,580,997
Trade Shows	336,872	1,720,780
Payment Of Rent & Rates	4,024,950	2,470,000
Training Expenses	620,461	2,351,807
Graduation Expenses	593,918	3,261,590
Catering Expense	5,001,871	4,392,810
Plant, Equip & Machinery Insurance	377,400	423,503
Motor Vehicle Insurance	372,742	1,103,353
Fungicides	282,842	648,894
Purchase of W/Shop Tools	2,254,084	635,510
Lab Materials & Supplies	6,339,682	1,948,144
Education & Lib Supplies	505,000	116,570
Food & Rations	8,549,288	20,315,476
Purchase of Staff Uniforms	287,242	961,262
Purchase of Beddings	37,000	-
General Office Supplies	7,140,640	2,116,075
Supplies & Accessories	373,501	85,820
Sanitary & Cleaning Materials	12,909,632	3,196,096
Refined Fuels - transport	1,873,111	3,446,577
Bank Charges	546,163	390,161
Membership Fees, Dues	666,150	677,215
KETISA	472,000	3,974,180
Legal Fees	394,589	205,409
Audit Fees	580,000	580,000
Bad Debts	-	24,488,106
Research Expenses	978,488	2,628,808
Pre-Feasibility	15,026,424	865,125
Capacity Building	366,216	1,713,808
Drilling Expense	4,769,057	23,656,853
Foreign exchange loss	-	36,321
Irrecoverable taxes	1,146,360	399,427
Hire of transport	1,302,286	1,651,337
Field training attachment	-	1,107,900
Value Added Tax	155,284	-

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Total	95,946,897	136,596,273
17. Cash and cash equivalents		
Account with Kenya Commercial Bank-current	4,625,802	8,536,631
Account with Kenya Commercial Bank -Project Account	82,030	28,206,271
KEWI Pay bill Account	6,860,982	-
Cash in Hand	-	2,150
Total	11,568,814	36,745,052
18A. Receivables from exchange transactions		
Trade Receivables	119,712,847	156,961,887
Less: Prov. For bad debts	- 36,809,314	- 54,799,679
Net Receivables	82,903,533	102,162,208
Prepayments	3,398,309	4,766,840
Total	86,301,842	106,929,048
18B. Receivables from Non- exchange transactions		
Staff Receivables	13,423,654	15,040,390
Net Receivables	13,423,654	15,040,390
19. Inventories		
Main Campus	8,168,240	5,277,935
Kisumu Campus	123,301	-
Chiakariga Campus	2,318,980	753,135
Kitui Campus	107,125	26,206
Total	10,717,646	6,057,276

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20A. Property, plant and equipment	Land		Buildings		Motor vehicles		Furniture and fittings		Plant and Equipment		Computers		Total	
		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs
Cost														
At 1st July 2019		1,044,642,000		487,301,089		23,000,000		13,201,647		83,910,639		19,122,628		1,671,178,003
Additions		-		-		-		1,524,450		292,000		994,100		2,810,550
Disposals		-		-		-		-		-		-		-
At 30th June 2020		1,044,642,000		487,301,089		23,000,000		14,726,097		84,202,639		20,116,728		1,673,988,553
Additions		-		-		-		774,900		271,500		3,511,643		4,558,043
Disposals		-		-		-		-		-		-		-
At 30th June 2021		1,044,642,000		487,301,089		23,000,000		15,500,997		84,474,139		23,628,371		1,678,546,596
Depreciation														
At 1st July 2019		-		58,382,374		21,800,000		6,011,924		51,588,040		14,245,904		152,028,241
Depreciation		-		9,746,022		1,200,000		1,550,100		10,559,267		596,460		25,297,136
On Disposals		-		-		-		-		-		-		-
At 30th June 2020		-		68,128,396		23,000,000		7,562,023		62,147,307		14,842,364		175,680,090
Depreciation		-		9,746,022		-		1,550,100		10,559,267		3,441,748		23,436,749
On Disposals		-		-		-		-		-		-		-
At 30th June 2021		-		77,874,418		23,000,000		9,112,123		72,706,574		18,284,111		200,977,227
Net book values														
At 30 June 2021		1,044,642,000		409,426,671		-		6,388,874		11,767,565		5,344,260		1,477,569,370
At 30 June 2020		1,044,642,000		419,172,693		-		7,164,074		22,055,332		5,274,364		1,498,308,463
Rates														
		Nil		2%		20%		10%		12.50%		30.00%		

NB: The computation of the depreciation charge for the motor vehicles and computers for the financial year 2020/2021 is as per the following schedule since some of them had been fully depreciated.

