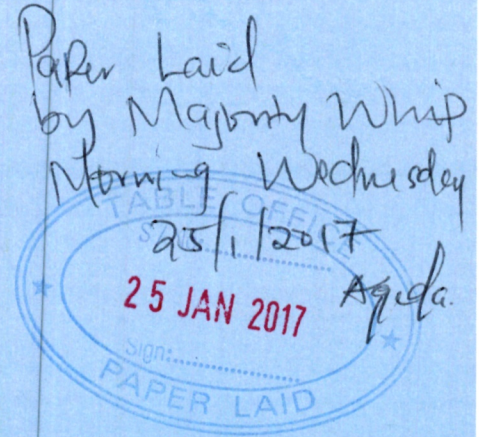
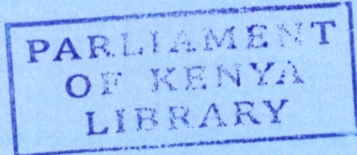


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
WATER TOWERS CONSERVATION FUND

FOR THE YEAR
ENDED 30 JUNE 2015



WATER TOWERS CONSERVATION FUND

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2015



WATER TOWERS CONSERVATION FUND

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2015

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WATER TOWERS CONSERVATION FUND

BACKGROUND INFORMATION

The Water Towers Conservation Fund was established in the former office of the Prime Minister to coordinate the conservation of the Water Towers in the country. The Fund had an account with the Central Bank of Kenya where the seed money amounting to Kshs.50 Million was deposited to operationalize the fund.

The initial capital of the fund was fifty million shillings appropriated by Parliament in the financial year 2010/2011.

The Water Towers Conservation Funds was created through a Kenya Gazette Supplement No. 47 of 23rd July, 2010. Initially the National Water Towers Management Committee was based at NHIF Building, Ragati Road Nairobi.

Expenditure

The expenditure incurred on the Fund shall be on the basis of and limited to, annual work programmes and cost estimates by the officer administering the Fund and approved by the Committee at the beginning of each financial year to which they relate.

The Work Plan will determine the projected amount to be spent in the financial year.

Receipts

All receipts, earnings and accruals to the Fund and the balance of the Fund at the close of each financial year shall be retained by the Fund for use for the purpose for which it is established.

The existing Government regulations and procedures on budgeting, accounting, audit and procurement shall apply in the administration of the fund.



In the event of winding up of the Fund, the cash balances shall be transferred to the Exchequer while other assets of the Fund shall be transferred to the Ministry for the time being responsible for matters relating to the coordination of the rehabilitation, conservation and sustainable management of Kenya Water Towers.

OBJECTIVE OF THE FUND

The object and purpose of the Fund is to provide funds for the Restoration, Conservation and Sustainable Management of the Water Towers in Kenya, in an equitable, efficient and transparent manner to secure environmental stability, economic development and human well-being.

The initial appointed members of the Water Towers Conservation Fund were:

1. Prof. Frederick Owino - Chairman
2. Ms. Taina Veltheim - Embassy of Finland
3. Leone Coming - Embassy of Italy
4. Collin Church
5. Mohamed Awer Mohamed
6. PS or Representative former OPM
7. PS Ministry of Water & Irrigation
8. PS Ministry of Forestry & Wildlife
9. PS Ministry of Environment and Mineral Resources

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON WATER TOWERS CONSERVATION FUND FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Water Towers Conservation Fund set out on pages 5 to 22, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in net assets, statement of cash flows and summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management Responsibility for the Financial Statements

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

The Fund Administrator is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act 2003 and submit the report in compliance with Article 229 of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

Report of The Auditor-General on Water Towers Conservation Fund for the year ended 30 June 2015

the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

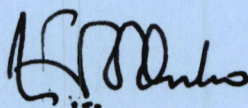
Basis for Qualified Opinion

Operationalization of the Fund

The Fund was created through Gazette Supplementary Notice No.47 of 23 July 2010. A nine-member management committee was appointed and seed capital of Kshs.50 million made available in the 2010/2011 financial year. There is however no evidence that the committee ever met to operationalize the Fund. The Fund has therefore not achieved its intended objectives and the Fund balance of Kshs.31,064,124 remains idle five (5) years since establishment.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion Paragraph, the financial statements present fairly, in all material respects, the financial position of Water Towers Conservation Fund as at 30 June 2015, and of its financial performance and the cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Towers Conservation Funds Regulations, 2010.



