

REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**

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By Hon. A. Duake (com) on  
Thurs. 20.08.2015 (pm)  
KMM*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA WATER INSTITUTE**

**FOR THE YEAR ENDED  
30 JUNE 2014**



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**KENYA WATER INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2014**

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

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## **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. The Institute is currently under the Ministry of Environment, Water and Natural Resources, the state department of water. The Institute is a body corporate with perpetual succession and a common seal. Its governance, control and administration are vested in the Council.

### **(b) Principal Activities**

The mandate of KEWI is as follows:

- a) 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;
- (b) To provide training programmes, seminars and workshops and produce publications aimed at maintaining standards in the water sector;
- (c) 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
- (d) To conduct examinations and award diplomas, certificates and other awards to successful candidates.

### **(c) Key Management**

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

1. The Governing Council
2. Senior Management
3. The Academic Board

### **(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2014 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Director	Dr. Leunita A. Sumba Mr. David K. Ngetich
2.	Deputy Director Academic Affairs	
3.	Deputy Director Management Services	Mr. John K. Gatiri
4.	Deputy Director Research	Mr. Paul N. Muthama

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**(e) Fiduciary Oversight Arrangements**

KEWI's oversight responsibility is vested in the Governing Council and the Audit Committee of the Governing Council. In addition the Audit and Risk department is responsible for risk assessment and internal control system.

**(f) Entity Headquarters**

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

**(g) Entity Contacts**

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

**(h) Entity Bankers**

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

**(i) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**

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

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**II. THE BOARD OF DIRECTORS**



The Governing council was appointed vide Gazette notice No. 10625 dated 3<sup>rd</sup> September 2010. Their term expired on 2<sup>nd</sup> September 2013. Since then Kenya Water Institute has not had a board.

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**III. MANAGEMENT TEAM**

1.	 <p>Dr. Leunita Sumba (<i>Ph.D –Biology; PgDip. Integrated Water Resources Management</i>)</p>	<p>Ag. Director, Kenya Water Institute</p>
2.	 <p>David Ngetich (MPhil. in Geography)</p>	<p>Deputy Director Academic Affairs</p>
3.	 <p>Paul Muthama (MSc. Statistics)</p>	<p>Deputy Director Research</p>
4.	 <p>John Gatiri (Executive MBA)</p>	<p>Deputy Director Management Services</p>
5.		<p>Corporate Affairs Manager</p>

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	Isaac Agevi (M BA.)	
6.	 James Kande (B.Com. Accounting)	Audit and Risk Manager
7.	 Kennedy Riaga (BA. Economics, CPA(K), CISA)	Finance Manager
<p><i>Note: The CEO and the Company Secretary will feature both under the 'Board' and 'Management'.</i></p>		

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**IV. CHAIRMAN'S STATEMENT**

KEWI does not currently have a Chairman.

**V. REPORT OF THE CHIEF EXECUTIVE OFFICER**

I present the 2013-2014 Kenya Water Institute Annual Report and Financial Statements for a period when KEWI was faced with challenges that arose from the absence of a Governing Council. Nonetheless, I am pleased to report that KEWI management handled these challenges very well through planning and prudent utilisation of the available resources (Human Resource, Systems, Financial and Physical Facilities).

**Financial Results:**

We however managed to generate Kshs. 103.5 Million AiA compared with the previous year of Kshs. 84.8 Million. This translates into a 22% increase in AiA generation.

**Future Outlook:**

Over the years KEWI has been unable to sufficiently enhance its capacity and programmes in order to effectively meet the capacity building, training, research and consultancy needs of the water sector. This has been due to inadequate budgetary allocation from the National Treasury. For instance, in the period under review, KEWI received direct GoK budgetary allocation of Kshs. 275,880,000 against the budgeted Kshs. 1,802,516,700.

KEWI has therefore planned to implement a number of projects, programmes and activities that will diversify her revenue streams, as well as enable her to support the Environment, Water and Sanitation sector to realise the vision 2030 goal of attaining a clean, secure and sustainable environment by 2030.