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	Motor Vehicle at Cost									
	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21		
Revalued Amount/Cost	17,700,000	17,700,000	17,700,000	23,700,000	23,700,000	23,700,000	23,000,000	23,000,000.00		
Additions during the year	-	-	6,000,000	-	-	-	-	-		
Disposal	-	-	-	-	-	(700,000)	-	-		
Total cost	17,700,000	17,700,000	23,700,000	23,700,000	23,700,000	23,000,000	23,000,000	23,000,000.00		

**Computation of the Depreciation charge for M/Vehicles at 20%
Year of Acquisition**

Year of Depreciation	Computation of the Depreciation charge for M/Vehicles at 20%									
	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	Total	
13/14	3,540,000	-	-	-	-	-	-	-	-	3,540,000
14/15	3,540,000	-	-	-	-	-	-	-	-	3,540,000
15/16	3,540,000	-	1,200,000	-	-	-	-	-	-	4,740,000
16/17	3,540,000	-	1,200,000	-	-	-	-	-	-	4,740,000
17/18	3,540,000	-	1,200,000	-	-	-	-	-	-	4,740,000
18/19	-	-	1,200,000	-	-	(700,000)	-	-	-	500,000
19/20	-	-	1,200,000	-	-	-	-	-	-	1,200,000
20/21	-	-	-	-	-	-	-	-	-	-
Total	17,700,000	20%	6,000,000	20%	20%	(700,000)	20%	20%	20%	23,000,000

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	Computer Cost									
	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21		
Revalued Amount/Cost	4,623,510	9,117,010	10,187,060	12,155,879	12,155,879	12,155,879	19,122,628	20,116,728		
Additions during the year	4,493,500	1,070,050	1,968,819	-	-	6,966,749	994,100	3,283,000		
Total cost	9,117,010	10,187,060	12,155,879	12,155,879	12,155,879	19,122,628	20,116,728	23,628,371		
Computation of the Depreciation charge for Computers at 30%										
Year of Acquisition										
Year of Depreciation	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	Total	
13/14	2,735,103	-	-	-	-	-	-	-	-	2,735,103
14/15	2,735,103	321,015	-	-	-	-	-	-	-	3,056,118
15/16	2,735,103	321,015	590,646	-	-	-	-	-	-	3,646,764
16/17	911,701	321,015	590,646	-	-	-	-	-	-	1,823,362
17/18	-	107,005	590,646	-	-	-	-	-	-	697,651
18/19	-	-	196,882	-	-	2,090,025	-	-	-	495,112
19/20	-	-	-	-	-	2,090,025	298,230	-	-	596,460
20/21	-	-	-	-	-	2,090,025	298,230	1,053,493	-	3,441,748
Total	9,117,010	1,070,050	1,968,819	6,270,074	596,460	20,075,906				

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20B. INTANGIBLE ASSETS	Shs
Cost	
At beginning July 2019	9,276,740
Additions	-
At end of June 2020	9,276,740
At beginning July 2020	9,276,740
Additions	-
At end of June 2021	9,276,740
Amortization	
At beginning of July 2019	9,276,740
Amortization	-
At end of June 2020	9,276,740
At beginning of July 2020	9,276,740
Amortization	-
At end of June 2021	9,276,740
Net Book Value	-
Rate	20%

