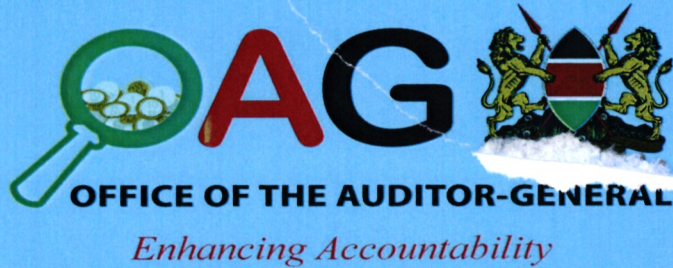


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REPUBLIC OF KENYA



**REPORT**

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**THE AUDITOR-GENERAL**

**ON**

**REGIONAL CENTRE ON GROUNDWATER  
RESOURCES EDUCATION TRAINING AND  
RESEARCH IN EAST AFRICA**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

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**REGIONAL CENTRE ON GROUNDWATER RESOURCES EDUCATION  
TRAINING AND RESEARCH IN EASTERN AFRICA**

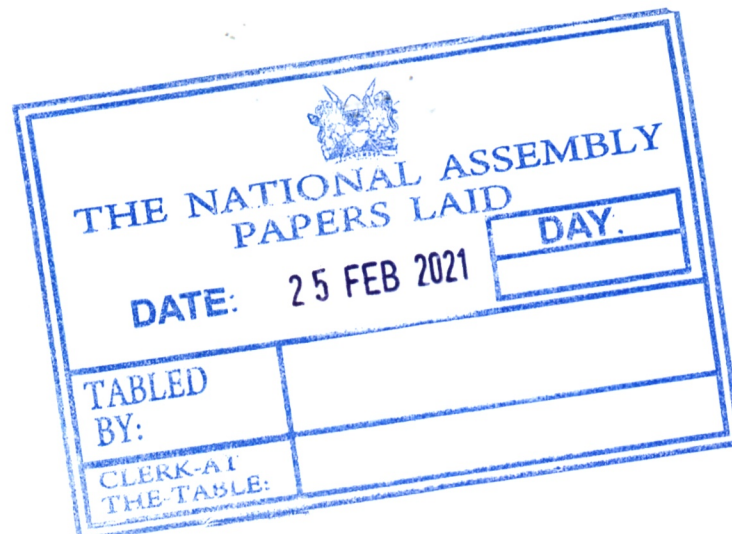
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2019**

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



**Regional Centre On Groundwater Resources Education Training & Research in Eastern Africa  
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**KEY ENTITY INFORMATION AND MANAGEMENT**

**Background information**

The Regional Centre on Groundwater Resources Education Training and Research was formed through Legal Notice No. 252 of 18<sup>th</sup> December, 2015. This was the culmination of a Memorandum of Understanding signed between the Kenya Government and UNESCO to set up a Category 2 Centre in the country to spearhead research and education on groundwater resources. This is a State Corporation under the Ministry of Water and Irrigation. At the policy level, the Centre is headed by the Chairperson of the Board of Directors who is responsible for policy and strategic direction of the Centre.

**Principal activities**

The principal activities of the Centre are to carry out research, capacity building and civic education on groundwater resources.

**Key management**

The Centre's day to day management is under the following key organs:

1. The Board of Directors led by the Board Chairperson.
2. The Management Board led by the Ag. CEO.

**Fiduciary management**

The key personnel who held office at the Centre and who had fiduciary responsibility in the year ending 30<sup>th</sup> June, 2019 was:

No	Designation	Name	Period served
1.	Acting, CEO	John G. Nyakwaka	July 2018- June 2019

**Fiduciary oversight arrangements**

RCGW's oversight responsibility is vested in the:

- 1) Governing Council which had 9 members.
- 2) Education and Training Committee which had 4 members.
- 3) Research Committee which had 4 members.
- 4) Finance and Administration Committee which had 3 members.
- 5) Audit and Risk Committee which had 3 members.

**Execution of the mandate during 2018/2019FY, inter alia**

As the board was constituted at the tail end of the financial year, only induction meetings were held alongside formation of the committees.

**Meetings**

There were no meetings that were held during the reporting period.

**Membership of the Audit and Risk Committee**

- a. Chairman - Independent Board Member
- b. Member - Alternate to PS. the National Treasury
- c. Member - Independent Board Member

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**Entity headquarters**

Regional Centre on Groundwater Resources Education Training and Research  
Bishop Rd, NSSF Building Blok A 16<sup>th</sup> Floor Western-Wing  
P. O. Box 41156-00100  
Nairobi, KENYA

**Entity contacts**

Tel: (+254)724952870/020 8008004  
Email: [info@rcgw.go.ke](mailto:info@rcgw.go.ke) / [groundwatercentre@water.go.ke](mailto:groundwatercentre@water.go.ke)  
Website: [www.rcgw.go.ke](http://www.rcgw.go.ke)

**Entity bankers**

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

**Independent auditors**





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

**Principal legal adviser**






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

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**THE BOARD OF DIRECTORS**

<p>1.</p> 	<p><b>Ambassador Dr. Mary M. Khimulu, MBS</b> <b>Board Chairperson</b> Regional Centre on Groundwater Resources Education Training and Research in Eastern Africa. Ph.D. in Human Behavior and Leadership Management. Masters in Management and Organizational Development. BSc. Business Administration. Career Diplomat and also does voluntary and humanitarian work.</p>
<p>2.</p> 	<p><b>Eng. Shadrack Yego</b> <b>Independent Board Member</b> Regional Centre on Groundwater Resources Education Training and Research in Eastern Africa. M.Sc. Engineering (ongoing). BSc. Civil Engineering. Registered professional engineer with Engineers Board of Kenya &amp; Member of Institution of Engineers of Kenya. Twelve (12) years of experience in carrying out engineering feasibility studies, preliminary and detailed studies and designs, contracts administration and construction supervision of water supply and sanitation projects in East Africa. Has worked in Kenya, Tanzania, Burundi and Somalia.</p>
<p>3.</p> 	<p><b>Ms. Ikal Ang'elei</b> <b>Independent Board Member</b> Regional Centre on Groundwater Resources Education Training and Research in Eastern Africa.</p>
<p>4.</p> 	<p><b>Dr. Peter Waweru Kamaku</b> <b>Independent Board Member</b> Regional Centre on Groundwater Resources Education Training and Research.</p>

