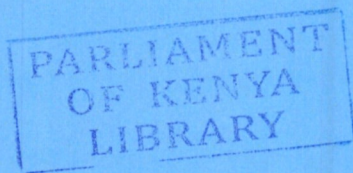
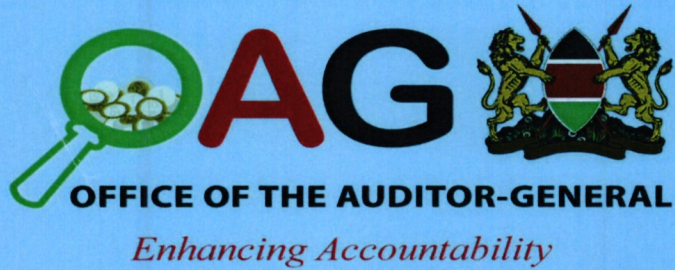


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA WATER TOWERS AGENCY

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



International Public Sector Accounting Standards (IPSAS)
Annual Financial Reporting Template for
Regulatory and Other Non – Commercial Government Owned Entities
*(Semi - Autonomous Government Agencies and Public Funds Established by an Act of
Parliament or a Legal Notice)*

KENYA WATER TOWERS AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) WHO WE ARE

The Kenya Water Towers Agency is a State Corporation under the Ministry of Environment and Forestry. It was established in 2012 vide Kenya Gazette Supplement, Legal Notice No. 27/2012 on 20th April, 2012.

(b) OUR VISION

A Global leader in Sustainable Management of Water Towers.

(c) OUR MISSION

To sustainably manage Water Towers and their Ecosystems through coordination and conservation for socio-economic development.

(d) OUR MANDATE

To co-ordinate and oversee the protection, rehabilitation, conservation, and sustainable management of Water Towers.

(e) CORE VALUES

We shall be guided by the following core values, which provide an integrated focus towards enhancing provision of acceptable quality service. They are summarised in an acronym DEPITS.

- Diligence
- Equity
- Professionalism
- Integrity
- Teamwork
- Sustainability

(f) STRATEGIC OBJECTIVES

- To coordinate water towers ecosystem health and resilience.
- To coordinate and oversee securing of catchment lands, wetlands and critical biodiversity hotspots within the water towers ecosystems.
- To acquire appropriate infrastructure to support sustainable management of water towers.
- To promote sustainable livelihood support programmes within the water towers.
- To establish strategic partnerships and linkages for sustainable management of water towers.
- To undertake institutional strengthening for effective service delivery.

(a) Key Management

The Board of Directors is responsible for offering stewardship, strategic direction and oversight over the operations of the Agency. The Director General is responsible for the execution and communication of the Board's strategies, decisions and policies.

The day to day management of Kenya Water Towers Agency is entrusted to the Director General and is assisted by a management team of four (4) Directors, Head of Finance and

Accounts, Head of Internal Audit, Head of Supply Chain Management, Head of Human Resource and Corporation Secretary.

(b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag Director General	Prof. Julius Gordon Tanui PhD, MBS
2.	Director Governance & Coordination	Mr Thomas W Mumu
3.	Director Ecosystems Assessment Planning and Audit	Dr. Winfred M Musila
4.	Ag Director Partnerships, Business development and Community Livelihood	Ms Susan Boit
5.	Director Corporate Services	Mrs Bahati K Mwita
6.	Head of Internal Audit	Mr Simiyu Walucho
7.	Ag Human Resource Manager	Mrs Racheal Kagai
8.	Manager, Finance and Accounts	Mr. Samson S Sirere
9.	Ag Supply Chain Manager	Mr. Peter Mwangi
10.	Corporation Secretary	Ms Yvonne Achitsa

(c) Fiduciary Oversight Arrangements

BOARD OF DIRECTORS

1. Chairman
2. Cabinet Secretary – National Treasury
3. Principal Secretary- Ministry of Environment and Forestry
4. Principal Secretary - Ministry of Water and Sanitation
5. Principal Secretary – Ministry of Energy
6. Five (5) independent directors
7. Director General

The Board of Directors is responsible for formulating the Agency's vision, realisation of its mission and achievement of strategic objectives in line with the approved strategic plan.

Board Committees

The Board has Four (4) Committees with specific delegated authorities. These are the Board Audit Committee, the Board Finance and Resource Mobilization Committee, Human Resource and Corporate Affairs and Technical & Strategy Committee. The respective Chairpersons present their reports to the Board at each scheduled meeting. The composition of each committee is shown below;

FINANCE AND RESOURCE MOBILIZATION

1. Chairperson (Principal Secretary - Ministry of Environment and Forestry)
2. Three (3) – Independent Directors
3. Cabinet Secretary- National Treasury

The main function of the Finance and Resource Mobilization Committee is review and oversee the creation of accurate, complete, timely and meaningful financial statements for presentation to the Board for approval and oversee the Agency's financial management including the quarterly and annual plans, budgets, work plans and reports.

AUDIT COMMITTEE

1. Chairperson – Independent Director
2. One (1) Independent Director
3. Principal Secretary – Ministry of Water and Sanitation
4. Cabinet Secretary_ National Treasury

The Audit committee has the responsibilities of ensuring existence of requisite financial reporting processes, strong systems of internal controls, risk management and efficient operational activities carried out under existing Government laws and regulations for the Agency to achieve its objectives.

TECHNICAL & STRATEGY COMMITTEE

1. Chairperson - Independent
2. One (1) Independent
3. Principal Secretary - Ministry of Environment and Forestry
4. Principal Secretary – Ministry of Energy
5. Principal Secretary- Ministry of Water and Sanitation

The Technical & Strategy Committee responsible for ensuring; policy oversight, operational and legal compliance, advising the Board on proposed subsidiary legislation, effective management of water towers, effective organisational structures for water towers areas as well as approvals of technical policies, strategies and system.

HUMAN RESOURCE & CORPORATE AFFAIRS COMMITTEE

1. Chairperson - Independent
2. Two (2) - Independent
3. Principal Secretary – Ministry of Water and Sanitation.
4. Principal Secretary- Ministry of Energy

The Human resource and Corporate Affairs Committee is responsible for overseeing HR processes and policies including recruitment and retention, training, learning and development and making recommendations to the Board for approval

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Entity Headquarters

Post Office Box 42903 – 00100,
General Post Office,
N.H.I.F Building 15th Floor,
Ragati Road, Upper hill,
Nairobi - Kenya.

Entity Contacts

Telephone: (254) 020 2711437
E-mail: info@kwta.go.ke.

Entity Bankers

National Bank of Kenya
Hill Plaza Branch
P.O. Box 45219-00100
The: +254(0)202722211
E-mail: hill@nationalbank.co.ke
Website: www.nationalbank.co.ke

Kenya Commercial Bank
Capital Hill Branch
P.O. Box 69695-00400
Tel: +254-20-
2737103/2720208/2720207
Fax: +254-20-2737107
E-mail: capitalhill@kcb.co.ke
Website: www.kcbbankgroup.com

Independent Auditors

Auditor General
Anniversary Towers, University Way
P.O. Box 30084 – 00100,
GPO, Nairobi.
[Tel:+254-20-2227383](tel:+254-20-2227383),
Fax: +254-20-311482
E-mail: cag@kenao.go.ke,
Website: www.kenao.go.ke

Principal Legal Adviser

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

THE BOARD OF DIRECTORS



**Dr. Julius Makau
Malombe
Chairman of the Board**


Dr. Julius M. Malombe was appointed as Chairperson of the Board of the Kenya Water Towers Agency on 3rd May 2019. He is a Financial Economist and an accomplished public policy analyst with expertise in research, public & financial sector reforms, urban & municipal finance, infrastructure bonds, strategic planning and management, institutional rationalization and restructuring, corporate governance, environment, housing, urban and metropolitan development, local government, devolution and related socio-economic policy and reform initiatives.

Dr. Malombe is a holder of a PhD degree, Master of Business Administration (MBA) degree and a Diploma in Business Administration all from the University of Birmingham, UK. He also holds a MSc degree in Construction Management and Economics from the University of Aston (UK) as well as a Bachelor of Arts degree in Building Economics (Hons.) from the University of Nairobi.