	2020/2021	2019/2020
20A. PPE- See a separate Note		
20B. Intangible Assets- See a separate Note		
21. WIP		
Relates to Water Resource Centre, Mechanical Production Unit & Kitui Fencing		
WIP b/f	290,466,712	236,324,873
Additional WIP for the year	38,357,876	27,070,919
	328,824,588	263,395,793
22. Trade and other payables from exchange transactions		
Staff Payables	3,284,785	1,550,383
Student Payables	3,162,840	3,756,334
Trade Payables	50,588,537	40,179,010
Retention Fee	15,961,220	12,944,611
Total	72,997,381	58,430,337
23. Refundable Deposits from Students		
Caution Money	1,601,250	730,250
Medical funds	1,135,230	1,135,230
Total	2,736,480	1,865,480
24. Deferred Income		
Tuition fee	15,817,750	-
Accommodation fee	2,451,490	-
Total	18,269,240	-
25. Capital Fund		
GOK Development Grants	20,000,000	84,000,000
	20,000,000	84,000,000

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26. Prepayments

VENDOR NAME	VALUE	CONTRACT PERIOD	REMARKS	Prepayment	Expense for the year 2020/2021
MADISON GENERAL INSURANCE	635,055	20.10.19-19.10.2020	Property plant & Equipment insurance	-	211,685
PIONEER GENERAL INSURANCE LIMITED	1,188,115	12.04.21 - 11.03.2022	Motor Vehicle Insurance	891,086	297,029
SANLAM GENERAL INSURANCE LIMITED	820,000	12.10.2020-11.10.2021	Group Personal Accident Insurance	205,000	615,000
JUBILEE INSURANCE CO.	6,906,667	11.11.20 - 10.11.21	Staff Medical Insurance	2,302,222	4,604,445
	9,549,837			3,398,309	5,728,158

27. The Construction Work in Progress of Ksh. 328,824,588 is in respect of Water Resource Centre, Mechanical Production Unit, Kitui Campus Fencing and Construction of an Irrigation and Drainage Engineering block and a Gate at KEWI Chiakariga Campus.

28. Board Expenses

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

29. Refundable Deposits from students

This constitutes the amounts held by the Institute in form of students' caution money. The opening balance of Kshs 1,135,230 for the students medical funds belong to the prior FY 2019/2020 where the resolution to change the medical fund to medical fee had not been passed.

30. Comparatives

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

31. Capital commitments

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

Commitments Kshs

- | | |
|---|------------|
| a) Construction of Water Resource Centre | 40,000,000 |
| b) Irrigation & Drainage Engineering block & a Gate | 2,731,985 |

Total **82,731,985**

32. Currency

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

33. Taxation:

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The Institutes 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.

34. Government Grants:

The government grants are recognized when realized and spread throughout the financial year. Recurrent grants constitute 67% of the Institutes revenue.

35. Leave Pay:

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

36. Contingent liabilities:

The former Director Eng. Mwalimu Musau took the Institute to court claiming damages for alleged wrongful termination of employment where the court awarded the claimant Ksh 6,474,000 and the Institute is servicing the award.

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 where there was a directive that the Institute settles what's not in objection, i.e. 18M. A payment plan was agreed between the Kenya Revenue Authority and the Institute to be settling Ksh 500,000 every Month for six (6) months.

37. 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.

38. In the FY 2013/2014, the Institute received 40M as grants which were utilised to procure computer trainers

39. RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk Management

Financial risk management is the process of understanding and managing the financial risks that your business might be facing either now or in the future. The idea is to understand what risks organisation is willing to take, what risks you would rather avoid, and how organisation is going to develop a strategy based on your risk appetite.

The key to any financial risk management strategy is the plan of action. These are the practices, procedures and policies your business will use to ensure it does not take on more risk than it is

prepared for. In other words, the plan will make it clear to staff what they can and cannot do what decisions need escalating, and who has overall responsibility for any risk that might arise.

Risk is inherent in any business operation and good risk management is essential if organisation is going to identify and stop revenue leakage. Of the various types of risks an organisation might face, financial risk has the most immediate impact on your cash flows and going concerns. One can anticipate these risks and head them off at the pass with a solid financial risk management plan. Anything that relates to **money flowing in and out of the business is a financial risk**. Since the list of potential risks is so long, most analysts place them into one of four categories as market, credit, liquidity and operational risk. The Institute is exposed to these risks in course of executing its mandate. 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.