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<p>5.</p> 	<p><b>Dr. Susan Musyoka</b> <b>Independent Board Member.</b> Regional Centre on Groundwater Resources Education Training and Research.</p>
<p>6.</p> 	<p><b>Mr. Cyrus Mwaniki</b> <b>Independent Board member</b> Regional Centre on Groundwater Resources Education Training and Research.</p>
<p>7.</p> 	<p><b>Dr. Salome M. Guchu</b> <b>Board Member</b> Regional Centre on Groundwater Resources Education Training and Research in Eastern Africa. Representing PS-University Education &amp; Research Qualification: PhD Researcher</p>
<p>8.</p> 	<p><b>Ms. Agnes Mbugua</b> <b>Board Member. Representing Principal Secretary Water and Sanitation</b> MSc. Geology. BSc. Geology. Professional Hydrogeologist/Groundwater expert Principal Water Research Officer Head of Research and Data Division <b>Experience:</b> Coordinated several groundwater mapping programmes including borehole site investigations in various locations in Kenya. Led Isotope Hydrology activities in the Country.</p>
	<p><b>Mr. Moses Kanagi</b> <b>Board Member</b> Regional Centre on Groundwater Resources Education Training and Research in Eastern Africa Representing Principal Secretary Treasury.</p>

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	<p><b>Dr. Leunita Asande Sumba</b> <b>Board Member</b> Regional Centre on Groundwater Resources Education Training and Research in Eastern Africa Representing Kenya Water Institute Ph.D. Biology Specialized in IWRM Over 20 years' experience in water research and lecturing</p>
	<p><b>John G Nyakwaka</b> <b>Board secretary</b> Additionally, Acting Chief Executive Officer Regional Centre on Groundwater Resources Education Training and Research in Eastern Africa. MBA Strategic Management BSc. Geology Many years' experience in management of water projects. <b>Hydrogeologist</b></p>

**Regional Centre On Groundwater Resources Education Training & Research in Eastern Africa  
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**MANAGEMENT TEAM**



**John G Nyakwaka**

**Acting Chief Executive Officer**

Regional Centre on Groundwater Resources  
Education Training and Research in Eastern  
Africa.

MBA Strategic Management

BSc. Geology

Many years' experience in management of water  
projects

**Hydrogeologist**

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**CHAIRPERSON'S STATEMENT**

**Foreword**

It gives me great pleasure to present the Regional Centre for Groundwater Resources Education Training and Research in Eastern Africa's Financial Report and Financial Statement for the year ending 30<sup>th</sup> June, 2019. The Centre had a good performance for an organization that was less than two years old. We achieved a lot despite having a limited budget in form of grants from the ministry.

**The Board and its organs**

The following are the Board Committee Members during the year were:

**1. Education and Training Committee**

- Eng. Shadrack Yego (Chairperson up to 11<sup>th</sup> February 2019)
- Dr. Leunita Sumba
- Dr. Peter Waweru (Chairperson)
- Mrs. Agnes Mbugua
- Dr. Salome Guchu

**2. Research Committee**

- Ms. Ikal Ang'elei-(Chairperson up to 11<sup>th</sup> February 2019)
- Dr. Salome Guchu
- Dr. Peter Waweru (Chairperson)
- Dr. Leunita Sumba
- Dr. Jayakumar Ramaswamy

**3. Finance and Administration Committee**

- Eng. Shadrack Yego (Chairman up to 11<sup>th</sup> February 2019)
- Dr. Susan Musyoka (Chairperson)
- Mrs. Agnes Mbugua
- Dr. Salome Guchu
- Mr. Moses Kanagi

**4. Audit and Risk Committee**

- Ms. Ikal Angelei-(Chairperson up to 11<sup>th</sup> February 2019)
- Eng. Shadrack Yego (up to 11<sup>th</sup> February 2019)
- Mr. Moses Kanagi
- Dr. Peter Waweru
- Cyrus Mwaniki (Chairman)
- Dr. Leunita Sumba

**Regional Centre On Groundwater Resources Education Training & Research in Eastern Africa  
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**Corporate Performance**

During the period under review the Centre was able to achieve the following;

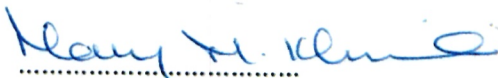
- a) Participation in the World Water Week which was held in Stockholm, Sweden, by the Board Chairperson; and the Africa Water Week in Libreville Gabon by one independent Board member, Eng. Shadrack Yego. Such forums are key for the Centre since it needs to collaborate and network with other international institutions in the world to establish joint programmes.
- b) Following its categorization by SCAC (as PC 4B), the Centre completed its HRM documents and the same were approved. This is important because the Centre is now able to competitively recruit and retain staff, subject to availability of budget.
- c) The Centre maintained the bank account which it opened with authority from the National Treasury. This afforded the Centre a level of autonomy since it manages its own expenditure albeit with a bit of support from the ministry.
- d) The Centre had a Budget of Ksh 25 Million. The Ministry transferred Ksh 22,591,699

to the Centre. The same was eventually released to the Centre in monthly tranches. With this support the Centre was able to support meetings of Board of Directors. The Board of Directors met regularly to discuss matters of the Centre.

- e) The Centre maintained a website, a Facebook page and an email address.
- f) Participation in Mid Term Expenditure Framework Planning meetings organized by the Ministry of Finance to prepare for the third MTP. This was to ensure the Centre was captured in the Government Financial Planning Cycle for 2018/2019 financial year.
- g) Engagement of temporary staff on an interim basis awaiting recruitment of permanent staff as the budget grows.
- h) Recruitment of interns in keeping with the Government policy of exposing youths to practical work experience.
- i) The development of the Centre's first Performance Contract. The same was negotiated, vetted and signed and will be used to appraise the Centre.

**Acknowledgement:**

I would like to extend my appreciation to the Cabinet Secretary and Principal Secretary for their guidance and support. I would also want to commend the Board of Directors, the Ag. CEO and the other deployed Ministerial staff for their dedicated service which enabled the Centre to operate in spite of many challenges.