Dr. Malombe has over 30 years public and private sector work experience in housing, urban development and devolved governments and has served in the Boards of Shelter Afrique, National Housing Corporation, Local Authority Transfer Fund (LATF), Nyeri Water & Sewerage Company Ltd and the Nairobi Oversight Board, among others. He has also participated either as chairman or member of a number of taskforces and committees tasked to rationalize and/or collect and collate public views on national policies and legislation including: National Housing Policy, Urban Development Policy, Kenya Vision 2030, Devolved Government Legislation and Policy, Policy and legislation on National Values and Principles of Governance, Corporate Governance in State Corporations and Housing Incentives.

He has served as a Post-Doctoral Research Fellow & Consultant for the National Economic and Social Council in Kenya from 2007-2011. Since November 2000, Dr. Malombe has served as a Resource Person/Part-time Lecturer, Finance Specialization, Doctoral Studies Programme, School of Business, University of Nairobi. He has also taught urban public finance, local economic development, financial risk management, global financial markets course units for the Masters in Urban Management (MUM) & the Masters in Commerce (MCOM) degree programmes at the University of Nairobi and Strathmore University, respectively. He has also served as Vice Chair of the Council of Governors Finance, Planning and Economic Affairs and Information and Communication Committee.

Dr. Malombe served as the Governor for the County of Kitui from 2013 to 2017. During his tenure as Governor, Dr. Malombe served as the Chairman of the Council of Governors Committee on Lands, Housing, Physical Planning and Urban Development and was also Chairman of the Lower Eastern Governors Forum and the South Eastern Kenya Economic Block (SEKEB).

	<p>Prof. Tanui is the Ag Director General. He holds a PhD from Nelson Mandela Metropolitan University, South Africa, where he specialized in Environmental Education and Sustainable Development. Prof Tanui has 19 Years' of enormous experience in Environmental and Sustainable Development field. He joined the Agency on 1st November 2016. Among other experience and achievements, he was a Project Leader for the Centre of Excellence in Education Research Methodologies, East and Southern Africa which include; Oldenburg University – Germany, Nelson Mandela Metropolitan University South Africa, Uganda Management Institute, Dar-es-salaam University and Moi University.</p>
<p>Prof. Julius G. Tanui, PhD, MBS Ag. Director General</p>	
	<p>Mr Robert Mutuma works with Total Kenya Ltd. He was re-appointed to the Board in 1st May, 2019. He holds a Diploma in Environmental Studies from the Technical University of Kenya. He is a passionate environmentalist and advisor of the Total Eco Challenge Programme. He also carried out research on indigenous knowledge systems and published a paper on indigenous knowledge in fruit trees in Kenya. He is a recipient of the Head of State Commendation for his outstanding contribution on environmental conservation in Kenya.</p>
<p>Mr Robert Mutuma (HSC)</p>	
	<p>Mr. Peter Leitoro represents the Principal Secretary, Ministry of Environment and Forestry. He joined the Board on 3rd March 2015. He holds a diploma in Wildlife Conservation and Management, Diploma in International Studies, Masters in Security and Risk Management. He also holds a Masters of Business Administration degree in Strategic Management.</p>
<p>Mr Peter Leitoro OGW,ndc(K)</p>	<p>He has wide experience in law enforcement, conservation, financial and managerial skills</p>

 <p>Ms Esther Wangombe</p>	<p>Ms. Esther Wangombe represents the Principal Secretary, Ministry of Energy and Petroleum. She joined the Board on 10th May 2013. She holds a Bachelor's of Science in Forestry from Moi University and Masters in Environmental Sciences from Kenyatta University. She also acquired a Post Graduate Diploma in Forestry for Rural Development from (ITC, Netherlands). Ms. Wangombe has vast experience in the Public Sector and she currently holds the position of Deputy Director, Renewable Energy in the Ministry of Energy and Petroleum.</p>
 <p>Mr. Bernard M. Mulwa</p>	<p>Mr. Bernard Mulwa is the representative of the Principal Secretary, Ministry of Water to the Board of the Kenya Water Towers Agency. He was appointed to the Board in January 2018.</p> <p>A Deputy Director in the Water Services Department in the Ministry, Mr. Mulwa has over 33 years' experience in his field. He holds a Master of Science degree in Water Resource Management from I.H.E-Delft, Netherlands and another in Applied Technology from the University of Rajasthan, India. He also holds a Bachelor of Science degree from the University of Nairobi and a Postgraduate Diploma in Watershed Management from Uppsala University, Sweden among other competencies.</p>
 <p>Ms Wambui Muriithi</p>	<p>Ms. Wambui Muriithi was appointed to the Board of Kenya Water Towers Agency on 6th June 2018. She holds a Master of Science Degree in Entrepreneurship from Jomo Kenyatta University of Agriculture & Technology and a Bachelor of Education degree from Moi University. Ms Wambui is currently pursuing a Master of Science Degree in Commerce specializing in Investment and Economics as well as a finance course leading to a Certified Financial Modelling and Valuation Analyst (FMVA) certification. She is a professional member of Management Consultants Association of Kenya (MCAK00015) and an Associate Member of the Kenya Institute of Management (43001).</p> <p>Ms Wambui is a passionate and result-driven leader with over 17 years accumulated experience in corporate development and sustainable value creation in both private and public sectors. She has extensive experience and an active history of strategic leadership, designing and delivering strategic plans. In addition, she has experience in value creation, business modelling, capital raising, organisational reforms & change management, business development and strategic partnership engagements.</p>

 <p>Ms. Edna Atisa</p>	<p>Ms. Edna Atisa was appointed to the Board of Kenya Water Towers Agency in March, 2019 as an alternate member representing the Cabinet Secretary for the National Treasury. Ms. Atisa holds a Master’s Degree in Economics, Bachelor of Arts in Economics and Postgraduate Diploma in Education all from the University of Nairobi. She is an economist with vast experience in economic policy formulation and implementation and is a member of the Economics Society of Kenya</p>
 <p>Mr. Timothy ole Naeku</p>	<p>Mr. Timothy Tipila Ole Naeku was appointed to the Board of the Agency on 3rd May 2019. He holds a Master’s Degree in Law and a Bachelor of Law Degree both from the University of Nairobi. In addition, he has a Post-Graduate Diploma in Law from the Kenya School of Law. Mr Naeku is an accomplished Advocate of the High Court of Kenya with over 14 years’ experience practicing law in Nairobi. He is an active member of the Law Society of Kenya and has particular passion in enhancing the rule of law in community service. Mr Naeku currently serves as a legal advisor to a non-charitable trust in Narok County.</p>
 <p>Ms. Hibo Bishar</p>	<p>Ms. Hibo Bishar was appointed to the Board of the Kenya Water Towers Agency on 3rd May 2019. She holds a Bachelor’s Degree in Environmental Science from the Islamic University of Uganda and a Master of Science Degree in Climate Change Adaptation from the University of Nairobi. Ms Bishar is a climate change adaptation expert and a programs development consultant with over 8 years’ experience working with International Non-Governmental Organisations in Kenya. She is currently the Executive Director of DaHi Solutions, a consulting firm she founded in 2017 to provide technical expertise to private and public agencies on climate change, social programs and institutional development.</p>

Kenya Water Towers Agency
Annual Reports and Financial Statements
For the year ended June 30, 2019



Ms. Wandia Maina

Ms. Wandia Maina was appointed to the Board of the Kenya Water Towers Agency on 3rd May 2019. She holds a Master's Degree in Counselling Psychology from Daystar University and Bachelor of Arts Degree in Sociology and Economics from the Catholic University of Eastern Africa. Ms Wandia is a career Psychologist and is currently the co-clinical director at Intrapersonal Health Services. As a certified professional mediator and regular resource person for the Law Society of Kenya and FIDA (K), Ms Wandia has over 12 years' experience in the provision of psychotherapy services to individuals, families and organizations. Interested in the advancement of the holistic development of the individual, she combines her practice in psychology with the love for the outdoors through organising and leading hiking expeditions to various mountains within and outside Kenya.



Ms. Yvonne Achitsa
 Corporation Secretary

Ms. Yvonne Achitsa is the Corporation Secretary and Head of Legal Services Department at the Agency. She joined the Agency in October, 2018 bringing in a wealth of experience in corporate law, employment law, corporate governance and other areas of practice acquired over the course of 7 years in legal practice. She is an active member of both the Law Society of Kenya (LSK) and the Institute of Certified Secretaries of Kenya (ICS).