In the next two years KEWI will establish a Water Resource Centre (WRC) at the headquarters in Nairobi. This Centre is expected to support the water sector institutions by serving as a water knowledge hub. It will be dedicated to promoting sustainable development and management of water resources, and wastewater.

KEWI's Mechanical Production Unit (MPU) in industrial area will be refurbished. This will support practical training as well as serve as a centre for evening courses whose demand is increasing.

Other programmes aimed at enhancing service delivery include the establishment of e-learning infrastructure, curriculum review and development, development of facilities in Kisumu, Kitui and Chiakariga campuses, and the initiation of programmes in other counties as stated in the strategic plan 2010-2015.

In addition, KEWI is already taking advantage of the Public Private Partnership to bridge the budgetary deficit it has faced over period of time.

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

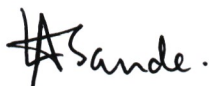
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**Acknowledgement:**

I would like to thank the Government through the Ministry of Environment, Water and Natural Resources for the continued financial support to KEWI. My heartfelt gratitude goes to the Cabinet Secretary, MENR and the Principal Secretary, State Department of Water, for their tireless support, especially in the absence of the Governing Council. I appreciate the contribution made by our development partners and other stakeholders in order to improve KEWI. To the management team, employees, students and guardians: I appreciate your cooperation and ideas, which have led to improved performance in service delivery during the year. Last but not least I acknowledge the value added by the Kenya National Office into ensuring that the financial report represents a true and fair view of the Institute's position.

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.



Dr. L.A. Sumba

**Director Kenya Water Institute**

**30<sup>th</sup> September 2014**

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**VI. CORPORATE GOVERNANCE STATEMENT**

The Institute's governance, control and administration are vested in the Governing Council, whose members are government representatives from key Ministries and persons drawn from different 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 Environment, Water and Natural Resources in ensuring that the Institute complies with the highest standards of corporate governance and business ethics. The activities in the Institute are conducted with integrity and in accordance with generally accepted corporate practice and principles.

The immediate Governing Council's term ended on 2<sup>nd</sup> September 2013, and therefore they were not in office at end of the reporting period. Nevertheless, management held regular meetings and where appropriate made decisions in consultation with the parent ministry to ensure that corporate governance and good business ethics were practised at all times. This enabled management to maintain effective control of the Institute's strategic, financial, operational and compliance issues.

**VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Kenya Water Institute through its Research Unit has continued to contact research projects that are geared towards having a direct impact on the communities that are around KEWI facilities (Campuses). KEWI has also been involved in community outreach programmes as a way of knowledge transfer e.g. promotion of water treatment technologies and rainwater harvesting systems among others. The Institute has also been involved in WASH programmes in schools where school children are sensitized on efficient water use and proper hygiene practice.

During the reporting period KEWI technicians were involved in repair and rehabilitation of boreholes in Taraka Nithi, with an aim of training members of the community with basic skills to undertake basis repairs when boreholes breakdown.

KEWI Staff and Students took part in tree planting Exercise in Kisumu County and Tharaka Nithi County with an aim of encouraging community member participates in tree planting and nurturing of the same.

Kenya Water Institute's Management has also put in place a structure that will enable the Institute take a much more active role in Corporate Responsibility Activities.

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**VIII. REPORT OF THE DIRECTORS**

Kenya Water Institute has not had a board since 3<sup>rd</sup> September 2013

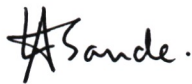
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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014****IX. STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

The Kenya Water Institute Act 2001 requires the Governing Council to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Institute as at the end of the financial year and of its operating results for that year. It also requires the Governing Council to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Governing Council is also tasked with the responsibility of safeguarding the assets of the Institute. In the absence of the Governing Council, Management through the Director undertook the said responsibilities in close consultation with the Principal Secretary Ministry of Environment, Water and Natural Resource.

The Kenya Water Institute Management accepts responsibility for the Annual Financial Statements. These reports are prepared in line with appropriate accounting policies, based on prudent judgments and estimates consistent with previous years, and are in conformity with International Financial Reporting Standards as required by the Kenya Water Institute Act. Management is of the opinion that the financial statements herein give a true and fair view of the state of the financial affairs of the Institute and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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



Dr. Leunita A. Sumba (PhD).