**Amb. Dr. Mary M. Khimulu**

**Chairperson, Board of Directors**

**Date: 18<sup>th</sup> June, 2020**

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**REPORT OF THE CHIEF EXECUTIVE OFFICER**

**Background**

The Centre was established through Legal Notice No. 252 of 18<sup>th</sup> December, 2015. This followed a memorandum of understanding between the Government of Kenya and UNESCO to establish a Category 2 Centre. In this agreement, the GoK caters for operational and administrative costs of the Centre while UNESCO provides technical support in the form of training opportunities, providing experts to support the Centre and linking the Centre to other Centres' and research institutions.

The Board of Directors was fully established on 11<sup>th</sup> March, 2016 when the Chairperson was appointed. It was inaugurated by the Principal Secretary for Water on 26<sup>th</sup> March, 2016. The Centre is mandated to spearhead education, training and research on groundwater in the region. In its first full year of operations, the Centre had no budget. It was funded through a reallocation by the parent ministry. This was a formative year in which the foundation was being laid for the recruitment of staff and activation of the various committees within the Centre. The Centre therefore operated without substantive staff.

**Revenue**

The Centre did not raise any revenue. It is not expected to raise any revenue in its first few years of existence. The revenue will finally come when the Centre becomes fully fledged and is able to carry out training and consultancies.

**Expenses**

The Centre's expenses are illustrated in the financial part of this report. The main items of expenditure include Board expenses, staff salaries and purchase of office equipment and furniture.

**Finances**

The Centre had a budget of Ksh 25 Million. It received a transfer of Ksh 22,591,699 from the parent ministry for its operations. The Centre was supported by the ministry in the management of the same through deployment of an accountant. The ministry also supported the Centre in the processing of payment vouchers and signing of Cheques. This was occasioned by the lack of staff at the Centre. The Centre will fully stand on its own once it employs enough staff to perform these tasks.

**Networking**

The Centre relies on GoK for its administrative and operational expenses. Its mandate is however too wide to be funded wholly by GoK. To be able to fully carry out its mandate, the Centre must network. This the Centre does through participation in various international and local forums, MoUs and through writing proposals. One major breakthrough for the Centre has been the understanding developed with the Korea Institute of Geosciences and Mineral Resources to train one geologist every year on an advanced course on Groundwater Theory and Practice. Discussions are ongoing to enter into deeper collaboration. The Centre has also participated in international forums out of which conversations have begun towards entering into agreements.

**Human Resources**

The Centre does not have its own staff. It has now developed its Human Resource Management instruments to be used for the hiring and remuneration of staff. These were prepared through the guidance of Directorate of Public Service Management, and the State Corporations Advisory Committee. The documents provide for the staff establishment, organization structure, career progression, human resources manual and staff remuneration. It is proposed that the full staff complement will be achieved over a period of 5 to 10 years depending on GoK funding. However, the Centre will be fully operational after the first set of recruitments.

**Performance Contracting**

The Centre has already developed its Five Year Strategic Plan. With this the Centre was able to develop activities which were used to develop a Performance Contract.

**Challenges**

The Centre faces two major challenges. These are:

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- a) Lack of funds. The Centre received a transfer of Ksh 22,591,699 against a budgetary allocation of Ksh 25 Million. This amount is inadequate given that the Centre had submitted a budgetary request of Ksh 108 million. With this amount of Money, the Centre is unable to develop and carry out programmes. It has therefore been limited so far to Board activities and laying the foundation for staff recruitment. The Centre needs enough space and resources to develop its own training facilities such as computer rooms and rock and water quality laboratories. This is hampered by lack of funds.
- b) Lack of staff. The Centre has so far been run by an Ag. CEO and deployed staff from the ministry. The staff members are too few to form a management board. The Centre has therefore had to rely on the ministry even for very basic operational needs. The Centre has planned for recruitment of its own staff subject to the availability of a budget to support staff emoluments. This will enable the Centre to become fully operational and minimize some of the shortcomings noted in the management draft.

**Conclusion**

I wish to extend my gratitude to the Cabinet Secretary and Principal Secretary for their guidance and support, the Board of Directors led by the Chairperson for able leadership and very strong commitment to the task. My colleagues from the ministry have also worked very hard to support the Centre to achieve the much that it has so far.



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**Agnes W. Mbugua**

**Chief Executive Officer, Regional Centre on Groundwater**

**Date: 18<sup>th</sup> June, 2020**

## **CORPORATE GOVERNANCE STATEMENT**

### **Establishment and composition of the Board**

The Governing Board of the Centre as established through Legal Notice No. 252 of 18<sup>th</sup> December, 2015 is made up of three Independent Board members and a Chairperson, appointed by name. The Board membership also comprises alternates of the Principal Secretaries for the Ministry of Water and Sanitation, Ministry of Education, Ministry of the Treasury and Planning, and the Kenya Water Institute. The Chief Executive Officer is an *ex officio* member of the Board.

In considering nominations to the Board, Professional qualifications, gender, experience and diversity is taken into account. The Board exercises prudent management, leadership, integrity, innovativeness and judgement in managing the Centre. The Directors are provided with all the available appropriate and timely information that enables them to exercise full and effective control over strategic, financial, operational and compliance issues.

The daily operations of the Centre are done by the Chief Executive Officer who is ably supported by a dedicated team of deployed staff from the Ministry. They are responsible for establishing and maintaining internal controls for the realization of the Centre's mandate.

All the members of the Board are taken through a comprehensive induction programme and the SCAC Mwongozo training. They are further trained on their roles through various corporate governance trainings locally and internationally. The Board, the Committees and individual Directors are expected to be evaluated by an independent body against targets agreed to at the beginning of the year.

### **Board Committees:**

The Board is assisted in its work by Board Committees attending to specific issues. The Committees report to and are accountable to the Board. The Board Committees main task is to deal more in detail with matters and cascade the same upwards to the Board for further deliberation and ruling.

The Board has four standing committees which should meet at least quarterly under terms of reference set by the Board. The functioning of these committees was affected by the small number of independent members to chair these committees.

The committees constitute as follows: -

#### **Education and Training Committee**

The primary responsibility of this committee is to oversee the development of training programmes and guidelines. It reviews all training needs assessments done and advises the Board on how to source for resources and expertise to carry out the trainings and capacity building.

#### **Research Committee**

This committee is charged with responsibility of developing research guidelines, seeking partnerships and funding for research, and coordinating all research activities to ensure quality and prevent plagiarism. It advises the Board on how to leverage research and consultancy.