1. MARKET RISKS

As the name implies, a market risk is any risk that comes out of the marketplace in which your organisation operates. More generally and whatever sector you're in, every business runs the risk of being outpaced by competitors. If organisation does not keep up with consumer trends and pricing demands, then it is likely to lose market share. The objective of market risk management policy is to protect and enhance the Statements of Financial Position and performance by managing and controlling market risk exposures within acceptable parameters. The Institute is exposed to the following market risks: -

(a) Foreign exchange risk

Most of the carrying amounts of the Institute currency is denominated in local currency, Kenya Shillings. Thus changes in the Kenya Shilling, any appreciation or depreciation against the other currencies will have no direct impact on the Institute's reporting. During the financial year 2018/2019, the foreign exchange loss was insignificant.

(b) Interest rate risk

The Institute's financial condition may be adversely affected as a result of changes in interest rate levels. The interest rate risk is minimal as the Institute does not have any borrowings. Equally, the

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

(c) Liquidity risk

Also known as funding risk, this category covers all the risks you encounter when trying to sell assets or raise funds. If something is negatively affecting in the ways of raising cash fast, then it is classified as a liquidity risk. Liquidity risk also includes **currency risk** and **interest rate risk**. What would happen to cash flows if the exchange rate or interest rates were to suddenly change? In KEWI prospective risk can arise 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.

The analysis below shows the financial liabilities that will be settled on the remaining maturity date as of the financial statements date to the contractual maturity date.

To mitigate liquidity risks

- i. Students pay 60% before they are admitted and the balance before sitting for the exams
- ii. For exchange transactions, clients make 30% deposit before the work can commence
- iii. The Institute has ensured that all government grants are timely disbursed
- iv. 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
- v. There is a follow of revenue from trade debtors to ensure they honor their obligations
- vi. There fidelity guarantee of officers handling cash and insurance of cash in the office and in transit, and reduction of payment in cash

(d) Credit Risk

Credit risk is the possibility that the organisation will lose money because someone fails to perform according to the terms of a contract. Organisations must retain sufficient cash reserves to cover their accounts payable or they are going to experience serious cash flow problems.

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. 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

2. OPERATIONAL RISKS

Operational risk is a term that covers all the other risks an organisation might encounter in its daily operations. Staff turnover, theft, fraud, lawsuits, unrealistic financial projections, poor budgeting and inaccurate marketing plans can all pose a risk to the going concern line if they are not anticipated and handled correctly.

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.

a. Compliance and regulatory risk

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Compliance and regulatory risk include the risk of non-compliance with regulatory requirements. The Institute has complied with all externally imposed requirements throughout the year.

b. Legal risks

- c. The likelihood of the potential loss arising from the uncertainty of legal proceedings, including reputational loss, arising from defective transactions or contracts, labor disputes, claims being made or some other event resulting in a liability or the loss for the Institute. A court case of the former Director on alleged unfair termination was ruled in his favor. The case was determined at a total cost of Ksh. 8,211,290. However, the institute entered in to a settlement plan out of which, Ksh 6,000,000 has so far been paid.

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XX. APPENDIX 1: PROGRESS REPORTS ON AUDITORS RECOMMENDATIONS

Audit basis	Management response to Audit opinion	Current status
<p>1. Property, Plant & Equipment</p> <ul style="list-style-type: none"> - The Institute has included in its statement of financial position land valued at Kes 1,044,642,000, however the Institute has not secured the land by obtaining valid title deeds. - The Institute acquired a piece of land in Kisumu in FY 2013/14. However, the Management did not have in their custody documents to support the purchase: - Official search document, transfer form dully executed, survey plan of this land, letter of consent from the commissioner of lands or Land Control Board, valuation report for stamp duty purposes and the sale agreement dully executed. 	<p>The Management has developed terms of reference for legal services to help acquire title deeds for the parcels of land in Nairobi, Kitui and Chiakariga campuses; and also to convert the certificate of title for the parcel of land in Kisumu. The procurement process is ongoing.</p>	<p>Not Resolved</p>
<p>2. Receivables</p> <p>2.1 Receivables from exchange transactions</p> <ul style="list-style-type: none"> - The Institutes' statement of financial position reflects receivables from exchange transactions of Kes 67,119,264. Out of this amount, Kes 40,826,061 relates to student receivable which is doubtful since some of the 	<p>The Institute trains students amongst which are students sponsored by the Parent Ministry for long term courses. Some of the students whose fee is in arrears were sponsored by the Ministry of Water and Sanitation; the Ministry has not paid the Institute the amounts owing.</p> <ul style="list-style-type: none"> - The Institute has started the process of identifying the long outstanding doubtful debts which are not likely to be recovered with a view to seeking authority from the national Treasury to write them off. - The Institute has put in place measures in place to recover outstanding 	<p>Not Resolved</p>