30<sup>th</sup> September 2014

Director

KENYA WATER INSTITUTE

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
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**X. REPORT OF THE INDEPENDENT AUDITORS ON KENYA WATER  
INSTITUTE FINANCIAL REPORT YEAR 2013/2014**

# REPUBLIC OF KENYA

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Fax: +254-20-311482  
E-Mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke

P.O. Box 30084-00100  
NAIROBI



## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON KENYA WATER INSTITUTE FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Water Institute set out at pages 12 to 28, which comprise the statement of financial position as at 30, June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparative 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 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's Responsibility for the Financial Statements**

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

The management 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 report in compliance with Article 229(7) of the constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. 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, 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 Institute'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**

#### **1. Ownership and Accuracy of Property, Plant and Equipment**

As reported in the previous year, the property, plant and equipment balance of Kshs.1,581,984,666 as at 30 June 2014 includes the value of land in Nairobi, Ciakariga in Tharaka-Nthi and Kitui valued at Kshs.972,092,000, Kshs.2,550,000 and Kshs.40,000,000 respectively for which the Institute has not acquired title documents.

Consequently, the accuracy and ownership of the property, plant and equipment balance of Kshs.1,581,984,666 as at 30 June 2014 could not be confirmed.

#### **2. Governing Council (Board) Expenses**

As previously reported, the statement of financial performance for the year ended 30 June 2013 reflects Kshs.6,227,047 as remuneration of the Governing Council. However, this expenditure includes Kshs.960,000 paid in respect of Chairman's monthly honoraria at the rate of Kshs.80,000 which was increased from Kshs.50,000 by the Governing Council without authority of the parent ministry. The Board expenses also includes Kshs.2,720,000 paid to Board members as sitting allowance at a revised rate of Kshs.20,000 instead of Kshs.15,000 earlier approved by the Ministry. This increase was done contrary to the guidelines issued by the Office of the President through Circular No.OP/CAB.9/2/2A/L11/43 of 23 November 2004. Further during the year under review, the Institute continued to pay the allowances using the same unapproved rates. Under the circumstances, the propriety of the Governing Council expenses amounting to Kshs.3,680,000 as at 30 June 2014 could not be confirmed and that the Institute was in breach of the regulations.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects

the financial position of the Institute as at 30 June 2014, 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.

### **Other Matters**

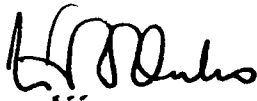
#### **(i) Non-Compliance with IPSAS**

As required by International Public Sector Accounting Standards, the Institute did not include significant accounting policies although a template had been circulated to all Government entities by the Public Sector Accounting Standards Board in order to guide them in preparation of financial statements. The Institute was therefore in breach of accounting standards.

#### **(ii) Lack of Governing Board**

The Cabinet Secretary is supposed to appoint Board of directors as per Section 6 (1) of the State Corporations Act, Cap 446 and Gazette Notice No. 9 of 10 August 2004 on performance contracting section 4 (2) and the Kenya Water Institute Act, 2001 Section 5(1) g. However, the Institute has been without a Board since 1 September 2013 when the term for the members expired. This situation is likely to impair the operations of the Institute.

My opinion is however not qualified with respect to these matters.