#### **Finance and Administration Committee**

This committee guides the Management in the preparation of annual budgets, work plans and procurement plans. It reviews the Centre's long term financial needs and ensures they are well captured in the various planning cycles for incorporation in future budgets. It also reviews expenditure on behalf of the Board to ensure optimal utilization of funds.

#### **Audit and Risk Committee**

This committee is responsible to the Board for the establishment of internal control and risk management systems. It meets quarterly to review expenditure and to ensure adherence to laid down regulations with regard to the management of public funds. They also audit reports and guide the Management on continual improvement and elimination of qualified audits.

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**Role of the Board of Directors**

The role of the Board of Directors, as guided by the State Corporations Act is to: provide overall policy direction and leadership by reviewing the Centre's long and short term plans and strategizing on how to mobilize resources; provide effective leadership and control to ensure realization of the Centre's mandate and the country's long term development goals; monitor the Centre's plans and strategies. and ensures prudent management of the Centre's resources, reviews the risk management strategies in place while ensuring adherence to laid down government regulations and policies.

The Board also guides the Centre's Human Resource Management Plans and determines appointment to top level management positions. It also determines remuneration and career progression of staff to ensure uninterrupted operations at the Centre.

Every quarter, the Board meets to deliberate reports from the committees. The Board has an annual calendar of scheduled meetings which is developed at the beginning of the year.

**Board evaluation**

It is a statutory requirement to have the Board evaluated. The Board was evaluated during the review period. This is vital in improving Board performance.

**Directors' remunerations**

In accordance with the State Corporations Act and SCAC guidelines, the Directors are paid a taxable sitting allowance for every meeting attended. They are further paid accommodation and mileage allowance where applicable. The Chairperson is paid a taxable monthly honorarium.

**Statement of Compliance**

The Board of Directors confirm that the Centre has throughout the year under review complied with statutory and regulatory requirements, and that the Centre has been managed in accordance with the principles of corporate governance.

**Internal control and risk management**

The Directors are responsible for reviewing the effectiveness of the Centre's system of internal control which is designed to provide reasonable but not absolute assurance, regarding the safeguarding of assets against unauthorized use or disposition and maintenance of proper accounting records and reliability of financial information used within the business or for publication. These controls are designed to manage rather than to eliminate the risk of failure to achieve business objectives, due to circumstances which may be reasonably foreseen and can only provide reasonable but not absolute assurance against material misstatement or loss.

**Organization structure**

The Centre has an organization structure which clearly defines lines of authority and responsibility. The professionalism and competence of staff will be maintained through a rigorous program of training and performance appraisal. Training plans will be developed to ensure staff acquire and maintain relevant skills to ensure professional management of the Centre.

**Strategic Plan**

The Centre developed a five-year strategic plan. The strategic plan will form the basis for the development of annual budgets and work plans while maintaining strategic focus to ensure realization of the Centre's long term goals.

**Internal control framework**

The Centre will continue to review its internal control mechanisms to ensure it maintains a strong and effective internal control environment. Business processes and controls will be reviewed on an ongoing basis. A risk base audit plan which provides assurance over key business processes and operational financial risks facing the Centre will be approved by the Audit and Risk Management Committee. Where risks are identified, the Audit Committee will ensure the Management takes appropriate action.

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**Risk Management**

The Centre will have a structure to help identify, assess and manage risks. This process was not available during the review period. The Management team will review all the identified risks and update the risk register, and ensure that all new and emerging risks are appropriately dealt with.

**The Management team**

The management team implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that they are effectively and efficiently achieved. These action plans are in the form of Annual work plans, budgets, procurement plans and performance contracts.

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**MANAGEMENT DISCUSSION AND ANALYSIS**

The Regional Centre's mandate is to spearhead education, training and research on groundwater resources in the region. During the review period, the Board guided the Centre in carrying out foundational activities geared towards operationalizing the Centre. Some of the key achievements include: -

- a) Participation in important international forums. The Chairperson attended the World Water Week held in Stockholm, Sweden. One Independent Board Member, Eng. Shadrack Yego attended the Africa Water Week held in Libreville, Gabon. These forums are crucial for the Centre since it needs to collaborate and network with other water sector institutions in the world to establish joint programmes.
- b) Allocation of budgetary support by the ministry. The Treasury allocated Ksh 25 Million to the Centre. The same was eventually released to the Centre in monthly tranches. With this support the Centre was able to finance basic activities. The Board of Directors has met regularly to discuss matters of the Centre. Other foundational activities were also undertaken as a result.
- c) The Centre maintained a website, a twitter handle and a Facebook page.
- d) Participation in Mid Term Expenditure Framework Planning meetings organized by the Ministry of Finance to prepare for the third MTP. This was to ensure the Centre was captured in the Government Financial Planning Cycle for 2018/2019 financial year.
- e) Completion of HRM documents and eventual approval by SCAC. This was guided by the terms of reference developed by the Centre in agreement with the DPSM team. With the right amount of funding, the Centre will now be able to recruit staff.

**Major risks facing the Centre**

- a) **Operational risk:-** staff shortage, turnover, change of technology and lack of insurance for ICT.
- b) **Finance risk:** - limited resources and inadequate funding from the government and partners.

**CORPORATE SOCIAL RESPONSIBILITY**

The Centre participated in tree planting and cleaning activities held in Kiserian, Kajiado County. This was part of the corporate social responsibility and in future will be involved in more community projects that aim at improving the community livelihood.

**REPORT OF THE DIRECTORS**

The Directors submit their reports together with the financial statements for the year ended 30<sup>th</sup> June, 2019 which shows the state of the Regional Centre on Groundwater Resources Education Training and Research in Eastern Africa.

**Principal activities**

The principal activity of the Board is to guide the Regional Centre in fulfilling its mandate of education, training and research on groundwater resources.

**Results**

The results of the Regional Centre are as set out in the financial reports within this document.