She holds a Master's Degree in Business Administration (Strategic Management) from the University of Nairobi, a Bachelor of Laws Degree, Post Graduate Diploma in Law and is a Certified Secretary among other qualifications.

MANAGEMENT TEAM



Prof. Julius Gordon Tanui
PhD,MBS
Ag Director General

Prof.Tanui is the Ag Director General. He holds a PhD from Nelson Mandela Metropolitan University, South Africa, where he specialized in Environmental Education and Sustainable Development. Prof Tanui has 19 Years' of enormous experience in Environmental and Sustainable Development field. Among other experience and achievements he was a Project Leader for the Centre of Excellence in Education Research Methodologies, East and Southern Africa which include; Oldenburg University – Germany, Nelson Mandela Metropolitan University South Africa, Uganda Management Institute, Dar-es-salaam University and Moi University.



Mr. Thomas W. Mumu
Director Governance &
Coordination

Mr. Thomas W. Mumu is the Director Governance & Coordination. He joined the Agency on 23rd September 2016. He is a career civil servant and holds Msc Environmental Science from Kenyatta University and a Bsc Agriculture from University of Nairobi with over thirty (30) years' experience in the Public Sector. He has as attended several skill enhancement and management courses like Senior Management and Strategic Leadership at Kenya School of Government. He is a Lead Expert on Environmental Impact Assessment and Audit and a Member of Environmental Institute of Kenya.



Dr. Winfred M. Musila
Director Ecosystems Assessment
Planning and Audit

Dr. Winfred Musila is in charge of Ecosystem Assessment, Planning and Audit Directorate. She joined the Agency on 1st November 2016. She is an environmentalist/ecologist and holds a PhD in Forest Ecology from University of Hohenheim, Germany, M.Phil in Environmental Science from Moi University and a BSc in Botany and Zoology from Egerton University. She has over fifteen years' experience in ecological research, natural resource management, community mobilization, capacity building, project management and stakeholder engagements. She is a member of Tropical Biology Association, African Forest Forum (AFF), Nature Kenya (East African Natural History Society), Forestry Society of Kenya and the Kenya Forest Working Group.



Ms Susan Boit
Ag. Director, Partnerships,
Business Development and
Community Livelihoods

Ms Susan Boit is in charge of Community Livelihood. She joined the Agency on 1st July 2013. She holds a master's degree in Food Science at the university of Reading United Kingdom as well as a bachelor's degree in Home Economics from Kenyatta University with a working experience of over twenty years in the field.



Mrs Bahati K Mwita, OGW
Director Corporate Services

Mrs Bahati K Mwita is in charge of Corporate Services. She joined the Agency on March, 2013. She holds a Master's degree in Business Administrations from University of Nairobi as well as Bachelors of Arts Degree in Economics and Sociology from Moi University and has also attended various courses in Management, Public Policy and Leadership in different institutions. Has attended Organisational Change Management Course and Utilization of Natural Resources Course both in Denmark, Attended Financial Management in the Public Sector course at Harvard University, Strategic Leadership Course at the Kenya School of Government among others. She has represented the Republic of Kenya as a Policy Advisor in various Environmental Conventions. She is a member of the Kenya Association of Public Administration & Management (KAPAM) and an Environmental Impact Assessment & Audit Expert. She has over twenty years' experience in the field.



Mr. Simiyu Walucho
Head of Internal Audit

Mr. Walucho Simiyu is in charge of Internal Audit. He joined the Agency on 29th May 2013. He holds a Master's degree in Business administration, is a certified public accountant (K), Certified Information System Audit (CISA) as well as a bachelor's degree in Business Management with over ten (10) years' experience. He is a member of the Institute of Certified Public Accountants (ICPAK) and a member of the Institute of Internal Audit (IIA).



Mrs. Racheal Kagai
Ag Human Resource Manager

Mrs Racheal Kagai is in charge of Human Resource. She Joined the Agency In 2012. She holds Higher National Diploma in Human Resource Management with a working experience of thirty one (31) years in the field.



Mr. Samson S. Sirere
Manager, Finance and Accounts

Mr Samson Saitoti Sirere is the Head of Finance and Accounts with effect from 1st October, 2018. He has over twelve (12) years' experience in both public and private sectors. He holds a master of Science in Finance from the University of Nairobi, Bachelors in Business Administration (Accounting & Finance) and certificate on Budgeting and Financial Management in the Public Sector from Duke center for International Development, Duke University (North Carolina). He is also a Certified Public Accountant of Kenya - CPA (K) as well as a member (In Good Standing) with the Institute of Certified Public Accountants of Kenya (ICPAK).



Mr. Peter Mwangi
Ag. Procurement and Supply Chain Manager.

Mr. Peter Mwangi is the Ag Manager, Supply Chain Management.

He joined Kenya Water Towers Agency in 2018. He has over 10 years' experience in Procurement and Supply Chair Management. He holds a Master of Science in Procurement and Logistics, a Bachelor of Commerce degree, Certified Public Accountants of Kenya. He is a member of the Kenya Institute of Supplies Management, the Council of Supply Chair Management Professionals and the Institute of Certified Public Accountants of Kenya



Ms. Yvonne Achitsa
Corporation Secretary

Ms. Yvonne Achitsa is the Corporation Secretary and Head of Legal Services Department at the Agency. She joined the Agency in October, 2018 bringing in a wealth of experience in corporate law, employment law, corporate governance and other areas of practice acquired over the course of 7 years in legal practice. She is an active member of both the Law Society of Kenya (LSK) and the Institute of Certified Secretaries of Kenya (ICS).

She holds a Master's Degree in Business Administration (Strategic Management) from the University of Nairobi, a Bachelor of Laws Degree, Post Graduate Diploma in Law and is a Certified Secretary among other qualifications.

CHAIRMAN'S STATEMENT

Water Towers are critical ecosystems that influence various aspects of the economy by providing freshwater for agriculture (irrigation), energy (hydropower), tourism (wildlife), urban development water supply, industry water supply, tea sector, amelioration of climate and climate change reliance among others. Therefore, these ecosystems are national assets for social economic development and surrounded by communities who for a long time have continued to depend on the ecosystem for goods and services

The Kenya Water Towers Agency (KWTA) is mandated to coordinate and oversee conservation, protection, rehabilitation and sustainable management of all the water towers in the country. The Agency has gazetted 18 water towers key among them being Mau Complex, Mt. Kenya, Aberdare's, Cherangany and Mt. Elgon. In collaboration with key stakeholders in Government and non-government organisations, 70 other water towers have been proposed and will undergo the criteria of water tower identification before Gazettement.

In terms of our approach, KWTA Strategic Plan, has key focal areas: Water Towers Research, Planning and Information Management; Corporate, Governance and Institutional Framework; Securing, Protection and Rehabilitation; Community Livelihood Improvement; and Partnership and Collaboration for Resource Mobilization and Capacity Development. This will inspire social transformation with regard to the Kenya's environment. Key achievements of the Agency include Development of Draft Water Towers Coordination and Conservation Policy and Bill, 2019, Assessment of status of water towers, Rehabilitation of degraded sites, development of conservation plans and promotion of community livelihoods programs to ease pressure from the water towers and expansion of our collaborators and networks in conservation.

On behalf of the Board of Directors of KWTA, I am pleased to present the 2018/2019 financial statement. It is important to note that Financial Reports forms the backbone for financial planning, analysis, benchmarking and decision making of the Agency. Therefore, quality accounting and reporting frameworks are essential in policy making, and in strategic decision making. The overall performance of the Agency is in line with our strategic focus.

The Board is therefore committed in ensuring well utilisation of resources towards sustainable conservation of water towers as a driving factor in the achievement of the Big Four Agenda. We thank the Presidency and the Ministry of Environment and Forestry for the support towards conservation of water towers as well as all the stakeholders for their good will.



Dr. Julius Makau Malombe
Chairman, Board of Directors

REPORT OF THE DIRECTOR GENERAL

Kenya Water Towers Agency is committed in fulfilling its mandate to ensure water towers in the country are conserved and sustainable managed. In the FY 2018/2019, the Agency has undertaken various initiatives such as development of draft Water Towers Conservation Policy and Bill, assessment and dissemination of status of water towers, development of conservation management plans, rehabilitation of degraded sites, development of an integrated water tower monitoring framework and community livelihood programs.