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

Nairobi

11 November 2016



WATER TOWERS CONSERVATION FUND

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30TH JUNE 2015

RECEIPTS	NOTES	2014/2015 CURRENT PERIOD KSHS	2013/2014 PREVIOUS PERIOD KSHS
Balance b/f	3.	31,950,002.00	38,138,338.00
Government Grant		-	-
Donations		-	-
TOTAL INCOME		31,950,002.00	38,138,338.00
EXPENDITURE			
Consultancies	4.	(884,168.00)	(6,184,408.00)
Bank charges	5.	(1,660.00)	(3,928.00)
Surplus		31,064,174.00	31,950,002.00

Mr. Francis M. Nkako HSC,OGW,ndc(k)

Director General,

Kenya Water Towers Agency

Date:.....



WATER TOWERS CONSERVATION FUND

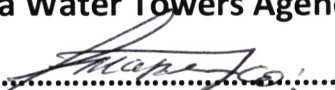
STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED 30TH JUNE 2015

ITEM	NOTES	2014/2015 CURRENT PERIOD KSHS	2013/2014 PREVIOUS PERIOD KSHS
NON – CURRENT ASSETS		-	-
CURRENT ASSETS			
Cash at Bank	6.	31,064,174.00	31,950,002.00
TOTAL ASSETS		31,064,174.00	31,950,002.00
FINANCED BY			
Fund Balance		31,064,174.00	31,950,002.00
TOTAL		31,064,174.00	31,950,002.00

Mr. Francis M. Nkako HSC,OGW.ndc ,(k)

Director General,

Kenya Water Towers Agency

Date: 



WATER TOWERS CONSERVATION FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2015

	Revenue	
	Reserve	Total
	Ksh.	Ksh.
Balance b/f as at 1 st July 2014	31,950,002	38,138,338
Adjustment for the year	(885,828)	(6,188,336)
Addition for the year	-	-
Surplus/Deficit for the year	<u>31,064,174</u>	<u>31,950,002</u>
Balance c/f as at 30th June 2015	<u>31,064,174</u>	<u>31,950,002</u>



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2015

	2014/2015	2013/2014
	Kshs	Kshs
Cash flows from operating activities		
Net operating Surplus for the year	31,064,174	31,950,002
 <i>Adjustments For</i>		
Depreciation of Plant, Property and Equipment	-	-
 Net cash flow generated from operating activities before changes in working capital	31,064,174	31,950,002
 Changes in working capital		
Increase in Trade and other receivables	-	-
Increase in Trade and other payables	-	-
Increase in Inventory	-	-
Increase in prepayments	-	-
<i>Net cash flows from operating activities</i>	31,064,174	31,950,002
 Cash flows from Investing Activities		
Purchase of Plant, Property and Equipment	-	-
<i>Net outflow from investing activities</i>	-	-



Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at beginning of the Period	31,950,002	38,138,338
Cash and Cash Equivalents at the end of the Period	31,950,002	31,950,002



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE
	2014/2015	2014/2015	2014/2015
Revenue	Kshs	Kshs	Kshs
Public contributions and donations- GoK Grants	31,950,002	31,950,002	-
Transfers from other governments – EU Grant			
Sale of goods			
Finance Income	-	-	-
Foreign Exchange Gains			
Total income	<u>31,950,002</u>	<u>31,950,002</u>	-
Expenses			
Compensation of employees	-	-	-
Bank charges	1,660	1,660	-
Finance cost	-	-	-
Board Expenses	-	-	-
Consultancy	884,168	884,168	-
Operation &			



Maintenance	-	-	-
Development Expenses	-	-	-
Depreciation		-	-
Total expenditure	<u>885,828</u>	<u>885,828</u>	-
Surplus/(Deficit for the period)	31,064,174	31,064,174	



NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements are prepared in accordance with & 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 Agency and all values are rounded to the nearest shilling (Kshs). The accounting policies have been consistently applied to all the years presented. The cash flow statement is prepared using the indirect method. The financial statements have been prepared on the basis of historical cost basis of measurement as modified by fair value adjustments where necessary.

2. Summary of significant accounting policies

The Agency is a going concern with there being no intention to liquidate or curtail its operations materially. The preparation of these financial statements conforms to Generally Accepted Accounting Principles (GAAP) which requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reporting amounts of revenues and expenses during the reporting period.

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Agency recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Agency and the fair value of the asset can be measured reliably.

Revenue is recognised when it is probable that future economic benefits will flow to the Agency and the amount of revenue can be measured reliably. Interest income is recognized on an accruals basis in the Statement of Comprehensive Income. When financial assets become impaired, any inherent income/revenue is thereafter recognized at rates used to discount future cash flows for the purpose of measuring the recoverable amount. Fees income is generally recognized on an accrual basis.



ii) Revenue from exchange transactions

Rendering of services

The Agency recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

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

b) Budget information

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

d) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to acquisition of the assets. Increases in the carrying amount arising on revaluation are recognized in other comprehensive income and accumulated in equity under revaluation surplus.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of property and equipment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining the surplus. Tools and other minor office equipments are fully (100%) depreciated in the year of acquisition.