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**Directors**

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

S/N	Name	Organization	Appointment Date	Designation
1	Ambassador Dr. Mary M. Khimulu MBS	Independent	25 <sup>th</sup> March 2016	Chairperson
2	Eng. Shadrack Yego	Independent	12 <sup>th</sup> Feb 2016	Member
3	Ms. Ikal Ang'elei	Independent	12 <sup>th</sup> Feb 2016	Member
4	Cyrus Mwaniki	Independent	3 <sup>rd</sup> May 2019	Member
5	Dr. Susan M. Musyoka	Independent	3 <sup>rd</sup> May 2019	Member
6	Dr Peter Waweru Kamaku	Independent	3 <sup>rd</sup> May 2019	Member
7	Dr. Salome Guchu	Ministry of Education	29 <sup>th</sup> March 2016	Member
8	Dr. Leunita Sumba	KEWI	29 <sup>th</sup> March 2016	Member
9	Mr. Moses Kanagi	Treasury	29 <sup>th</sup> March 2016	Member
10	Mrs. Agnes Mbugua	Ministry of Water & Sanitation	29 <sup>th</sup> March 2016	Member
11	Dr. Jayakumar Ramaswamy	UNESCO representative	29 <sup>th</sup> March 2016	Member
12	Mr. John G. Nyakwaka	RCGW	18 <sup>th</sup> Feb 2018	Secretary to the Governing

**Auditors**

The Auditor General, Kenya National Audit Office, is responsible for the statutory audit for the Centre's Books of Accounts in accordance with the Public Audit Act 2015.

For and on behalf of the Directors

By Order of the Board.

  
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**Agnes W. Mbugua**

**For: The Corporate secretary**

**Regional Centre on Groundwater**

**Date: 18<sup>th</sup> June, 2020**

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**STATEMENT OF GOVERNING COUNCIL RESPONSIBILITY**

Section 68 of the Public Finance Management Act 2012 and Section 15 of the State Corporations Act require the Directors to prepare financial statements in respect of the Centre, which give a true and fair view of the affairs at the Centre at the end of the year/period and the operating results of the Centre for that year/period. The Directors are also required to ensure that the Centre keeps proper accounting records which disclose with reasonable accuracy the financial position of the Centre. They are also responsible for safeguarding the assets of the Centre.

This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation of a fair presentation of financial statements, ensuring that they are free from misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Centre; (v) selecting and applying appropriate financial policies; and (vi) making accounting estimates which are reasonable in the circumstances.

The Directors accept responsibility for the Centre's financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Centre's financial statements give a true and fair representation of the Centre's transactions during the period ended 30<sup>th</sup> June, 2019.

The Directors further confirm the completeness of the accounting records held by the Centre, which have been relied upon in the preparation of the Centre's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Centre 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 Regional Centre on Groundwater Resource Education, Training and Research in Eastern Africa financial statements were approved by the Board on 27/09/19 2019 and signed on its behalf by

**Amb. Dr. Mary M. Khimulu**

**Chairperson, Governing Council**

*Mary M. Khimulu*

Date: 18/06/2020

**Dr. Susan M. Musyoka**

**Chairperson, Finance and  
Administration committee**

*Susan M. Musyoka*

Date: 18/06/2020

**Agnes W. Mbugua**

**CEO RCGW**

*Agnes W. Mbugua*

Date: 18/06/2020

**Regional Centre On Groundwater Resources Education Training & Research in Eastern Africa  
Annual Reports and Financial Statements  
For The Year Ended June 30, 2019**

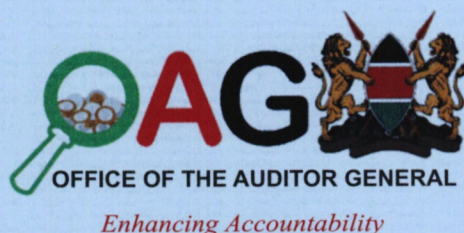
**REPORT OF THE INDEPENDENT AUDITORS ON THE REGIONAL CENTRE ON  
GROUNDWATER RESOURCES EDUCATION TRAINING AND RESEARCH IN  
EASTERN AFRICA**

**Regional Centre On Groundwater Resources Education Training & Research in Eastern Africa  
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**REPORT OF THE INDEPENDENT AUDITORS ON THE REGIONAL CENTRE ON  
GROUNDWATER RESOURCES EDUCATION TRAINING AND RESEARCH IN  
EASTERN AFRICA**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON REGIONAL CENTRE ON GROUNDWATER RESOURCES EDUCATION TRAINING AND RESEARCH IN EAST AFRICA FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Regional Centre on Groundwater Resources Education Training and Research in East Africa set out on pages 1 to 19, which comprise the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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, the financial statements present fairly, in all material respects, the financial position of the Regional Centre on Groundwater Resources Education Training and Research in East Africa as at 30 June, 2019, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the State Corporation Act, Cap 446 and the Public Finance Management Act, 2012.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Regional Centre on Groundwater Resources Education Training and Research in East Africa, 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 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.

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*Report of the Auditor-General on Regional Centre on Groundwater Resources Education Training and Research in East Africa for the year ended 30 June, 2019*

## 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, I confirm that, nothing 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**

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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 Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Centre'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 Management is aware of the intention to terminate the Centre or to cease operations.

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

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

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Centre 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 overall 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 that 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 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 Centre's ability to continue 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 Centre to cease to continue 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 Centre 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 which 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.

  
Nancy Gathungu  
AUDITOR-GENERAL

Nairobi

02 February, 2021

**Regional Centre On Groundwater Resources Education Training & Research in Eastern Africa  
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**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH  
JUNE, 2019**

	Notes	2018-19 Kshs	2017-2018 Kshs
<b>Revenue from non-exchange transactions</b>			
Government grants & Other donations	6	22,591,699	10,933,332
<b>Total revenue</b>		<b>22,591,699</b>	<b>10,933,332</b>
<b>Expenses</b>			
Employee Costs	7	5,434,240	1,674,402
Remuneration of Governing Council	8	7,028,167	4,697,514
Depreciation and amortization expense	9	570,248	565,859
Repairs and maintenance	10	29,850	-
General expenses	11	11,934,799	5,828,401
<b>Total expenses</b>		<b>24,997,304</b>	<b>12,766,176</b>
<b>Surplus/(Deficit)for the year</b>		<b>(2,405,605)</b>	<b>(1,832,844)</b>


The notes set out on pages 6 to 16 form an integral part of the Financial Statement.