As the Director General, I have provided leadership and guidance to ensure that the Agency meets its performance targets, employ best practices in water towers conservation by employing prudent environmental governance and harness stakeholder's goodwill in protection and conservation. Also I will ensure inclusion of all stakeholders in sustainable livelihood programmes for employment and wealth creation and engage a participatory business approach to natural resource management.

I am pleased to present the financial results of the Agency for the financial period ended on 30th June 2019. The agency received Kshs 458,640,000 from GOK for recurrent vote and Kshs 387,000,000 for the Development Vote against the approved estimates of Ksh 469,000,000 for Recurrent and Ksh 459,000,000 for Development respectively. However, the amount received for Development is far below the requirement of the Agency. In this financial year, however, the Agency continues to deliver its mandate despite the challenges related to inadequate budgetary allocation. The Agency hopes to raise enough resources with the support of the Parent Ministry, the National Treasury and other development partners.

While KWTA grapples with a far-reaching and comprehensive approach to the sustainable management of Water Towers, we are aware that we need to deepen and also communicate our understanding of the Water Towers ecosystems, their interactions, hydrological cycle, socio-economic opportunities derived from the ecosystem disturbances, the anthropogenic factors, the impact of climate change on Water Towers ecosystem and the resilience of the ecosystem to external forces

In conclusion, I appreciate the support from the Parent Ministry and guidance of the Board during the year under review. I am grateful for the continued confidence of my management team as well as my fellow staff members and hope the same will continue as the Agency grows.



Prof Julius Tanui, PhD, MBS
Ag. Director General

CORPORATE GOVERNANCE STATEMENT

We believe in good corporate governance as an organisation. The Board provides leadership through oversight, review and guidance whilst setting the strategic direction. It is the primary decision-making body for all matters considered as material to the Agency. The Board has the appropriate mix of skills, knowledge and experience to perform its role effectively.

Board meetings are held quarterly. The Board has a formal schedule of matters specifically reserved for deliberation. The Agency ensures that it provides the necessary resources and expertise to the Board of directors to assist them in their decision-making and as such, they are regularly consulted on key policy matters.

General Responsibilities

The Board has a duty to the people of Kenya to ensure that the KWTA achieves its objectives efficiently and effectively and in compliance with the Legal Notice No 27 of 2012. Statutory powers of the KWTA Board include:

- Approve and ratify the policies of the Agency.
- Manage, control and administer the assets of the Agency in such manner and for such purposes as are best to promote the purposes for which the Agency is established.
- Receive any gifts, grants, donations or endowments made to the Agency.
- Determine the provisions to be made for capital and recurrent expenditure and for the reserves of the Agency.
- Approve the Performance Contract and annual budgets and work plans for the Agency.
- Open a banking account or banking accounts for the funds of the Agency.
- Determine and issue the terms and conditions for the appointment and enlistment of personnel to the Agency.
- Co-operate with other organizations undertaking functions similar to the Agency's whether within Kenya or otherwise.

In working to meet its obligations, the Board shall focus on matters of corporate governance, ensure that personal and private interest are put aside for the good of the Agency, and delegate matters of management to staff.

Specific Responsibilities

Given the powers afforded above and taking into consideration matters of corporate governance, the KWTA Board will execute the following specific responsibilities;

- Determine a clear statement of KWTA's vision, mission, purpose and values.
- Make recommendations for appointment of the Director General
- Monitor and appraise the performance of the Director General
- Appoint and appraise other senior managers
- Ensure accountability through quality management systems
- Ensure adequate strategic planning
- Ensure adequate operational planning
- Ensure KWTA has adequate financial resources

- Ensure adequate financial reporting
- Ensure adequate standards of internal controls
- Performance Contracting
- Ensure Efficient Performance of Regional Offices
- Approve staff employment policies and practices
- Assess corporate performance through external evaluations
- Manage, protect and enhance KWTA's reputation
- Ensure an efficient and effective functioning Board

Except for direction and guidance on general policy, the Board has delegated the authority for the conduct of day-to-day business to the Director General and the Management.

Directors' remuneration

The remuneration of all directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate as provided for by law. The directors are paid a sitting allowance for meetings attended.

Internal Controls

The Agency has in place a system of internal controls with defined procedures, financial and operational controls to ensure that resources are safeguarded; transactions authorised, validated and reported in line with International Financial Reporting Standards.

Board Committees

The Board has Four Committees with specific delegated authorities. These are the Board Audit Committee, the Board Finance and Resource Mobilization committee, Human Resource and Corporate Affairs and the Technical and Strategy committee. The respective Chairpersons present their reports to the Board at each scheduled meeting. All directors are subject to a three-year term renewable once (for independent members appointed by name in accordance with the Legal Notice. On first appointment, the directors go through an induction program covering the organisation's operations and an appreciation of the key risk areas. The directors are advised of the legal, regulatory and other obligations of a director of a listed company on an ongoing basis. The directors also receive both internal and external training on corporate governance through a comprehensive training by the Centre for corporate governance.

Conflicts of interest

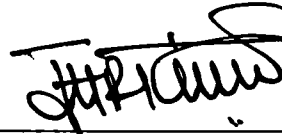
The directors are under a duty to avoid conflicts of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with the Agency's business. The Agency has established a robust process requiring directors to disclose outside business interests before they are entered into. Any potential or actual conflicts of interest are reported to the Director General.

Compliance

The Board confirms that it is satisfied that the Agency has adequate resources to continue in operating for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements. The Board is satisfied that the Agency has to the best of their knowledge complied with all relevant laws and conducted its business affairs in accordance with the law in particular to the State Corporations Act and the Legal Notice no: 27. Further disclosures on compliance are set out in the Directors statement of responsibilities and notes to the financial statements.



Dr. Julius Makau Malombe
Chair, Board of Directors



Prof. Julius Tanui, PhD, MBS
Ag. Director General

MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

While the Agency has continued to focus on the four focal points within its strategic plan; Water Towers Management and sustainability, Community and Global Engagement, Social Investment and County Governance and stewardship, in the first quarter the Agency implemented targets within the allocated budget in the FY 2018/19. These key deliverables are realigned to meet the National Big Four Agenda. These targets are;

- Draft Water Towers Coordination and conservation Policy and Bill,2019
- Gazettement of 10 Water Towers for protection and conservation (296.61 Ha)
- Rehabilitation of degraded water towers and protection of 288 Ha in water towers and their ecosystem for natural regeneration
- Bamboo investments and commercialization in Kaptagat.
- Development of Water Towers Status Reports.
- Water Towers Monitoring Framework
- Community Livelihood Improvement Interventions
- Rehabilitation of six gullies
- Assessment, Identification and Mapping of Water Towers

The agency has also experienced tremendous growth in its expansion to the regions. This growth has seen 8 (Eight) regional offices operationalized with an average of three personnel. These regional offices are meant to cover different Water Towers spread throughout the country. Although the mandate of the Agency lies within the functions of the National Government, the establishment of these regional offices will complement implementation of the devolved functions.

The approved budget for financial year 2018/2019 was as follows:

	Printed Estimates Recurrent /Development Budget FY 2018/2019	Revised Recurrent/Development Budget FY2018/2019
Approved Budget Recurrent Budget FY 2018/2019	Grants- Kshs 468,000,000 Interest – <u>Kshs 1,000,000</u> Ksh. 469,000,000	Grants- Kshs 587,640,000 Interest – <u>Kshs 6,051,000</u> Ksh. 593,691,000
Development Budget	Grants Ksh. 459,000,000	Grants ksh. 468,200,000

The Actual amount received as at 30th June 2019 was Kshs 458,640,000 under the Recurrent Vote and Ksh 387,000,000 in the Development Vote. The total Disbursements received so far are tabulated below:

1. RECURRENT VOTE

DATE	AMOUNT
06/09/2018	78,000,000
30/09/2018	39,000,000
05/11/2018	35,880,000
05/11/2018	71,760,000
08/02/2019	117,000,000
06/05/2019	80,000,000
06/05/2019	37,000,000
Total	458,640,000

2. DEVELOPMENT VOTE

DATE	AMOUNT
Balance	
13 th November 2018 (CLIP)	150,000,000
13 th November 2018 (Soil loss and Mitigation Management)	79,500,000
27 th May,2019 (Soil Loss & Mitigation & CLIP)	114,752,000
30 th June,2019 (Soil Loss & Mitigation & CLIP)	42,748,000
TOTAL	387,000,000

Entity's compliance with statutory requirements

The Agency is fully compliant with Statutory requirement in remitting all statutory deduction and taxes. It also pays all its bills on a timely basis. The Agency is therefore not exposed to any contingent liabilities.