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Audit basis	Management response to Audit opinion	Current status
<p>students had left the Institute three years back.</p> <p>2.2 Receivables from Non-exchange transactions</p> <p>- The statement of financial position reflects receivables of Ksh 17,685,000 from non-exchange transaction. Out of this amount, Ksh 10,359,079 represents net staff receivables aged over 90 days.</p>	<p>staff receivables, including recovery from the payroll. In addition, controls have been put in place to minimize the amount of staff receivables.</p>	<p>Not Resolved</p>
<p>3. Cash and cash equivalents.</p> <p>The bank reconciliation report for current bank account balance was not produced to support an amount of Ksh 13,712,028</p>	<p>-This has since been rectified and bank reconciliation report as at 30th June 2018 has been availed.</p>	<p>Resolved</p>
<p>4. Irregular and illegal paid salaries</p> <p>-The Institute incurred Ksh 164,289,439 as employee cost in the period ended 30th June 2017. Ksh 2,595,920 was in respect of a senior lecturer who had been seconded to a position of a Ag. Chief Executive Officer, for UNESCO category II. However, the Institute continued paying the employee despite the fact that he was not serving the Institute.</p>	<p>-Mr. Lekooomet was appointed as the acting Director for Regional Centre on Groundwater Resources Education, Training and Research in Eastern Africa on deployment with effect from 4th February, 2016 vide Cabinet Secretary Ministry of Water and Irrigation letter no. MWI/UN/11/9 VOL.IV (96) dated 30th March, 2016. Kenya Water Institute deployed the officer to the organization and continued paying him salary as the regulation on deployment is not clear on who is to pay an officer on deployment. In addition to this, the organization whose creation and operationalisation was contracted by the Institute in their performance contract for the period 2010/2011 to 2013/2014 did not have the budgetary allocation to recruit her own staff. Hence the deployment of the officer by the Institute.</p>	<p>Resolved</p>

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Audit basis	Management response to Audit opinion	Current status
<p>5. Un-vouchered Expenditure -The Institute incurred Ksh 142,816,736 under the general expenses. However, payment vouchers totalling to Ksh 15,942,138 were not made available for audit review.</p>	<p>The payment vouchers are now available</p>	<p>Resolved</p>
<p>6. Trade and other payables. -Trade payable balance of Ksh 66,532,237 was outstanding as of 30th June 2017. However, the schedule for the creditors provided for audit lacked crucial information such as: - goods supplied or services rendered, invoice numbers, delivery notes among others to authenticate the payables. -The payables had not been aged thus making it difficult to establish how long the amounts have been outstanding.</p>	<p>-Immediately the contract issue is sorted with the service provider by the Management, the vendor will be requested to configure the system to produce reports with the details required. However, payment vouchers showing all the details were availed for audit verification. This arose because the system was not configured to produce an aged report. To date, this has been resolved and the system is able to age payables.</p>	<p>Resolved</p>
<p>OTHER MATTERS 1. Financial performance – The statement of financial performance shows a deficit of Ksh 52,441,295 for FY 2015/16 and Ksh 70,225,712 as of 30th June 2017. No</p>	<p>-The trend shall reverse as the Institutes recurrent budget has been adjusted up wards by the Ministry from Kes 140,880,000 to Kes 215,753,560 in the year 2018/2019. The management has put in place mechanisms to raise more internally generated funds so as to expand the revenue base.</p>	<p>Resolved</p>