Regional Centre On Groundwater Resources Education Training & Research in Eastern Africa  
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For The Year Ended June 30, 2019

STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2019

	Notes	2018-2019 Kshs	2017-2018 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	2,941,884	3,995,022
Receivables from exchange transaction	13	-	75,125
<b>Total Current Assets</b>		<b>2,941,884</b>	<b>4,070,147</b>
<b>Non-current assets</b>			
Property, plant and equipment	14	1,511,807	1,871,365
<b>Total Non-current assets</b>		<b>1,511,807</b>	<b>1,871,365</b>
<b>Total assets</b>		<b>4,453,691</b>	<b>5,941,512</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	15	1,340,909	-
<b>Total Liabilities</b>		<b>1,340,909</b>	<b>-</b>
<b>Net Assets</b>			
Revenue Reserves	16	3,112,782	5,941,512
<b>Total net assets</b>		<b>3,112,782</b>	<b>5,941,512</b>
<b>Total net assets and liabilities</b>		<b>4,453,691</b>	<b>5,941,512</b>

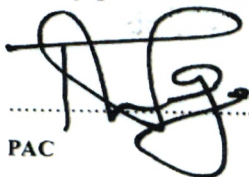
The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Management by:

  
.....

CEO

Agnes W. Mbugua

Date: 18/06/2020

  
.....

PAC

CPA John Mbugua ICPAK  
Member No. 12614

Date: 18/06/2020

  
.....

Chairperson of the Board

Amb. Dr. Mary M. Khimulu

Date: 18/06/2020

Regional Centre On Groundwater Resources Education Training & Research in Eastern Africa  
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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019

	Notes	Revenue	Total
		Reserves	
		Kshs	Kshs
<b>Balance as at 1<sup>ST</sup> JULY 2017</b>		-	-
Surplus/(deficit) for the period		(1,832,844)	(1,832,844)
Transfers to/from accumulated surplus		7,774,356	7,774,356
<b>Balance 30<sup>th</sup> JUNE 2018</b>		<b>5,941,512</b>	<b>5,941,512</b>
<b>Balance as at 1<sup>ST</sup> JULY 2018</b>		<b>5,941,512</b>	<b>5,941,512</b>
Surplus(deficit) for the period		(2,405,605)	(2,405,605)
Prior year adjustment in reserves	18	(423,125)	(423,125)
<b>Balance as at 30<sup>th</sup> JUNE 2019</b>		<b>3,112,782</b>	<b>3,112,782</b>

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**STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019**

	2018-2019	2017-2018
	Kshs	Kshs
	<b>Notes</b>	
Cash flow from Operating Activities before changes in working capital		
<b>Net profit/(Loss) for the year</b>	- 2,405,605	- 1,832,844
Prior year adjustment – Audit fee	- 348,000	-
Adjustment for Depreciation	570,248	565,859
	-	-
	<b>-2,183,357</b>	<b>-1,266,985</b>
<b>Changes in working capital</b>		
Decrease in Receivables	-	104,000
Increase in Payables	1,340,909	-75,125
Net Cash flow generated from operating activities	<b>1,340,909</b>	<b>28,875</b>
<b>Cash flow from Investing Activities</b>		
Acquisition of Property, Plant and Equipment& WIP 17	- 210,690	-
	<b>-210,690</b>	-
Net Decrease in Cash and Cash equivalents	-1,053,138	-1,238,110
Cash and cash equivalents at the start of year	<b>3,995,022</b>	<b>5,233,132</b>
Cash and cash equivalents at end of year	<b>2,941,884</b>	<b>3,995,022</b>

Audit fee adjustment relate to the FY 2017/18 charge amounting to Kshs 348,000 and Kshs 75,000 for pre-paid fuel.

Regional Centre On Groundwater Resources Education Training & Research in Eastern Africa  
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE  
YEAR ENDED 30TH JUNE, 2019

	Original budget	Adjustments	Final budget	Actual on Comparable basis	Performance difference	
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Government grants and subsidies	25,000,000	0	25,000,000	22,591,699	(2,408,301)	Kshs 2,408,301 not received
<b>Total income</b>	<b>25,000,000</b>	<b>0</b>	<b>25,000,000</b>	22,591,699	(2,408,301)	
<b>Expenses</b>						
Employee Costs	3,489,955	630,045	4,120,000	5,434,240	1,314,240	Temporary staff and interns Employed
Remuneration of directors	6,842,300	(102,300)	6,740,000	7,028,167	288,167	Additional un-anticipated Board activities
Goods and Services	13,261,885	(211,885)	13,050,000	11,094,799	(1,955,201)	Some activities delayed
Rent Paid	840,000	0	840,000	840,000	0	
Repairs and maintenance	0	250,000	250,000	29,850	(220,150)	Centre's Vehicle not acquired
Depreciation	565,860	(565,860)	0	570,248	570,248	Assets Acquired
<b>Total expenditure</b>	<b>25,000,000</b>	<b>0</b>	<b>25,000,000</b>	<b>24,997,304</b>	<b>2,696</b>	
<b>Surplus for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,405,605)</b>	<b>(2,405,605)</b>	

**Regional Centre On Groundwater Resources Education Training & Research in Eastern Africa  
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**NOTES TO THE FINANCIAL STATEMENTS**

**GENERAL INFORMATION**

The Regional Centre on Groundwater Resource Education Training and Research in Eastern Africa's is established by and derives its authority and accountability from public finance management Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's Principal activity is to carry out research, capacity building and civic education on groundwater resources.

**STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Centre's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Revenue recognition**

**Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**Budget information**

The original budget for FY 2018-2019 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 entity'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.

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A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under financial statements section.

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

**Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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 surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

**Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**Inventories**

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

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

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

**Regional Centre On Groundwater Resources Education Training & Research in Eastern Africa  
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After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

**Employee benefits**

**Retirement benefit plans**

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

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

**Foreign currency transactions**

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

**Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**Related parties**

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

**Cash and cash equivalents**

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

Cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**Regional Centre On Groundwater Resources Education Training & Research in Eastern Africa  
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**Comparative figures**

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

**Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019. 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. State all judgements, estimates and assumptions made.

**ESTIMATES AND ASSUMPTIONS**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**USEFUL LIVES AND RESIDUAL VALUES**

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

- The condition of the asset based on the assessment of experts employed by the Entity.
- 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.