Key projects and investment decisions the entity is planning/implementing

In the Financial Year 2018/2019, the Agency has implemented the following programs under the development vote:

SUB-PROGRAMME: WATER TOWERS CONSERVATION AND MANAGEMENT

Mitigation and management of Soil Loss

Mitigating and managing soil loss/ erosion will improve the quantity and quality of water, upon which universal health care on clean and safe water, food & nutrition security through provision of sufficient water for agriculture and industrialization, manufacturing and agro-processing - water for H.E.P are dependent on.

Objective; the project aims at improving Water Towers Ecosystem Health and resilience by mitigating and sustainably managing soil loss to increase the quality and quantity of water towers resources

Key Achievements

- Draft of Water Towers Coordination and Conservation Policy and Bill, 2019 has been developed.
- Construction of two Joint enforcement unit Camps in Maasai Mau Water tower(Kosia Toltol and Osanagururi Camp and Sierra Leone Camp rehabilitated)
- Mapping and survey of Ten (10) Water Towers(296.61 Ha) with partnership with Kenya Forest service has been done for gazettment namely Wire Forest(Homa Bay), Yekanga(Makueni),Maragoli Hills(Vihiga),South Mbooni Forest(Makueni),Iveti Forest(Machakos),Loitoktok Forest(Kajiado),Kierera Hill(Tharaka Nithi),Nyeri Hill(Nyeri),Ngangao Forest(Taita Taveta) and Mangea Forest(Kilifi)
- Completed assessment of nine (9) Water towers namely Nthangu, Elgeyo hills, Loita hills, Marsabit, Mathews Range, Nandi, S.Mau, Mau Narok, and Mangea water towers
- 288 Ha of degraded sites has been identified for rehabilitation(ongoing)
- Six gullies rehabilitated namely: two gullies in Taita hills, two in Endau water tower and two Nzaui water towers
- Identificaiton and mapping of three water towers namely Elgeyo Hills(Elgeyo Makuli Nzaui(Makueni County) and Nyambene(Meru County)
- Draft of Total Economic Valuation developed for Nzaui Water tower
- Completed Development of Integrated Water Towers Monitoring framework and shared with stakeholders

Community Livelihood Improvement Programme (CLIP)

In addressing the vulnerability of water towers, a situation informed by the growing demand for their resources, KWTA is implementing CLIP intervention with an aim of easing the pressure on these ecosystems. Cognizant of the Big Four Agenda, the project through; establishment of nature based enterprise including bamboo initiative as an alternative livelihood will address and improve food & nutrition security, affordable housing, industrialization, manufacturing and agro-processing, Bio-prospecting activities will contribute towards universal health care

Objective: is to provide alternative livelihood solutions for communities and creation of economic buffers for socio economic development within water towers ecosystems.

Key Achievements

- Feasibility study for the bamboo investment and commercialization Kaptangat project(The Feasibility study has been finalized)
- The Environmental and Social Impact assessment is ongoing for Bamboo Kaptangat Project.
- Fencing of 50 Ha (Contract awarded) for Bamboo demonstration site in Kaptagat(Ongoing).
- Community Investment towards Climate Change adaptation within water towers

ecosystems through established 6 Biogas system as source of clean energy name Unyaa Primary School(Kitui), Tonga Boys High School(Homa Bay), Chepkongony Secondary School(Nandi), Kaporuso Secondary School(Bomet), Kiluani New Life Secondary School(Kajiado) and Iruma Girls School(Tharaka Nithi)

- Establishment of solar power systems in schools namely ELCK Solion Secondary School(Pokot Central), Kapkoimet Primary School(Baringo Central) and Tipito Girls Secondary School(Samburu East)
- Community Investment towards Climate Change adaptation within water towers ecosystems through established 6 Biogas system as source of clean energy
- Installation of three water harvesting systems in schools namely in Funju High School(Taita Taveta), Huri Primary School(Marsabit) and Mariashoni primary School(Nakuru)

Major risks facing the entity

- Delay in receiving exchequer releases from the National Treasury
- Inadequate Funding
- Delay in payment of suppliers (Pending Bills)
- Climate change impact (Drought)
- Fires
- Reputation risk
- Litigation Risk

Material arrears in statutory/financial obligations

The Agency has no arrears in Statutory and Financial obligation

The entity's financial probity and serious governance issues

The Agency is not faced with any major financial improbity by internal audit/Board audit committee, external auditors, or other National Government Agencies providing oversight; neither does it have any governance issues or conflict of interest.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 requires an Accounting Officer for a National Government owned Entity to prepare the Annual Financial Statements for the financial year in respect of the entity.

In preparing Financial Statements for a National Government Entity, the Accounting Officer shall ensure that the report:


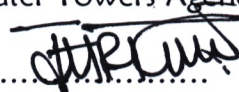
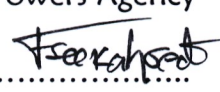
- (a) Contains information on the financial and non-financial performance of the entity; and
- (b) Is in a form that complies with the standards prescribed and published by the Public Sector Accounting Standards Board of Kenya from time to time.

In addition, not later than Three Months after the end of each financial year, the Accounting Officer shall submit the entity's Financial Statements to the Auditor General and a copy of statement to the Controller of Budgets, the National Treasury and the Commission on Revenue Allocation.

In the case of an entity that is a state corporation, the Accounting Officer for the corporation shall submit the Annual Report to the Cabinet Secretary responsible for the corporation who shall, upon approving it, forward a copy to the Cabinet Secretary.

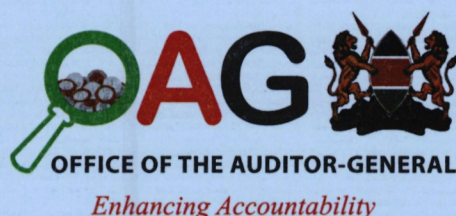
Approval of the Annual financial statements

The Agency's Annual financial statements have been prepared in accordance with Section 83 of the PFM Act and were approved by the Board on _____ 2019 and signed on its behalf by:

Dr. Julius M Malombe Board Chairman Kenya Water Towers Agency	Prof. Julius G. Tanui, PhD, MBS Ag. Director General Kenya Water Towers Agency	CPA Saitoti Sirere (M/No: 8419) Head of Finance and Accounts Kenya Water Towers Agency
Signature: 	Signature: 	Signature: 
Date: 15/9/2020	Date: 15.09.2020	Date: 15.09.2020

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KENYA WATER TOWERS AGENCY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Water Towers Agency set out on pages 24 to 50, which comprise the statement of financial position as at 30 June, 2019 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Water Towers Agency as at 30 June, 2019, 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 the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Discrepancies in Financial Statements

The statement of financial performance reflects revenue for the year totalling Kshs.851,833,589 which however, differs with the balance of Kshs.1,062,033,589 reflected in respect to the account in the statement of comparison of budget and actual amounts.

In addition, the statement of financial position as at 30 June, 2019 reflects reserves and accumulated deficit balances totalling Kshs.388,777,904 and Kshs.197,663,702 respectively. However, the denoted accumulated deficits balance of Kshs.197,663,702 is in fact the deficit for the year reflected in the statement of financial performance.

In view of these discrepancies, the financial statements do not reflect a true and fair view of the operations and financial position of the Agency for the year ended 30 June, 2019.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Water Towers Agency Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Failure to Operationalize the Water Towers Conservation Fund

The Water Towers Conservation Fund was established through Kenya Gazette Supplement No.47 of 23 July, 2010. The main objective of the Fund was to harness funds for the restoration, conservation and sustainable management of the water towers in Kenya.

A capital account was opened for the Fund at the Central Bank of Kenya with a deposit of Kshs.50 million intended to finance the initial activities of the Fund. However, information provided by Management indicates that the Fund is yet to be operationalized and therefore remains dormant to date.

No satisfactory explanation was provided by Management for the failure to operationalize the Fund so that it may achieve its purpose. In the circumstance the Agency may have breached the law.