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Audit basis	Management response to Audit opinion	Current status
<p>explanation has been provided for the huge accumulating deficit that impacts</p>		
<p>2. Comparative budget and actual amounts – The Institutes development budget for the year was Ksh 51M. However, the Institute showed an expenditure of Ksh 1,706,814 translating to 3.3% of the budget. The reason given for the variance was failure to pay the contractor of Water Resource Centre due to the dispute of the works. -Proper scrutiny established that part of the development money had been used in other programmes yet no explanation had been provided on when and how the development budget was to be implemented.</p>	<p>The dispute has since then been resolved and an agreement reached and the contractor resumed works in February 2019. -In the financial year 2018/2019, the institute committed part of the internally generated revenue to cover development expenditure to complete the Water Resource Centre.</p>	Resolved
<p>3. Financial statements (Entity Information and Management) i) Details of the roles played by the fiduciary oversight body, membership, attendance of meetings and how their mandate was executed in the year under review. The corporate governance statement had no details of,- a) The board meetings held and</p>	<ul style="list-style-type: none"> • Fiduciary oversight body. <ul style="list-style-type: none"> a. Independent internal audit function b. Audit and Risk Committee of the Governing Council 2. Execution of the mandate during 2016/2017FY, inter alia <ul style="list-style-type: none"> a. The committee supervised the Internal Audit function b. Communicated with the internal and external auditors c. Evaluated the adequacy of the control environment and provided assurance on the systems of internal control d. Performed other roles and mandate as stipulated in Audit Committee regulations of April 2015 	Resolved

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Audit basis	Management response to Audit opinion	Current status																																																								
<p>attendance</p> <p>b) The succession plan</p> <p>c) The Institute Charter</p> <p>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</p>	<p>3. Meetings Six Audit and Risk Committee meetings were held during the time of the GC which expired on 19th February, 2018</p> <p>a. 20th Meeting was held on 21/09/2016</p> <p>b. 21st meeting held on 18/11/2016</p> <p>c. 22nd meeting held on 6/01/2017</p> <p>d. 23rd Meeting held on 31/03/2017 on</p> <p>e. 24th meeting held on 20th June 2017</p> <p>f. SM, Special Meeting was held on 8/05/2017</p> <p>4. Membership of the Audit and Risk Committee</p> <p>a. Chairman-From Professional bodies</p> <p>b. Representative from Non-Governmental Organization-Association of Water Users</p> <p>c. Representative from the National Treasury</p> <p>d. Representative from the Ministry of Devolution</p> <p>e. Director of Water Services</p> <p>f. Secretary-Head of Internal Audit-Independent function</p> <p>5. Meetings attendance</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Meeting/Members</th> <th>20th</th> <th>21st</th> <th>22nd</th> <th>23rd</th> <th>24th</th> <th>SM</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>1 Chairman</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">6/6</td> </tr> <tr> <td>2 Rep. NGOs</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">6/6</td> </tr> <tr> <td>3 Rep. N. Treasury</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">6/6</td> </tr> <tr> <td>4 Rep. Dir. Water Services</td> <td style="text-align: center;">0</td> <td style="text-align: center;">X</td> <td style="text-align: center;">0</td> <td style="text-align: center;">X</td> <td style="text-align: center;">0</td> <td style="text-align: center;">X</td> <td style="text-align: center;">3/6</td> </tr> <tr> <td>5 Rep. Min. of Devolution</td> <td style="text-align: center;">0</td> <td style="text-align: center;">X</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">X</td> <td style="text-align: center;">2/6</td> </tr> <tr> <td>Total members present</td> <td style="text-align: center;">3</td> <td style="text-align: center;">5</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">3</td> <td style="text-align: center;">5</td> <td></td> </tr> </tbody> </table>	Meeting/Members	20 th	21 st	22 nd	23 rd	24 th	SM	Total	1 Chairman	X	X	X	X	X	X	6/6	2 Rep. NGOs	X	X	X	X	X	X	6/6	3 Rep. N. Treasury	X	X	X	X	X	X	6/6	4 Rep. Dir. Water Services	0	X	0	X	0	X	3/6	5 Rep. Min. of Devolution	0	X	0	0	0	X	2/6	Total members present	3	5	3	4	3	5		
Meeting/Members	20 th	21 st	22 nd	23 rd	24 th	SM	Total																																																			
1 Chairman	X	X	X	X	X	X	6/6																																																			
2 Rep. NGOs	X	X	X	X	X	X	6/6																																																			
3 Rep. N. Treasury	X	X	X	X	X	X	6/6																																																			
4 Rep. Dir. Water Services	0	X	0	X	0	X	3/6																																																			
5 Rep. Min. of Devolution	0	X	0	0	0	X	2/6																																																			
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Audit basis	Management response to Audit opinion	Current status
	<p>-17 Full board meeting (including special meetings) -5 Programme and development committee meetings -12 Audit and risk committee meetings -5 Finance and administration committee meetings.</p> <p>-The KEWI governing council composition is guided by the Institute's Act, which states that the responsibility of appointing is vested in the hands to the CS in charge of Water, the said Act is silent on when and how to appoint. This has lead to GC members being appointed at the same time and leave at the same time. Management has initiated the process of reviewing the Act and one of the recommendations is have the board appointments staggered. This will address the succession challenges being experienced.</p> <p>-With the incoming of the Mwangozo, the Institute did not develop the Institutes charter. The Institute adopted Mwangozo. -The Institute entered in to performance contract with the parent Ministry which was in line with the Institutes mandate, the Ministry continued monitoring the Institutes performance and finally evaluated the same. Thereafter, the final evaluation was done by the performance Contracting Unit and rated KEWI's performance as Good.</p>	