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

**NAIROBI**

**14 April 2015**

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## KENYA WATER INSTITUTE

**XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

		2013-2014	2012/2013
		Kshs	Kshs
	Note		
<b>Revenue from non-exchange transactions</b>			
Government grants	2	275,880,000.00	162,880,000.00
		<b>275,880,000.00</b>	<b>162,880,000.00</b>
<b>Revenue from exchange transactions</b>			
Rendering of services	3	97,264,761.00	77,896,331.00
Rental revenue from facilities and equipment		1,848,926.00	1,412,870.40
Other income	4	4,387,702.00	5,554,846.60
		<b>103,501,389.00</b>	<b>84,864,048.00</b>
<b>Total revenue</b>		<b>379,381,389.00</b>	<b>247,744,048.00</b>
<b>Expenses</b>			
Employee costs	5	174,824,347.00	149,302,974.00
Remuneration of Governing Council		2,020,142.00	6,277,047.00
Depreciation and amortization expense	6A & 6B	23,424,343.00	16,009,931.00
Repairs and maintenance	7	12,684,588.00	4,966,639.00
Contracted services	8	3,043,214.00	1,993,847.00
General expenses	9	58,497,480.00	78,913,446.00
Finance costs		506,352.00	480,992.00
<b>Total expenses</b>		<b>275,000,466.00</b>	<b>257,944,876.00</b>
<b>Surplus(Deficit) for the Year</b>		<b>104,380,923.00</b>	<b>(10,200,828.00)</b>

KENYA WATER INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS  
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KENYA WATER INSTITUTE

XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

		2013-2014	2012-2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	116,474,353.00	39,580,541.00
Receivables from exchange transactions	11	56,578,863.00	41,076,303.00
Inventories		3,856,421.00	2,703,134.00
		<b>176,909,637.00</b>	<b>83,359,978.00</b>
<b>Non-current assets</b>			
Property, plant and equipment	6A	1,581,984,666.00	573,292,024.00
Intangible assets	6B	3,068,170.00	4,923,518.00
<b>Total Non- Current ASSETS</b>		<b>1,585,052,836.00</b>	<b>578,215,542.00</b>
<b>Total assets</b>		<b>1,761,962,473.00</b>	<b>661,575,520.00</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions		25,203,847.00	16,187,293.00
Refundable deposits from students		869,130.00	8,052,687.00
Provisions for Audit fees		537,602.00	403,630.00
Deferred income		6,785,832.00	-
<b>Total liabilities</b>		<b>33,396,411.00</b>	<b>24,643,610.00</b>
<b>Net assets</b>			
Capital Reserves		144,184,894.00	144,184,894.00
Revaluation Reserve		1,393,516,687.00	406,263,457.00
Revenue Reserves		190,864,481.00	86,483,559.00
<b>Total net assets</b>		<b>1,728,566,062.00</b>	<b>636,931,910.00</b>
<b>Total net assets and liabilities</b>		<b>1,761,962,473.00</b>	<b>661,575,520.00</b>

*A. Samba*

Dr. Leunita A. Sumba (PhD).

30<sup>th</sup> September 2014

**DIRECTOR**

KENYA WATER INSTITUTE  
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KENYA WATER INSTITUTE

**XIII. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2014**

		2013/14	2012/13
		Kshs	Kshs
	Notes		
<b>Cash flow from Operating Activities before changes in working capital</b>			
Net profit (Shortfall) for the year		104,380,923.00	(10,200,829.00)
Adjustment for Depreciation and Armotization	6A&6B	23,424,343.00	16,009,931.00
		127,805,266.00	5,809,102.00
<b>Changes in working capital</b>			
(Increase)/Decrease in Receivables	11	-15,502,560.00	(16,930,763.00)
(Increase)/Decrease in Inventories		-1,153,287.00	5,696,395.00
Increase/(Decrease) in Payables		8,752,801.00	(3,624,863.00)
<b>Net Cash flow generated from operating activities</b>		119,902,220.00	(14,859,231.00)
<b>Cash flow from Investing Activities</b>			
(Acquisition)/ Disposal of Property, Plant and Equipment	6A	-43,008,407.00	(26,536,408.00)
<b>Net Cash flow from financing activities</b>			-
Net Increase/(Decrease) in Cash and Cash equivalents		76,893,813.00	(35,910,880.00)
Cash and cash equivalents at the start of year		39,580,541.00	75,491,421.00
<b>Cash and cash equivalents at end of year 2014</b>	10	116,474,354.00	39,580,541.00

KENYA WATER INSTITUTE

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**KIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014**