In addition, records in the Agency indicated that an account denoted in the name of the Fund held a cash balance amounting to Kshs.31,048,686 at a commercial bank in Nairobi as at 30 June, 2019. No explanation was provided by Management on the nature of the cash deposit and whether any payment or withdrawal had made therefrom.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Board Expenses

The statement of financial performance reflects Board expenses totalling Kshs.31,434,918 incurred on payment of sitting allowances to Board Members. However, audit review of Board records indicated that the Directors held seventy eight (78) meetings during the year under review, contrary to the provisions of State Corporations Act, Cap 446, which recommends a maximum of four (4) meetings in an year spread quarterly and two (2) allowable ad hoc Committee meetings.

Further, the Board did not have an annual work plan contrary to Section 1.9 of Mwongozo Code of Governance.

Consequently, the propriety of the expenditure totalling Kshs.31,434,918 incurred on Board expenses during the year under review could not be confirmed.

2. Employees in Acting Capacity

Personnel records indicated that three (3) senior staff had been acting in their posts for over three (3) years contrary to the requirements of Section 34(3) of the Public Service Commission Act, 2017. These were the Director-General, Director Partnerships and Human Resources Manager. No reason was provided for the failure by the Board to recruit substantive office holders to the posts or confirm the officers in acting position.

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 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 those Charged with Governance

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Agency monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 appropriate 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 Agency'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 Agency to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

09 August, 2021

Kenya Water Towers Agency
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs Re-stated
Revenue from non-exchange transactions			
Public contributions and donations – GOK Grants	6	845,640,000	824,466,734
Transfers from other governments – EU Project	6	-	-
Finance income – Interest from Banks	7a	6,193,589	3,907,845
Total revenue		851,833,589	828,374,579
Expenses			
Employee costs	8	244,377,852	136,620,827
Board Expenses	9	31,434,918	18,186,550
Depreciation and amortization expense	10	32,560,825	14,896,582
Repairs and maintenance	11	9,506,560	3,778,095
Administrative Expenses	12	96,500,523	105,926,008
Grants and subsidies – Development Expenditure	13	504,672,489	226,016,918
General Operational expenses	14	128,980,663	70,666,427
Finance costs	15	1,463,461	649,248
Total expenses		1,049,497,291	576,740,655
Surplus/(deficit) for the period/year		(197,663,702)	251,633,924

The notes set out on pages 29 to 49 form an integral part of these Financial Statements

Dr. Julius M Malombe
Board Chairman
Kenya Water Towers
Agency

Signature: 

Date: 15/9/2020

Prof. Julius G. Tanui, PhD, MBS
Ag. Director General
Kenya Water Towers Agency

Signature: 

Date: 15.09.2020

CPA Saitoti Sirere(M/No: 8419)
Head of Finance and Accounts
Kenya Water Towers Agency

Signature: 

Date: 15.09.2020

Kenya Water Towers Agency
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2018-2019 Kshs	2017-2018 Kshs Re-stated
Assets			
Current assets			
Cash and cash equivalents	16	366,778,729	285,070,894
Receivables from exchange transactions - Prepayments	17	22,639,093	19,806,995
Receivables from non-exchange transactions	18	496,668	1,342,000
Inventories	19	15,277,659	11,363,683
Sub-total		405,192,149	317,583,572
Non-current assets			
Property, plant and equipment	20	119,514,637	124,895,945
Intangible assets	21	2,389,668	-
Sub-total		121,904,305	124,895,945
Total assets		527,096,454	442,479,517
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	302,783,489	34,768,911
Deferred income	23	-	-
Employee benefit obligation – Gratuity	24	26,038,581	13,466,109
Sub-total		328,822,070	48,235,020
Non-current liabilities			
Non-current employee benefit obligation - Gratuity	25	7,160,182	-
Total liabilities		335,982,252	48,235,020
Net assets		191,114,202	394,244,497
Reserves		388,777,904	6,903,579
Accumulated surplus/(Deficit)		(197,663,702)	387,340,918
Total net assets and liabilities		191,114,202	394,244,497


The Financial Statements set out on pages 29 to 49 were signed on behalf of the Board of Directors by:

Dr. Julius M Malombe
Board Chairman
Kenya Water Towers Agency

Signature: 

Date: 15/9/2020

Prof. Julius G. Tanui, PhD, MBS
Ag. Director General
Kenya Water Towers Agency

Signature: 

Date: 15/9/2020

CPA Saitoti Sirere (M/No: 8419)
Head of Finance and Accounts
Kenya Water Towers Agency

Signature: 

Date: 15.09.2020

Kenya Water Towers Agency
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019

	Revaluation reserve	Fair value adjustment reserve	Revenue Reserves	Capital/ Development Grants/Fund	Total
At July 1, 2017	6,903,579	-	135,706,994	-	142,610,573
Revaluation gain	-	-	-	-	
Transfer of excess depreciation on revaluation	(-)	-	-	-	
Fair value adjustment on quoted investments	-	-	-	-	
Surplus/ Deficit for the year	-	-	251,633,924	-	251,633,924
Capital/Development grants received during the year	-	-	-	-	
Transfer of depreciation/amortisation from capital fund to retained earnings(EU grant transferred)	-	-	-	-	
At June 30, 2018	6,903,579	-	387,340,918	-	394,244,497
At July 1, 2018	6,903,579	-	387,340,918	-	394,244,497
Revaluation gain					
Transfer of EU grant				(5,466,593)	(5,466,593)
Deferred tax on excess depreciation					
Fair value adjustment on quoted investments					
Surplus/ Deficit for the year			(197,663,702)		(197,663,702)
Capital/Development grants received during the year					
Transfer of depreciation/amortisation from capital fund to retained earnings					
At June 30, 2019	6,903,579		189,677,216	(5,466,593)	191,114,202

Kenya Water Towers Agency
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2019

		2018-2019	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Net Operating Surplus for the year		(197,663,702)	251,633,924
Adjustments for			
Depreciation & amortization of Plant, Property and Equipment		32,560,825	14,896,582
Net Cash flow generated from operating activities before changes in working capital		(165,102,877)	266,530,506
Changes in working capital			
Increase/ Decrease in Trade and Receivable		845,332	14,311,197
Increase / Decrease in Trade and other Payables		262,179,985	2,655,800
Increase/ Decrease in Inventory		(3,545,976)	-10,442,412
Increase/ Decrease in Prepayments		(2,832,098)	-12,122,165
Increase/ Decrease in gratuity payable		19,732,654	4,833,240
Net cash flows from operating activities		276,379,897	-764,070
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(29,569,185)	(122,667,534)
Proceeds from sale of property, plant and Equipment		-	-
Decrease in non-current receivables		-	-
Net cash flows used in investing activities		(29,569,185)	(122,667,534)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Increase in deposits		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		81,707,834	143,098,902
Cash and cash equivalents at 1 JULY	16	285,070,894	141,971,992
Cash and cash equivalents at 30 JUNE 2019	16	366,778,729	285,070,894

Kenya Water Towers Agency
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

	Original budget		Adjustments		Revised Budget		Adjustments		Final Revised budget		Actual on comparable basis		Performance difference	
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs													
Public contributions and donations	468,000,000	(9,360,000)	-	458,640,000	-	458,640,000	-	458,640,000	458,640,000	458,640,000	458,640,000	-		
Government grants and subsidies	459,000,000	-	-	459,000,000	9,200,000	468,200,000	9,200,000	468,200,000	468,200,000	468,200,000	468,200,000	142,589		
Finance Income – Interest	1,000,000	2,800,000	-	3,800,000	2,251,000	6,051,000	2,251,000	6,051,000	6,193,589	6,193,589	6,193,589	142,589		
Additional Government Grants	-	-	-	-	129,000,000	129,000,000	129,000,000	129,000,000	1,062,033,589	1,062,033,589	1,062,033,589	142,589		
Total income	928,000,000	(6,560,000)	(6,560,000)	921,440,000	140,451,000	1,061,891,000	140,451,000	1,061,891,000	1,062,033,589	1,062,033,589	1,062,033,589	142,589		
Expenses														
Compensation of employees	250,043,054	(2,744,000)	-	247,299,054	-	247,299,054	-	247,299,054	244,377,852	244,377,852	244,377,852	2,921,202		
Goods and services	192,960,947	(4,113,001)	300,000	188,847,946	130,597,000	299,144,946	654,000	1,454,000	245,036,982	245,036,982	245,036,982	54,107,964		
Finance cost	500,000	-	(3,000)	800,000	654,000	1,454,000	654,000	1,454,000	1,463,461	1,463,461	1,463,461	-9,461		
Rent paid	25,496,000	-	-	25,493,000	-	25,493,000	-	25,493,000	21,385,681.96	21,385,681.96	21,385,681.96	4,107,318		
Other payments (Asset and Stock) Prepayment, Advances	-	-	-	-	-	-	-	-	20,300,000	20,300,000	44,846,844	-24,546,844		
Prepayments and Advances	-	-	-	-	-	-	-	-	-	-	-	-		
Grants and subsidies paid	459,000,000	-	-	459,000,000	9,200,000	468,200,000	9,200,000	468,200,000	504,672,489	504,672,489	504,672,489	(36,472,489)		
Total expenditure	928,000,000	(6,560,000)	(6,560,000)	921,440,000	140,451,000	1,061,891,000	140,451,000	1,061,891,000	1,084,919,071	1,084,919,071	1,084,919,071	(23,028,071)		
Surplus for the period	-	-	-	-	-	-	-	-	-	-	(23,028,071)			