Director/CEO KENNEDY R.O. RIAGA Signature.....

Date:..... 18th JULY 2022'

KENYA WATER INSTITUTE
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XXI. APPENDIX II: INTER-ENTITY TRANSFERS

KENYA WATER INSTITUTE				
Break down of Transfers from the State Department of Water and Sanitation				
FY 2020/2021				
a.	Recurrent Grants	Bank Statement Date	<u>Amount (KShs)</u>	The Amounts relate to FY 2020/2021
		8/31/2020	17,312,797	2020/2021
		9/8/2020	17,312,797	2020/2021
		10/5/2020	17,312,796	2020/2021
		11/6/2020	17,312,797	2020/2021
		12/7/2020	17,312,797	2020/2021
		1/18/2021	17,312,796	2020/2021
		2/4/2021	17,312,797	2020/2021
		3/4/2021	17,312,797	2020/2021
		4/9/2021	17,312,797	2019/2020
		5/5/2021	17,312,797	2020/2021
		6/23/2021	17,312,797	2020/2021
		7/5/2021	17,312,795	2020/2021
		Total	207,753,590	
b.	Development Grants	Bank Statement Date	<u>Amount (KShs)</u>	The Amounts relate to FY 2020/2021
		9/17/2020	10,000,000	2020/2021
		7/7/2021	10,000,000	2020/2021
		Total	20,000,000	

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

Finance Manager
KENYA WATER INSTITUTE

Sign 

Head of Accounting Unit
WATER & SANITATION

Sign.....

KENYA WATER INSTITUTE
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XXII. APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received			Where Recorded/recognized		
	as per bank statement	Recurrent/D evelopment	Total Amount Kshs	Statement of Financial Performance	Capital Fund	Total Transfers during the Year
Ministry of Water and Sanitation	8/31/2020	Recurrent	17,312,797	17,312,797	-	17,312,797
“	9/8/2020	“	17,312,797	17,312,797	-	17,312,797
“	10/5/2020	“	17,312,796	17,312,796	-	17,312,796
“	11/6/2020	“	17,312,797	17,312,797	-	17,312,797
“	12/7/2020	“	17,312,797	17,312,797	-	17,312,797
“	1/18/2021	“	17,312,796	17,312,796	-	17,312,796
“	2/4/2021	“	17,312,797	17,312,797	-	17,312,797
“	3/4/2021	“	17,312,797	17,312,797	-	17,312,797
“	4/9/2021	“	17,312,797	17,312,797	-	17,312,797
“	5/5/2021	“	17,312,797	17,312,797	-	17,312,797
“	6/23/2021	“	17,312,797	17,312,797	-	17,312,797
“	7/5/2021	“	17,312,795	17,312,795	-	17,312,795
Total			207,753,590	207,753,590	-	207,753,590
Ministry of Water and Sanitation	9/17/2020	Development	10,000,000	-	10,000,000	10,000,000
“	7/7/2021	“	10,000,000	-	10,000,000	10,000,000
Total			20,000,000	-	20,000,000	20,000,000