	Attributable to the owners of the controlling entity			Total
	capital Reserves	Revaluation Reserves	Revenue Reserves	
	Kshs	Kshs	Kshs	
<b>Balance as at 30 JUNE 2012</b>	144,184,894.00	406,263,457.00	96,684,388.00	647,132,739.00
Surplus/(deficit) for the period			(10,200,829.00)	(10,200,829.00)
<b>Balance as at 30 JUNE 2013</b>	<b>144,184,894.00</b>	<b>406,263,457.00</b>	<b>86,483,559.00</b>	<b>636,931,910.00</b>
Revaluation gain (loss)		987,253,230.00		987,253,230.00
Surplus for the period	-		104,380,923.00	104,380,923.00
<b>Balance as at 30 JUNE 2014</b>	<b>144,184,894.00</b>	<b>1,393,516,687.00</b>	<b>190,864,482.00</b>	<b>1,728,566,063.00</b>

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2013/2014**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>
	<b>2013-2014 Kshs</b>	<b>2013-2014 Kshs</b>	<b>2013-2014 Kshs</b>	<b>2013-2014 Kshs</b>	<b>2013-2014 Kshs</b>
<b>Revenue</b>					
Government grants and subsidies	275,880,000	-	275,880,000	275,880,000	-
Rendering of services	145,000,000	-	145,000,000	103,501,389	41,498,611
<b>Total income</b>	<b>420,880,000</b>	<b>-</b>	<b>420,880,000</b>	<b>379,381,389</b>	<b>41,498,611</b>
<b>Expenses</b>					
Compensation of employees	177,380,000	-	177,380,000	174,824,347	2,555,653
Finance cost	700,000	-	700,000.00	506,352	193,648
Rent paid	2,500,000	3,500,000	6,000,000	5,119,800	880,200
Other payments	239,800,000	-	239,800,000	71,125,624	168,674,376
<b>Total expenditure</b>	<b>420,380,000</b>	<b>-</b>	<b>420,380,000</b>	<b>250,584,113</b>	<b>169,795,887</b>
<b>Surplus for the period</b>	<b>Nil</b>		<b>Nil</b>	<b>128,797,276</b>	

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**XVI. NOTES TO THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the Financial Statements are set out below:

**a) Basis of preparation**

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS).

The financial statements have been prepared on the historical cost basis of accounting, modified to include the revaluation of certain assets.

The financial statement for the previous accounting period has been restated to conform to IPSAS No. 1 in line with subsequent improvements which came to effect by November; 2011.

**b) Revenue recognition**

Fees represent invoiced value of services rendered during the year in relation to training and consultancy and other miscellaneous forms of revenue

**c) Property, Plant and Equipment**

Fixed assets are stated at cost less accumulated depreciation. Revaluation of all the institute's assets was carried out in the reporting financial year by Ms Syagga & Associates.

The first KEWI audited accounts for the FY 2003/2004 shows that the original valuation of KEWI 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 valuation by an inter-ministerial technical committee on transition of KEWI to a Semi-Autonomous Government Agency. These valuations have been used to come up with the reported capital reserves of Kshs.144, 894,773.

Depreciation 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%

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Computers	30.00%
Software	20.00%

**d) 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

**e) 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 1%, 15%, 20%, 25% and 35% for debts aged current, 1-30, 31-60, 61-90 and > 90 days respectively.

**f) Retirement benefits**

The retirement benefits for majority of staff are managed through an independent registered pension schedule.

**g) Differed Income**

These are mainly receipts of school fee received from students during the second term starting from May and ending in July. A third of the fee paid for this period is considered to represent the month of July(subsequent financial year)

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No.		2013/2014	2012/2013
2	<b>Government grants</b>		
	Development Grants - Capital	135,000,000.00	70,000,000.00
	Personal Emoluments(pe)	140,880,000.00	92,880,000.00
	<b>Total</b>	<b>275,880,000.00</b>	<b>162,880,000.00</b>
3	<b>Rendering of services</b>		
	Tuition fees - Students	41,791,587.00	36,523,130.00
	Registration fees-500004	146,680.00	140,440.00
	ID Card	147,080.00	136,040.00
	Examination Fee-500007	5,702,950.00	4,338,274.00
	Accomodation-500001	27,039,499.00	24,970,750.00
	kitchen Cash Sales	673,980.00	685,780.00
	Graduation fees	224,500.00	300,000.00
	Student Refers	280,000.00	275,820.00
	Students lunch fee	263,550.00	113,560.00
	Lab analysis	1,015,800.00	736,164.00
	Consultancy fee	1,055,840.00	675,000.00
	Application fee	569,500.00	578,550.00
	Seminars and Workshops	4,743,984.80	3,142,773.60
	Short Courses	13,609,810.00	