Depreciation is calculated on a pro-rata straight-line basis to the date of acquisition to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates.



Motor Vehicles	25%
Furniture & Fittings	12½%
Computers & related accessories	33⅓%

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

r) Comparative figures

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

s) Significant judgments and sources of estimation uncertainty

The preparation of the Agency's financial statements in conformity with IPSAS requires, its Directors to make certain 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, that are continuously evaluated and assessed for adjustments based on prior experience and other determinants, including expectations of future events that are believed to be reasonable under the prevailing circumstances. Although these estimates are based on the Directors' best knowledge of current events and actions, in practice actual results may differ from these estimates. Such estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made and are described in these notes to the Financial Statements.

Estimates and assumptions

The Agency is a going concern with there being no intention to liquidate or curtail its operations materially. The preparation of these financial statements conforms to Generally Accepted Accounting Principles (GAAP) which requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reporting amounts of revenues and expenses during the reporting period.

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



Useful lives and residual values

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

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

Provisions

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

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

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 22. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

t) NEW AND REVISED STANDARDS

(i) Adoption of new and revised standards

The following new and revised standards have been adopted for the first time in the financial year and have been adopted by the Agency where relevant to its operations:

Standard Title

IPSAS 1 Presentation of Financial Statements

IPSAS 2 Cash Flow Statements

IPSAS 3 Net Surplus or Deficit for the Period - Fundamental Errors and
Changing in Accounting Policies

IPSAS 4 The Effects of changes in Foreign Exchange Rates



IPSAS 9 Revenue from Exchange Transactions

IPSAS 10	Financial Reporting in Hyperinflationary Economies
IPSAS 12	Inventories
IPSAS 14	Events after the Reporting Date
IPSAS 15	Financial Instruments: Disclosure and Presentation
IPSAS 16	Investment Property
IPSAS 17	Property, Plant and Equipment
IPSAS 18	Segment Reporting
IPSAS 19	Provisions, Contingent Liabilities, Contingent Assets
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non-cash-generating Assets
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
IPSAS 24	Presentation of Budget Information in Financial Statements
IPSAS 25	Employee Benefits
IPSAS 26	Impairment of Cash-Generating Assets
IPSAS 27	Agriculture
IPSAS 28	Financial Instruments: Presentation.
IPSAS 29	Financial Instruments: Recognition and Measurement
IPSAS 26	Impairment of Cash-Generating Assets
IPSAS 30	Financial Instruments: Disclosures.
IPSAS 31	Intangible Assets.

- **IPSAS 1, Presentation of Financial Statements**, sets out the overall considerations for the presentation of financial statements, guidance for the structure of those statements and minimum requirements for their content under the accrual basis of accounting.
- **IPSAS 2, Cash Flow Statements**, requires the provision of information about the changes in cash and cash equivalents during the period from operating, investing and financing activities.



- **IPSAS 3, Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies**, specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors, defines extraordinary items and requires the separate disclosure of certain items in the financial statements.
- **IPSAS 4, The Effects of Changes in Foreign Exchange Rates**, deals with accounting for foreign currency transactions and foreign operations. It sets out the requirements for determining which exchange rate to use for the recognition of certain transactions and balances and how to recognise in the financial statements the financial effect of changes in exchange rates.
- **IPSAS 9, Revenue from Exchange Transactions**, establishes requirements for the accounting treatment of revenue from exchange transactions. Non-exchange revenue, such as taxation, is not addressed in this standard.
- **IPSAS 10, Financial Reporting in Hyperinflationary Economies**, describes characteristics of an economy that indicate whether it is experiencing a period of hyperinflation and provides guidance on restating the financial statements in a hyperinflationary environment to ensure useful information is provided.
- **IPSAS 12, Inventories**, establishes the accounting treatment of inventories held by public sector entities and deals with inventories held for sale in an exchange transaction and certain inventories held for distribution at no or nominal charge. The IPSAS excludes from its scope work-in progress of services to be provided at no or nominal charge from recipients because they are not dealt with by IAS 2 Inventories and because they involve public sector specific issues which require further consideration.
- **IPSAS 14, Events After the Reporting Date**. The IPSAS is based on IAS 10, Events after the Balance Sheet Date (revised 1999) but has been amended where necessary to reflect the public sector operating environment. The Standard establishes criteria for deciding whether the financial statements should be adjusted for an event occurring after the reporting date. It distinguishes between adjustable events (those that provide evidence of conditions that existed at the reporting date) and non-adjustable events (those that are indicative of conditions that arose after the reporting date).