**TRANSFERS FROM OTHER GOVERNMENTS**

Description	2018-2019	2017-2018
	KShs	KShs
Recurrent Grants	22,591,699	10,933,332
	<b>22,591,699</b>	<b>10,933,332</b>

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**GOVERNMENT GRANTS & OTHER DONATIONS**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount of deferred under deferred income	Amount recognized in capital fund.	Total income during the year	grant the	2018-2019 KShs
	KShs	KShs	KShs	KShs		KShs
Ministry of Water and Sanitation	22,591,699	0	0	22,591,699		22,591,699
<b>Total</b>	<b>22,591,699</b>	<b>0</b>	<b>0</b>	<b>22,591,699</b>		<b>22,591,699</b>

**EMPLOYEE COSTS**

Description	2018-2019 KShs	2017-2018 KShs
Salaries and wages	3,538,414	1,674,402
Employee related costs - contributions to pensions and medical aids	37,700	0
Travel, motor car, accommodation, subsistence and other allowances	1,474,126	0
Housing benefits and allowances	384,000	0
<b>Employee costs</b>	<b>5,434,240</b>	<b>1,674,402</b>

**REMUNERATION OF GOVERNING COUNCIL**

Description	2018-2019 KShs	2017-2018 KShs
Chairperson's Honoraria	704,519	960,000
Directors emoluments	6,310,640	0
Board members Sitting allowance	0	965,073
Foreign travel and subsistence	0	2,679,641
Retreat allowance/conference	0	32,800
Hospitality	0	60,000
Other allowances	13,008	0
<b>Total</b>	<b>7,028,167</b>	<b>4,697,514</b>

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**DEPRECIATION AND AMORTIZATION EXPENSE**

Description	2018-2019	2017-2018
	KShs	KShs
Computers	386,196	386,196
Furniture and equipment	184,052	179,663
<b>Total depreciation and amortization</b>	<b>570,248</b>	<b>565,859</b>

**REPAIRS AND MAINTENANCE**

Description	2018-2019	2017-2018
	KShs	KShs
Vehicles	29,850	0
<b>Total repairs and maintenance</b>	<b>29,850</b>	<b>0</b>

**GENERAL EXPENSES**

Description	2018-2019	2017-2018
	KShs	KShs
Advertising	1,113,992	0
Admin fees	155,134	1,396,270
Audit fees	348,000	0
Conferences and delegations	3,467,366	237,000
Consulting fees	267,600	1,500,000
Consumables	648,000	193,400
Repairs of motor vehicle	0	27,800
Local travel/Subsistence	3,627,465	833,440
Foreign travel Expenses	0	864,638
Fuel and oil	100,000	0
Training	553,710	0
Telecommunication	155,400	0
Postage	20,032	0
Printing and stationery	617,195	0
Rental	840,000	770,000
Bank charges	20,905	5,853
<b>Total general expenses</b>	<b>11,934,799</b>	<b>5,828,401</b>

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**CASH AND CASH EQUIVALENTS**

Description	2018-19	2017-2018
	KShs	KShs
Current account	2,657,584	3,994,123
Others(Cash in hand)	284,300	900
<b>Total cash and cash equivalents</b>	<b>2,941,884</b>	<b>3,995,022</b>

**RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Pre- paid fuel(Fuel card)	0	75,125
<b>Total receivables</b>	<b>0</b>	<b>75,125</b>

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**PROPERTY, PLANT AND EQUIPMENT**

	Computer	Furniture & Equipment	Total
<b>Rates</b>	33.33%	12.50%	
<b>COST</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
As at 1.July 2017	1,158,600	1,437,300	2,595,900
Additions	0	0	0
Disposals	0	0	0
Revaluation	0	0	0
<b>As at 30<sup>th</sup> June 2018</b>	<b>1,158,600</b>	<b>1,437,300</b>	<b>2,595,900</b>
Additions 1 <sup>st</sup> May 2019	-	210,690	210,690
<b>30th June 2019</b>	<b>1,158,600</b>	<b>1,647,990</b>	<b>2,806,590</b>
<b>Depreciation and impairment</b>			
As 1.July 2017	128,732	29,944	158,676
Charge for the year	386,196	179,663	565,859
<b>At 30 June 2018</b>	<b>514,928</b>	<b>209,607</b>	<b>724,535</b>
Charge for the year	386,196	184,052	570,248
<b>At 30 June 2019</b>	<b>901,124</b>	<b>393,659</b>	<b>1,294,783</b>
<b>Net Book Values</b>			
<b>At 30 June 2019</b>	<b>257,476</b>	<b>1,254,331</b>	<b>1,511,807</b>
<b>As at 30.6.2018</b>	<b>643,672</b>	<b>1,227,693</b>	<b>1,871,365</b>

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**TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Description	2018-2019	2017-2018
	KShs	KShs
Accrued Rent	280,000	0
Accrued Audit fees	696,000	0
Accrued WHT	37,983	0
Accrued PAYE	326,926	0
<b>Total trade and other payables</b>	<b>1,340,909</b>	<b>0</b>

**RESERVES**

Description	2018-2019	2017-2018
	KShs	KShs
Retained Earnings at 1 <sup>st</sup> July	5,941,512	7,774,356
Surplus(Deficit)for the period	(2,405,605)	(1,832,844)
Prior year Adjustment	(423,125)	0
	<b>3,112,782</b>	<b>5,941,512</b>

**ACQUISITION OF ASSETS**

Description	2018-2019	2017-2018
	KShs	KShs
Fittings	210,690	0
	<b>210,690</b>	<b>0</b>

**RESERVES ADJUSTMENT**

Description	2018-2019	2017-2018
	KShs	KShs
Prepaid Fuel	75,125	0
Prior year Audit Fees	348,000	0
	<b>423,125</b>	<b>0</b>

**FINANCIAL RISK MANAGEMENT**

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

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

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**Credit risk**

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up. The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Board of Directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**Liquidity risk management**

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

**Market risk**

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

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

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

**FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy.

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

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Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The entity considers relevant and observable market prices in its valuations where possible.