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			5,280,049.40
	<b>Total</b>	<b>97,264,761.00</b>	<b>77,896,331.00</b>
<b>4</b>	<b>Other Revenues</b>		
	Miscellaneous Income	1,167,823.00	776,851.60
	Cheque Clearance fee	21,229.00	42,731.00
	Gain on disposal of fixed assets	928,044.00	26,801.00
	Sale of Tender Documents	678,500.00	232,000.00
	UON Accommodation	1,584,300.00	4,450,050.00
	Library fines and books	7,806.00	26,413.00
	<b>Total</b>	<b>4,387,702.00</b>	<b>5,554,846.60</b>
<b>5</b>	<b>Employee costs</b>		
	Basic Salary	128,387,136.00	97,577,017.00
	House allowances & other allowances	37,020,305.00	48,145,326.00
	Gratuity	9,416,906.00	3,580,631.00
	<b>Total</b>	<b>174,824,347.00</b>	<b>149,302,974.00</b>
<b>7</b>	<b>Repairs and maintenance</b>		
	Maintenance of Motor vehicles	2,717,901.00	1,480,017.00
	Maintenance of computers	2,780,815.00	56,300.00
	Maintenance of buildings & stations	890,945.00	431,145.00
	Maintenance of office furniture	261,800.00	49,302.00
	Maintenance of Plant & machinery	1,658,178.00	619,777.00
	Refurbishment of buildings	4,374,948.00	2,330,098.00

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	<b>Total</b>	<b>12,684,588.00</b>	<b>4,966,639.00</b>
<b>8</b>	<b>Contracted services</b>		
	CONTRACTED GUARDS	3,022,363.00	1,919,607.00
	CONTRACTED TECHNICAL SERVICES	20,851.00	74,240.00
	<b>Total</b>	<b>3,043,214.00</b>	<b>1,993,847.00</b>
<b>9</b>	<b>General expenses</b>		
	ELECTRICITY	4,931,044.00	4,477,602.00
	WATER & CONNECTIONS	1,774,044.00	1,508,251.00
	GAS EXPENSES	4,422,280.00	3,364,837.00
	TELEPHONE EXPENSES	1,586,479.00	1,651,478.00
	INTERNET CONNECTIONS	619,408.00	530,324.00
	POSTAL & COURIER	125,240.00	104,345.00
	TRAVEL COSTS	432,327.00	230,212.31
	ACCOMODATION-DOMESTIC	714,095.00	380,253.03
	DAILY SUBSISTENCE	4,009,020.00	2,134,788.65
	TRAVEL COSTS(AIRLINES)	43,310.00	25,138.38
	ACCOMODATION-FOREIGN	306,616.00	177,971.00
	DAILY SUBSISTENCE ALLOWANCE	373,789.00	216,960.63
	PUBLISHING & PRINTING	1,475,821.00	813,552.00
	SUBSCRIPT TO NEWSPAPER	449,308.00	395,023.00
	ADVERTISING	3,342,198.00	2,094,175.00
	TRADE SHOWS	484,135.00	16,000.00
	PAYMENT OF RENT & RATES	5,119,800.00	