Budget notes

Reconciliation:

	Amount
Reconciliation	
Expenses Reported under statement of Financial Performance Less depreciation	1,016,936,466
Additional Asset under statement of Financial position not captured	44,846,844
Prepayments and Advances during the year	23,135,761
Total	1,084,919,071

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Kenya Water Towers Agency is a State Corporation under the Ministry of Environment and Forestry. It was established in 2012 vide Kenya Gazette Supplement, Legal Notice No. 27/2012 on 20th April, 2012.

2. 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 Agency's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Agency.

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.

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Revenue recognition**

i) **Revenue from non-exchange transactions**

Fees, taxes and fines

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

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 realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of June 2019 on the 2018-2019 budget following the governing body's approval.

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.

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 section xxx of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) 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 costs 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.

Depreciation is calculated using straight line method on the cost of each Asset to its residual value over its useful life using the following per annum rate:

Asset	Rate of Depreciation
Motor vehicle	25%
Furniture and Fittings	12.5%
Computer and Accessories	30%

d) 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. Intangible Asset are amortized at a rate of 33.3% per annum

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Inventories

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.

f) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

g) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

h) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

i) 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

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basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

j) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

k) 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 authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

l) Comparative figures

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

m) 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.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of

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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: e.g

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

6 TRANSFERS FROM OTHER GOVERNMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Unconditional grants		
Operational grant	845,640,000	824,466,734
Other grants - EU	-	-
Total government grants and subsidies	845,640,000	824,466,734

During the year no grant was received.

7 OTHER INCOME

a)

Description	2018-2019	2017-2018
	KShs	KShs
Finance Income	6,193,589	3,907,845
Total other income	6,193,589	3,907,845

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2018-2019
			KShs	KShs	KShs
State Department of Environment and Forestry	845,640,000			845,640,000	845,640,000
Total	845,640,000			845,640,000	845,640,000

8 EMPLOYEE COSTS

	2018-2019	2017-2018
	KShs	KShs
Salaries and wages		90,990,791
Salaries and wages	143,906,736	6,321,583
Contributions to pensions(Employer's contribution)	9,560,775	349,380
Special Duty Allowance	263,625	27,355,182
Housing benefits and Commuter allowances	57,095,227	331,898
Extraneous Allowance	397,600	7,589,161
Gratuity	29,592,528	283,400
N.S.S.F - Employer	252,000	733,334
Leave Allowance	2,286,136	420,000
Responsibility Allowance	1,023,225	2,246,098
Employee costs	244,377,852	136,620,827

9 REMUNERATION OF DIRECTORS-Board Expenses

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	960,000	240,000
Directors emoluments	30,474,918	17,946,550
Total director emoluments	31,434,918	18,186,550

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	31,383,824	14,896,582
Intangible assets	1,177,001	-
Total depreciation and amortization	32,560,825	14,896,582

11 REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Vehicles	7,459,531.78	2,850,110
Computers and accessories	2,047,028.25	927,985
Total repairs and maintenance	9,506,560.03	3,778,095

12 ADMINISTRATIVE EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Office Rent	21,385,682	12,622,143
Medical Insurance	22,524,456	13,148,766
Contracted Professional Services	3,102,400	5,745,138
Temporary Committees (Joint Enforcement Unit)	48,228,263	50,901,405
Group life and Group Personal Insurance	1,259,722	991,512
Audit Fees	-	330,000
Insurance - WIBA	-	894,889
Recruitment	-	21,292,155
Total administrative expenses	96,500,523	105,926,008

13 GRANTS AND SUBSIDIES (Development Expenditure)

Description	2018-2019	2017-2018
	KShs	KShs
Audit of Rehabilitation Activities	6,303,400	641,300
Community Investments towards climate change adaptation		7,027,784
Development of Water Towers Management Policy	34,771,799	20,224,385
Establishment of Bamboo Enterprise	103,877,123	13,466,955
Implementation of CLIP Interventions in Water Towers-CDAPs and Promotion of ease of doing business	10,079,335	18,691,882
Acquisition of water towers protection equipment	14,248,600	
Implementation of SLM – Rehabilitation of Gullies		17,635,319

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& tree planting		
Implementation of community development action plan Mapping Critical Catchments, Wetlands and Biodiversity Hotspots	29,268,300	24,832,452
Monitoring and Evaluation and Corporate Engagement	42,975,838	42,879,860
Monitoring Framework	12,492,738	9,667,383
Communication, Corporate Branding and ICT	26,953,370	
Rehabilitation Works– Governance and Co-ordination	128,606,209	42,840,245
Water Towers Conservation Plans (WTCPs)	11,130,072	14,886,115
Water Towers Status Report& Total Economic Valuation	36,668,813	13,533,236
Hay Production	4,460,530	
Water Systems in Schools	7,988,980	
Installation of Solar in schools	7,028,051	
Construction of Biogas in schools	19,486,398	
Honey Production	8,332,933	
Total grants and subsidies	504,672,489	226,016,918

14. GENERAL OPERATIONAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Telephone Expenses	2,944,950	3,224,000
Internet Expenses	2,287,345	288,546
HIV and AIDS	3,431,318	2,738,000
Training	21,813,020	5,362,480
Accommodation & Domestic travel	56,886,085	21,181,210
Strategic Plan	1,376,500.00	2,753,973
Advertising	1,627,358	450,000
Fuel, oil and lubricants	3,000,000	7,400,000
Hospitality supplies & services	10,623,316	3,536,813
Office & General supplies	16,166,365	20,619,173
Insurance – Motor Vehicle	4,327,671	1,123,065
Parking Charges	3,327,035	1,619,168
ISO Certification	1,169,700	370,000
Total general operational expenses	128,980,663	70,666,427

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. FINANCE COSTS(Bank Charges)

Description	2018-2019	2017-2018
	KShs	KShs
Bank Charges	1,463,461	649,248
Total finance costs	1,463,461	649,248

16. CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
Current account	366,778,729	285,070,894
Total cash and cash equivalents	366,778,729	285,070,894

16(a).DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2018-2019	2017-2018
		KShs	KShs
a) Current account			
Kenya Commercial bank – Development	1169617867	235,046,902	115,968,938
Kenya Commercial bank – EU	1206871059	1,001	5,466,593
National Bank of Kenya - Recurrent	01001094665400	101,308,889	150,015,699
National Bank of Kenya - Gratuity	01001094665401	30,421,939	13,619,664
Sub- total		366,778,729	285,070,894
b) Others(specify)			
Cash in transit			-
cash in hand			-
Sub- total		366,778,729	-
Grand total		366,778,729	285,070,894

17. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Prepayments)

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables - Prepayments		
Medical Insurance(10 months)	21,733,679	18,177,720
GPA, Group Life and WIBA	905,413	
Office Rent		1,454,815
Office Parking (1 Month)		174,460
Totalcurrentreceivables	22,639,093	19,806,995

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Staff salary advance	496,668	1,342,000
Total current receivables	496,668	1,342,000

19. INVENTORIES

Description	2018-2019	2017-2018
	KShs	KShs
Consumable stores	15,277,659	11,363,683
Total inventories at the lower of cost and net realizable value	15,277,659	11,363,683

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. PROPERTY, PLANT AND EQUIPMENT