- **IPSAS 15, Financial Instruments: Disclosure and Presentation**. The IPSAS is based on IAS 32 *Financial Instruments: Disclosure and Presentation* (Revised 1998). The Standard includes requirements for disclosures about both on-balance sheet and off-balance sheet (statement of financial position) instruments, and the classification of financial instruments as financial assets, liabilities or equity.
- **IPSAS 16, Investment Property**. Based on IAS 40 *Investment Property* (issued 2000) and provides guidance on identifying investment properties in the public sector. The Standard:
 - requires that investment property initially be recognised at cost and explains that where an asset is acquired at no or nominal cost, its cost is its fair value as at the date it is first recognised in the financial statements;



- requires that subsequent to initial recognition investment property be measured consistent with either the fair value model or the cost model; and
- Includes transitional provisions for the initial adoption of the IPSAS.
- **IPSAS 17, Property, Plant and Equipment.** Establishes the accounting treatment for property, plant and equipment, including the basis and timing of their initial recognition, and the determination of their ongoing carrying amounts and related depreciation. It does not require or prohibit the recognition of heritage assets.
- **IPSAS 18, Segment Reporting.** Establishes principles for reporting financial information about distinguishable activities of a government or other public sector entity appropriate for evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.
- **IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets.** This Standard defines provisions, contingent liabilities and contingent assets; and identifies the circumstances in which provisions should be recognised, how they should be measured and the disclosures that should be made about them. The Standard also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand their nature, timing, and amount.
- **IPSAS 20, Related Party Disclosures.** Requires disclosure of the existence of related party relationships where control exists and the disclosure of information about transactions between the entity and its related parties in certain circumstances. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity.
- **IPSAS 21, Impairment of Non-Cash-Generating Assets.** Prescribes the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.
- **IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers).** Addresses:
 - Recognition and measurement of revenue from taxes
 - Recognition of revenue from transfers, which include grants from other governments and international organisations, gifts and donations
 - How conditions and restrictions on the use of transferred resources are to be reflected in the financial statements.
- **IPSAS 24, Presentation of Budget Information in Financial Statements.** Applies to entities that adopt the accrual basis of financial reporting. It identifies disclosures to be made by public sector entities that make their approved budgets publicly available. Also, it requires public sector entities to include a comparison of budget and actual amounts in the financial reports and an explanation of any material differences between budget and actual amounts.
- **IPSAS 25 Employee Benefits.** Sets out the reporting requirements for the four categories of employee benefits. These are short-term employee benefits, such as wages and social security contributions; post-employment benefits, including pensions and other retirement benefits; other long-term employee benefits; and termination benefits. It also deals with specific issues for the public sector, including the discount rate related to



post-employment benefits, treatment of post-employment benefits provided through composite social security programs, and long-term disability benefits.

- **IPSAS 26 Impairment of Cash-Generating Assets.** Some public sector entities (other than government business enterprises, which would already be using full IFRSs) may operate assets with the main purpose of generating a commercial return (rather than providing a public service). It sets out the procedures for a public sector entity to determine whether a cash-generating asset has lost future economic benefit or service potential and to ensure that impairment losses are recognised in its financial reports. Non cash-generating assets, those used primarily for service delivery, are addressed separately in IPSAS 21 Impairment of Non-Cash-Generating Assets.
- **IPSAS 27 Agriculture.** Prescribes the accounting treatment and disclosures related to agricultural activity, a matter not covered in other standards. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, or for distribution at no charge or for a nominal charge or for conversion into agricultural produce or into additional biological assets. It addresses biological assets held for transfer or distribution at no charge or for a nominal charge to other public sector bodies or to not-for-profit organisations. It also includes disclosure requirements that are aimed at enhancing consistency with the statistical basis of accounting that governs the Government Finance Statistics Manual.
- **IPSAS 28 Financial Instruments: Presentation.** It establishes principles for presenting financial instruments as liabilities or equity, and for offsetting financial assets and financial liabilities.
- **IPSAS 29 Financial Instruments: Recognition and Measurement.** It establishes principles for recognising and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items.
- **IPSAS 30 Financial Instruments: Disclosures.** Requires disclosures for the types of loans described in IPSAS 29. It enables users to evaluate: the significance of the financial instruments in the entity's financial position and performance; the nature and extent of risks arising from financial instruments to which the entity is exposed; and how those risks are managed.
- **IPSAS 31 Intangible Assets.** Covers the accounting for and disclosure of intangible assets. It also adds application guidance and illustrations that have not yet been incorporated into the relevant IAS. At this point, IPSAS 31 does not deal with uniquely public sector issues, such as powers and rights conferred by legislation, a constitution, or by equivalent means; the IPSASB will reconsider the applicability of the standard to these powers and rights in the context of its conceptual framework project, which is currently in progress.