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			1,830,000.00
	TRAINING EXPENSES	176,737.00	66,330.00
	GRADUATION EXPENSE	912,880.00	4,808.00
	CATERING EXPENSE	2,904,634.00	1,718,448.00
	GROUP PERSONAL INSURANCE	674,664.00	492,707.00
	PLANT,EQUIP & MACH INSUR	190,687.00	895,762.00
	MOTOR VEHICLE INSUR	1,361,395.00	1,003,429.00
	MEDICAL INSURANCE	10,686,179.00	9,798,659.00
	FUNGICIDES	191,811.00	152,106.00
	PURCH OF W/SHOP TOOLS	150.00	36,200.00
	LAB MATS.SUPPLS	297,606.00	47,940.00
	EDUCATION & LIB SUPPLS	3,644,599.00	27,600.00
	PURCH OF SAFF UNIFORMS	261,394.00	31,386.00
	PURCH OF BEDDINGS	4,976.00	-
	GENERAL OFFICE SUPPLS	1,524,958.00	3,478,782.00
	SUPPLS & ACCESSORIES	177,239.00	121,955.00
	SANITARY & CLEANING MAT.	710,555.00	399,181.00
	MISCELLENOUS SUPPLS	597,030.00	5,114,701.00
	REFINED FUELS	3,208,365.00	3,319,973.00
	MEMBERSHIP FEES,DUES	445,000.00	189,400.00
	LEGAL FEES	600,000.00	-
	AUDIT FEES	537,602.00	403,680.00
	BAD DEBTS	-27,468,519.00	4,968,029.00

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	FOOD & RATIOS	10,398,496.00	22,422,233.00
	RESEARCH EXPENSES	1,634,730.00	915,343.00
	PRE-FEASIBILITY	7,850,775.00	2,551,073.00
	CAPACITY BUILDING	6,764,624.00	802,811.00
	<b>Total</b>	<b>58,497,480.00</b>	<b>78,913,447.00</b>
<b>10</b>	<b>Cash and cash equivalents</b>		
	Account with Kenya Commercial Bank-current	115,046,621.00	38,267,600.00
	Account with Kenya Commercial Bank-savings	117,174.00	117,823.00
	Account with Kenya Commercial Bank -guarantee	1,000,000.00	1,000,000.00
	Cash in Hand	310,558.00	195,117.00
	<b>Total</b>	<b>116,474,353.00</b>	<b>39,580,540.00</b>
<b>11</b>	<b>Receivables from exchange transactions</b>		
	Trade debtor	67,324,265.00	81,553,145.00
	Less: Prov. For bad debts	(16,328,873.00)	(43,797,392.00)
	Net debtors	50,995,392.00	37,755,753.00
	Prepayments	5,583,472.00	3,320,551.00
	<b>Total</b>	<b>56,578,863.00</b>	<b>41,076,304.00</b>

**6A PROPERTY PLANT AND EQUIPMENT**

Cost	LAND		BUILDING S	MOTOR VEHICLE S	FURNITURE & FITTINGS	PLANT & EQUIPMENT	COMPUTERS		TOTAL
	Kshs	Kshs					Kshs	Kshs	
As at 1st July 2013	214,500,000	336,832,485	5,162,688	16,258,990	19,353,481	7,801,040		599,908,684	
Elimination on Revaluation	-214,500,000	-336,832,485	-5,162,688	-16,258,990	-19,353,481	-7,801,040		-599,908,684	
Revaluation	1,014,642,000	485,738,475	17,700,000	8,615,997	29,166,136	4,623,510		1,560,545,254	
Additions	29,940,864	-	-	-	8,574,043	4,493,500		43,008,407	
Disposals									
At 30th June 2014	1,044,642,000	485,738,475	17,700,000	8,615,997	37,740,179	9,117,010		1,603,553,661	
Depreciation									
At 1st July 2013	-	13,135,090	1,890,016	3,091,173	4,727,182	3,773,109		26,616,660	
Elimination on revaluation		-13,135,090	-1,890,016	-3,091,173	-4,727,182	-3,773,109		-26,616,660	
Charge for the year	-	9,714,770	3540,000	861,600	4,717,522	2,735,103		21,568,995	
At 30th June 2014	-	9,714,770	3540,000	861,600	4,717,522	2,735,103		21,568,995	
Net Book Value									
At 30th June 2014	1,044,642,000	476,023,706	14,160,000	7,754,397	33,022,657	6,381,907		1,581,984,666	
At 30th June 2013	214,500,000	323,697,395	3,272,582	13,167,817	14,626,299	4,027,931		573,292,024	
Rates	Nil	2%	20%	10%	12.5%	30%			