**RELATED PARTY BALANCES**

Nature of related party relationships

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

Government of Kenya

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

- 1) The National Government;
- 2) Ministry of water and Sanitation
- 3) Key Management
- 4) Board of directors

**EVENTS AFTER THE REPORTING PERIOD**

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

**ULTIMATE AND HOLDING ENTITY**

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

**CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs).

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**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
4.1.1	Spending without categorized Budget	The Centre operated on one line budget during the year under review and had a budget that was not in the right format. Currently the Centre has a categorized budget in place as per the National Treasury prescribed format.	Ag. Chief Executive	Resolved	Concluded
4.1.2	Under staffing	The Centre acknowledges the fact that its staffing level is way below the approved staff establishment of 80 posts. During the year under review, the Centre was run by an Acting CEO, Deployed accountant, 4 Temporary staff, 4 interns and Office assistant. This has an effect on optimal operation. The Centre has since recruited a substantive CEO 7 Ministry staff deployed.  The Centre has approved Human Resource instruments (By SCAC) and is in the process of finalizing salary grading and structure with Salaries and Remuneration Commission (SRC).	Ag. Chief Executive	Not Resolved	End of next Financial Year
4.2	Reconciliation items for some months	The Centre had problems of preparing bank	Centre	Resolved	Concluded

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	lacked vital details like Cheque numbers making it difficult to identify transactions in the cash book and bank statements. Further, reconciling items if not yet cleared should have their details included in the subsequent reconciliation statements until they are cleared for ease tracking.	reconciliation statements because of lack of qualified staff but now the State Department of water services has since assigned an accountant responsible for managing accounts of the Centre to ensure timely and proper preparation reconciliation statements	Accountant		
4.3	It was observed that the entity's internal and IT controls are weak and others are not in place. Hence there was probability of the entity not achieving its objectives.	The operation of the Centre are still being managed by staff from The State Department of water services as it is yet to employ staff .The conduct of Centre staff is therefore guided by the rules and regulations of the public service commission . No IT strategic committee in place and arrangements shall be made once the Centre is fully operational.	Ag. Chief Executive officer	Resolved	Concluded
4.4	The Centre purchased assets amounting to Kshs. 2,595,900.00. However ,these assets were not capitalized but were wrongly expensed instead of being capitalized	The Centre confirmed purchase of Noncurrent assets amounting to Kshs. 2,595,900. The amount was erroneously posted in accordance with Cash basis of accounting .The amount have since been capitalized in accordance with Public Sector Accounting Standards (IPSAS) accrual basis.	Centre Accountant	Resolved	Concluded

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.5	<p>The following documents were not availed for review:</p> <ol style="list-style-type: none"> <li>1. Strategic plan</li> <li>2. Operational plan</li> <li>3. Minutes of management meeting</li> </ol> <p>The acting CEO explained that the strategic plan is at the draft stage of formulation and that there is no operational plan. Due to this they were not able to review the Operational environment of the Centre</p>	<p>The preparation of strategic and operational plans which are vital in management of Centre. The preparation was underway and the Centre and the strategic and operational plan is now in place.</p>	<p>Ag. Chief Executive officer</p>	<p>Resolved</p>	<p>Concluded</p>
4.7	<p>The expenditure on Board expenses had been erroneously posted to the use of goods and services account instead of Board expenses Account.</p>	<p>The Board expenses amount have now been shown separately from the use of goods and services</p>	<p>Centre Accountant</p>	<p>Resolved</p>	<p>Concluded</p>

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**  
**Projects**

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
The Centre had no projects funded by development partners in FY 18/19	N/A	N/A	N/A	N/A	NO	NO

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	N/A						
2	N/A						
3	N/A						

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APPENDIX III: INTER-ENTITY TRANSFERS


ENTITY NAME:		MINISTRY OF WATER AND SANITATION		
Break down of Transfers from the State Department of Water services				
FY 18/19				
a.	Recurrent Grants			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>FY 18/19</b>
		5 <sup>th</sup> September 2018	2,083,333	
		13 <sup>th</sup> September 2018	2,088,333	
		5 <sup>th</sup> October 2018	2,083,333	
		2 <sup>nd</sup> November 2018	2,041,667	
		3 <sup>rd</sup> December 2018	2,041,667	
		24 <sup>th</sup> January 2019	2,041,667	
		12 <sup>th</sup> February 2019	2,041,667	
		5 <sup>th</sup> March 2019	2,041,667	
		17 <sup>th</sup> May 2019	2,042,789	
		17 <sup>th</sup> May 2019	2,041,667	
		4 <sup>th</sup> June 2019	1,021,955	
		27 <sup>th</sup> June 2019	1,021,954	
		<b>Total</b>	<b>22,591,699</b>	
b.	Development Grants			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>FY 18/19</b>
		<b>Total</b>	-	

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

**Accountant**

Regional Centre on Groundwater Resources  
Education, Research and Training in Africa

Yobesh D. Mogaka

Sign: 

**Principal Accountant**

Ministry of water and sanitation

CPA John Mbugua

Sign: 

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received		Nature: Recurrent/D evelopment/ Others	Total Amount KES	Where Recorded/recognized					Total Transfers during the Year
	as	per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Water and Sanitation	5 <sup>th</sup>	September 2018	Recurrent	2,083,333	2,083,333	-	-	-	-	2,083,333
Ministry of Water and Sanitation	13 <sup>th</sup>	September 2018	Recurrent	2,088,333	2,088,333	-	-	-	-	2,088,333
Ministry of Water and Sanitation	5 <sup>th</sup>	October 2018	Recurrent	2,083,333	2,083,333	-	-	-	-	2,083,333
Ministry of Water and Sanitation	2 <sup>nd</sup>	November 2018	Recurrent	2,041,667	2,041,667	-	-	-	-	2,041,667
Ministry of Water and Sanitation	3 <sup>rd</sup>	December 2018	Recurrent	2,041,667	2,041,667	-	-	-	-	2,041,667
Ministry of Water and Sanitation	24 <sup>th</sup>	January 2019	Recurrent	2,041,667	2,041,667	-	-	-	-	2,041,667
Ministry of Water and Sanitation	12 <sup>th</sup>	February 2019	Recurrent	2,041,667	2,041,667	-	-	-	-	2,041,667
Ministry of Water and Sanitation	5 <sup>th</sup>	March 2019	Recurrent	2,041,667	2,041,667	-	-	-	-	2,041,667

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Name of the MDA/Donor transferring the funds	Date received	Nature: Recurrent/Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Water and Irrigation	17 <sup>th</sup> May 2019	Recurrent	2,042,789	2,042,789	-	-	-	-	2,042,789
Ministry of Water and Irrigation	17 <sup>th</sup> May 2019	Recurrent	2,041,667	2,041,667	-	-	-	-	2,041,667
Ministry of Water and Irrigation	4 <sup>th</sup> June 2019	Recurrent	1,021,955	1,021,955	-	-	-	-	1,021,955
Ministry of Water and Irrigation	27 <sup>th</sup> June 2019	Recurrent	1,021,954	1,021,954	-	-	-	-	1,021,954
<b>Total</b>			<b>22,591,699</b>	<b>22,591,699</b>	-	-	-	-	<b>22,591,699</b>