Cost	Motor vehicles Shs	Furniture and fittings Shs	Computers & Related Accessories Shs	Total Shs
At 1 July 2017	25,961,387	12,188,089	18,067,796	56,217,272
Additions FY2017/2018	101,748,000	6,541,880	14,377,654	122,667,534
Disposals				
Transfers/adjustments				
At 30 th June 2018	127,709,387	18,729,969	32,445,450	178,884,806
As at July 2018	127,709,387	18,729,969	32,445,450	178,884,806
Additions Fy 2018/2019		13,824,664	12,177,852	26,002,516
Disposals	-	-	-	-
Transfer/adjustments				
At 30 th June 2019	127,709,387	32,554,633	44,623,302	204,887,322
Depreciation and impairment				
At 1 st July 2017	(18,689,375)	(3,193,886)	(17,209,016)	(39,092,279)
Depreciation FY2017/2018	(6,795,931)	(2,283,996)	(5,816,655)	(14,896,582)
Impairment	-	-	-	-
At 30 June 2018	(25,485,306)	(5,477,882)	(23,025,671)	(53,988,861)
At 1 st July 2018	(25,485,306)	(5,477,882)	(23,025,671)	(53,988,861)
Depreciation FY2018/2019	(25,556,020)	(2,088,532)	(3,739,272)	(31,383,824)
Impairment				
At 30 th June 2019	(51,041,326)	(7,566,414)	(26,764,943)	(85,372,685)
Net book values				
At 30 th June 2019	76,668,060	24,988,219	17,858,358	119,514,647
At 30 th June2018	102,224,080	13,252,087	9,419,778	124,895,945

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. INTANGIBLE ASSETS-SOFTWARE

Description	2018-2019	2017-2018
	KShs	KShs
	33.3%	33.3%
Cost		-
At beginning of the year	-	-
Additions	3,566,669	-
At end of the year	3,566,669	-
Additions-internal development	-	-
At end of the year	3,566,669	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	(1,177,001)	-
At end of the year		-
Impairment loss	-	-
At end of the year June 2019	2,389,668	-
NBV	2,389,668	-

22. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Trade payables	302,783,489	34,768,911
Other payables	-	-
Total trade and other payables	302,783,489	34,768,911

23. DEFERRED INCOME

There was no deferred income recognized

24. CURRENT PROVISIONS (Gratuity)

Description	Leave provision	Gratuity provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance b/d (1.07.2018)	-	-	-	-
Additional Provisions	-	26,038,581	-	26,038,581
Provision utilised		-		-
Change due to discount and time value for money		-		-
Transfers from non-current provisions	-		-	
Total provisions as at 30.6.2019	-	26,038,581	-	26,038,581

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. NON-CURRENT PROVISIONS-Gratuity

Description	Long service leave	Gratuity	Other Provisions	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	13,466,109	-	13,466,109
Additional Provisions	-		-	
Provision utilised		(6,305,927)		(6,305,927)
Total deferred income	-	7,160,182		7,160,182

26. 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 entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity 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:

(i) 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 entity'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 as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	302,783,489	302,783,489	-	-
Receivables from non- exchange transactions	22,639,093	22,639,093	-	-
Receivables from non-exchange transactions-Imprest, Salary Advance	496,668	496,668	-	-
Bank balances	366,778,729	366,778,729	-	-
Total	692,697,979	692,697,979		
At 30 June 2018				
Receivables from non-exchange transactions	19,806,995	19,806,995	-	-
Receivables from non-exchange transactions-Imprest, Salary Advance	1,342,000	1,342,000	-	-
Bank balances	285,070,894	285,070,894	-	-
Total	306,219,889	306,219,889	-	-

(ii) 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.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables			302,783,489	302,783,489
Current portion of borrowings			-	-
Provisions			-	-
Deferred income			-	-
Employee benefit obligation(Gratuity)			33,198,763	33,198,763
Total			335,982,252	335,982,252
At 30 June 2018				
Trade payables		-	34,768,911	34,768,911
Provisions		-	-	-
Deferred income		-	-	-
Employee benefit obligation (Gratuity)		-	13,466,109	13,466,109
Total		-	48,235,020	48,235,020

(iii) 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 optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The entity'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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 FINANCIAL RISK MANAGEMENT (Continued)

a) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

46 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	6,903,579	6,903,579
Revenue Reserves	388,777,904	387,340,918
Accumulated Surplus (Deficit)	(197,663,702)	251,633,878
Total funds	191,114,202	394,244,497
Less: cash and bank balances	366,778,729	(285,070,894)
Net debt/(excess cash and cash equivalents)	(175,664,527)	108,173,603
Gearing	-0.48	0.38

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. 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 *entity*, holding 100% of the *entity's* 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:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Employees
- iv) Board of directors

RELATED PARTY BALANCE (Continued)

	2018-2019	2017-2018
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties	-	-
b) Grants from the Government		
Grants from National Government	845,640,000	824,466,734
Grants from County Government	-	-
Donations in kind	-	-
Total	845,640,000	824,466,734
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for 117 employees.	244,377,852	136,620,827
Payments for goods and services for		
Total	244,377,852	136,620,827
d) Key management compensation		
Directors' emoluments	31,434,918	18,186,550
Compensation to the CEO		
Compensation to key management		
Total	31,434,918	18,186,550

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There was no any contingent liability reported under the Fy2018/2019

29. EVENTS AFTER THE REPORTING PERIOD

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

30. ULTIMATE AND HOLDING ENTITY

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

31. Currency

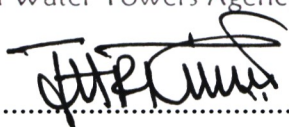
The financial statements are presented in Kenya Shillings (Kshs).

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.

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)
AA/KWTAI/2017-2018/VOL.1(4)	Inaccurate figure of cash and cash equivalent Balances Ksh 285,070,894		Finance Manager	Resolved	-
AA/KWTAI/2017-2018/VOL.1(4)	Un-operationalized Water Towers Conservation Fund		CEO	Not Resolved	Resolution of the board

Prof Julius Tanui, PhD, MBS
 Ag. Director General
 Kenya Water Towers Agency

Date.....

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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)
1. Mitigation and Management of Soil Loss		GoK			No	No
2. Community Livelihood Improvement Program (CLIP)		GoK			No	No

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Mitigation and Management of Soil Loss	1,346,000	387,703	29%	129,000,000	129,000,000	GoK
2	Community Livelihood Improvement Program (CLIP)	1,500,000	488,081	33%	258,000,000	258,000,000	GoK

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the State Department of Environment and Forestry			
	FY 2018/2019			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		06/09/2018	78,000,000	FY 2018/19
		30/09/2018	39,000,000	FY 2018/19
		05/11/2018	35,880,000	FY 2018/19
		05/11/2018	71,760,000	FY 2018/19
		08/02/2019	117,000,000	FY 2018/19
		06/05/2019	80,000,000	FY 2018/19
		06/05/2019	37,000,000	FY 2018/19
		Total	458,640,000	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		13/11/2018	150,000,000	FY 2018/19
		13/11/2018	79,500,000	FY 2018/19
		27/05/2019	114,752,000	FY 2018/19
		30/06/2019	42,748,000	FY 2018/19
		Total	387,000,000	

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

Finance Manager,
 CPA Saitoti Sirere
 Kenya Water Towers Agency

Head of Accounting Unit
 CPA Peninah Njuguna
 Ministry of Environment and Forestry

Sign 

Sign -----

Kenya Water Towers Agency
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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year	
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific		
Ministry of Environment and Forestry	06/09/2018	Recurrent	78,000,000	78,000,000	-	-	-	-	-	-
	30/09/2018	Recurrent	39,000,000	39,000,000	-	-	-	-	-	-
	05/11/2018	Recurrent	35,880,000	35,880,000	-	-	-	-	-	-
	05/11/2018	Recurrent	71,760,000	71,760,000	-	-	-	-	-	-
	08/02/2019	Recurrent	117,000,000	117,000,000	-	-	-	-	-	-
	06/05/2019	Recurrent	80,000,000	80,000,000	-	-	-	-	-	-
	06/05/2019	Recurrent	37,000,000	37,000,000	-	-	-	-	-	-
	13/11/2018	Development	150,000,000	150,000,000	-	-	-	-	-	-
	13/11/2018	Development	79,500,000	79,500,000	-	-	-	-	-	-
	27/05/2019	Development	114,752,000	114,752,000	-	-	-	-	-	-
	30/06/2019	Development	42,748,000	42,748,000	-	-	-	-	-	-
Total			845,640,000	845,640,000	-	-	-	-	-	-