**6B**

	<b>INTANGIBLE ASSETS</b>
<b>COST</b>	<b>SOFTWARE</b>
	<b>Kshs</b>
<b>As at 1st July 2013</b>	<b>9,276,740</b>
<b>Additions</b>	
<b>Disposals</b>	
<b>At 30th June 2014</b>	<b>9,276,740</b>
<b>AMORTIZATION</b>	
<b>At 1st July 2013</b>	<b>4,353,222</b>
<b>Charge for the year</b>	<b>1,855,348</b>
<b>At 30th June 2014</b>	<b>6,208,570</b>
<b>Net Book Value</b>	
<b>At 30th June 2013</b>	<b>4,923,518</b>
<b>At 30th June 2014</b>	<b>3,068,170</b>

**Rates****20%**

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**12. Board Expenses**

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

**13. Finance Costs**

These are Bank charges on the Institutes Bank accounts

**14. Comparatives**

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

**15. Capital commitments**

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

<b>COMMITMENTS</b>	
a) Construction of Water Resource Centre	35,000,000
b) Asset Valuation, Asset Tagging and Coding Services	5,500,000
c) Workload analysis, job evaluation, competence/skills assessment and salary survey	1,226,120
d) Laboratory Equipment-	7,000,000
e) Customer satisfaction survey	321,200
f) Physical planning- Kisumu & Kitui	2,538,900
g) WAN/VPN connectivity	4,991,115
h) Purchase of Terameter	3,200,000
i) Fencing of Kitui campus	4,452,080
j) Renovation of MPU	6,199,172
<b>Sub- Total</b>	<b>70,428,587</b>

*All these projects were not undertaken within the financial period as envisioned due to various reasons i.e.:-*

- I) The institute did not get enough number of suppliers expressing interest.*
- II) The institute lacked technical competencies in certain areas prompting participation of personnel from outside thereby rendering services at their convenience*
- III) Unplanned circumstances like part of the institute land being carved off*
- IV) Nature of the work that spill over to another financial period. This further explained the variance in development expenditure budget*

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**16. Currency**

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

**17. Taxation:**

The Institute major source of income comprises of government grants. The Institute is exempted from paying taxes as per the statutory requirement with other organizations.

**18. Government Grants:**

The government grants are recognized when realized and spread throughout the financial year. Grants constitute 64.2% of the Institutes revenue.

**19. Leave Pay:**

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

**20. Contingent liabilities:**

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

**21. 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. The revenue reserves have been set aside to meet future growth, while capital reserves are set for expansional needs of the Institute.

**22. The Positive Variance in the Budget:**

This is explained by the projects which were budgeted for in the financial year but did not take place due to the elaborate procurement process. Hence the payments spilling into the financial year 21014/2015. In particular the Water Resource Centre which is expected to use over 260 milion had its construction works started in October 2014.

**23 Key Assumptions**

While the institute is trying to diversify its income portfolio it is still assumed that the government will still provide 60% of the Institute's operational and capital need.

It is also assumed that the demand for water training will still be high and hence a continued stream of fee revenue from students

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Another assumption is that the Institute will operate within a stable macroeconomic environment.

**24. Related Parties**

The government still remains a key stakeholder in the Institute's operations. The senior management and other employees of the institute continue to draw their remuneration from the institute as a result of the services they provide. However there is no transactional interest and control to be reported.

**25. Risk Management****a) Liquidity Risk**

This is managed to effectively ensure that cash flow challenges are averted through proper budgeting, use of procurement plan and availing petty cash management in the campuses

Students are only registered on full completion of the fee.

**b) Credit Risk**

The institute has a policy of paying within 60 days to avoid default. All commitments are undertaken only on the availability of funds.

**XVII. PROGRESS REPORTS ON AUDITORS RECOMMENDATIONS****I. OWNERSHIP AND ACCURACY**

The Institute has acquired title deed for its Kisumu campus and is working with other government departments to acquire other titles for other campuses

The fixed assets' register is now in place

**II. CASH AND CASH BALANCES**

In spite of the human resource challenges the management has instituted measures to ensure that bank reconciliation is carried out. As at now the 30<sup>th</sup> June 2013 reconciliation is complete.