There are other amendments and interpretations to standards which became mandatory for years beginning on or after 1st July 2014 but had no significant effect on the Agency's financial statements.



(ii) **Standards, amendments and interpretations to existing standards that are not yet effective or have not been adopted**

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of standards that are likely to be relevant to the Agency for the year beginning 1st July 2014.

Standard Title

- IPSAS 5, Borrowing Costs,
 - IPSAS 6, Consolidated Financial Statements and Accounting for Controlled Entities
 - IPSAS 7, Accounting for Investments in Associates,
 - IPSAS 8, Financial Reporting of Interests in Joint Ventures
 - IPSAS 11, Construction Contracts
 - IPSAS 13, Leases
 - IPSAS 22, Disclosure of Financial Information about the General Government Sector.
 - IPSAS 32 Service Concession Arrangements: Grantor
-
- **IPSAS 5, Borrowing Costs**, prescribes the accounting treatment for borrowing costs and requires either the immediate expensing of borrowing costs or, as an allowed alternative treatment, the capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.
 - **IPSAS 6, Consolidated Financial Statements and Accounting for Controlled Entities**, requires all controlling entities to prepare consolidated financial statements which consolidate all controlled entities on a line by line basis. The Standard also contains a detailed discussion of the concept of control as it applies in the public sector and guidance on determining whether control exists for financial reporting purposes.
 - **IPSAS 7, Accounting for Investments in Associates**, requires all investments in associate to be accounted for in the consolidated financial statements using the equity method of accounting, except when the investment is acquired and held exclusively with a view to its disposal in the near future in which case the cost method is required.
 - **IPSAS 8, Financial Reporting of Interests in Joint Ventures**, requires proportionate consolidation to be adopted as the benchmark treatment for accounting for such joint ventures entered into by public sector entities. However, IPSAS 8 also permits - as an allowed alternative - joint ventures to be accounted for using the equity method of accounting.
 - **IPSAS 11, Construction Contracts**, deals with both commercial and non-commercial contracts and provides guidance on the allocation of contract costs and, where applicable, contract revenue to the reporting periods in which construction work is performed.
 - **IPSAS 13, Leases**. The IPSAS establishes requirements for financial reporting of leases and sale and leaseback transactions by public sector entities, whether as lessee or lessor.



- **IPSAS 22, Disclosure of Financial Information about the General Government Sector.** Establishes requirements for governments that choose to disclose information about the general government sector and that prepare their financial statements under the accrual basis of accounting.
- **IPSAS 32 Service Concession Arrangements: Grantor.** Provides for the recognition, measurement, and disclosure of service concession assets and related liabilities, revenues, and expenses by the grantor. The criteria for determining whether the operator controlled the asset used in a service concession arrangement are also used in IPSAS 32 to assess whether the grantor controlled the asset.

None of the existing standards above have been adopted in preparing these financial statements. There are no other IPSAS's or interpretations that are not yet effective that would be expected to have a material impact on the Agency.

The Board of Directors has assessed the potential impact of the above and expects that they will not have a significant impact on the financial statements for the year ending 30th June 2015 of the Agency

Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2014.

Trust Fund Implementation and Financing arrangements

There shall be a committee known as National Waters Management Committee charged with the responsibility of:

- Approving annual work plans.
- Reviewing operations of the fund
- Advising the Minister on matters relating to the general operations of the fund.

Operations of the Fund

The fund shall be operated by Administrators of the fund with support from the Office of the Prime Minister.

Sources of fundings

The initial capital of the fund was fifty million shillings which was appropriated by Parliament in the financial year 2010/2011.

- 1) Monies appropriated by Parliament-the Government provided Kshs 50 million to start up the project.



- 2) Grants and Donations-the Fund will receive grants and donations from various partners. This money will be deposited in the Fund bank account at the Kenya Commercial Bank, NHIF Building and utilized in the normal manner.
- 3) Income generated from proceeds of the fund
- 4) Consultancies kshs.884,168.00
This is an expenditure that was incurred for purposes of hiring consultants to provide reports on the policies that could be implemented to enable the fund to mobilize resources.
- 5) Bank charges amounted to Kshs 1,660.00 for the year.
- 6) Cash at Bank kshs.31,064,174.00
This was cash held at the bank as the fund balance.