

REPUBLIC OF KENYA



Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

WATER SECTOR TRUST FUND

**FOR THE YEAR ENDED
30 JUNE 2020**



**WATER SECTOR TRUST FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



WaterFund
Financing the Water Sector

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

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GLOSSARY OF TERMS

| Acronym | Description |
|----------------|--|
| AOD | Aid on Delivery |
| ASAL | Arid and Semi-Arid Lands |
| BMGF | Bill and Melinda Gates Foundation |
| CBOs | Community Based Organizations |
| CFA | Community Forest Associations |
| COVID-19 | Corona Virus Disease-2019 |
| DKK | Danish Kroner |
| EU | European Union |
| GETF | Global Environment and Technology Foundation |
| GoF | Government of Finland |
| GoK | Government of Kenya |
| IFAD | International Fund for Agricultural Development |
| KfW | Kreditanstalt fuer Wiederaufbau (German Government Bank) |
| KShs | Kenya Shillings |
| MTAP | Medium Term Arid Programme |
| NIC | National Industrial Credit Bank |
| OBA | Output Based Aid |
| SCAC | State Corporations Advisory Committee |
| SIDA | Swedish International Development Agency |
| SNV | Stichting Nederlandse Vrijwilligers (Netherlands Development Organization) |
| UBSUP | Upscaling Basic Sanitation for the Urban Poor |
| UNICEF | United Nations Children's Fund |
| USD | United States Dollar |
| UTaNRMP | Upper Tana Natural Resources Management Project |
| WASH | Water and Sanitation for Hygiene |
| WRA | Water Resources Authority |
| WRCCI | Water Resources and Climate Change Investments |
| WRUA | Water Resources Users Association |
| WSPs | Water Services Providers |
| WSTF | Water Sector Trust Fund |

KEY INFORMATION AND MANAGEMENT

BACKGROUND INFORMATION

Water Sector Trust Fund (formerly Water Services Trust Fund) – WSTF, is a corporate body established under section 113 (1) of the Water Act, 2016 of the Laws of Kenya and it is domiciled in Kenya.

PRINCIPAL ACTIVITIES

The objective of the WaterFund is to provide conditional and unconditional grants to counties and to assist in financing the development and management of water services in marginalized areas or any area which is considered by the Board of Trustees to be underserved including: -

- a) Community level initiatives for the sustainable management of water resources;
- b) Development of water services in rural areas considered not to be commercially viable for provision of water services by licensees;
- c) Development of water services in the under-served poor urban areas; and
- d) Research activities in the area of water resources management and water services, sewerage and sanitation.

Vision:

“To be the institution of choice in financing the improvement of access to water and sanitation for the underserved in Kenya”

Mission:

“To finance the development of sustainable water and sanitation services and water resources management”

Core Values

- a) **Sustainability** - The Fund strives to ensure that the funded projects are financially, socially and environmentally sound and sustainable through innovative mechanisms.
- b) **Integrity** - The Fund ascribes to high standards of personal and professional ethics and integrity in the conduct of its affairs.
- c) **Good Governance** - The process is as good as the product. The Fund promotes the virtues of equity and fair play for equitable sustainable development through consultations as well as effective communication, coordination and public participation in all undertakings.
- d) **Human Dignity** - The Fund is committed to uphold reasonable standards of access to water and sanitation for the citizens of Kenya to meet its constitutional mandate.
- e) **Teamwork** - The Fund relentlessly pursues timely attainment of targeted results at all levels through high level coordination, networking and collaboration within WSTF and its partners.

Water Sector Trust Fund
Annual report
for the year ended
30 June 2020
KEY INFORMATION
AND MANAGEMENT
REGISTRATION

KEY INFORMATION AND MANAGEMENT (continued)

Water Sector Trust Fund day to day management is under the following key organs:-

BOARD OF TRUSTEES

| | |
|----------------------------------|--|
| Amb. Dr. Mary Mbiro Khimulu, MBS | Board Chairperson (Served from 29 June 2020) |
| Mr. Patrick O. Kokonya | Board Chairman (Served up to 28 June 2020) |
| Mr. Ismail Fahmy M. Shaiye | Chief Executive Officer |
| Mr. Joseph W. Irungu, CBS | PS, Ministry of Water & Sanitation and Irrigation |
| Dr. Julius Muia | PS, The National Treasury (TNT) |
| Mr. Mwanja Musau | Member |
| Eng. Matthew Tuitোক | Member |
| Ms. Joyce Lay | Member |
| Dr. Dominic Biwott | Member |
| Ms. Rose Muguchu | Member |
| Ms. Zahra M. Haji | Alternate Trustee to CS: Ministry of Treasury and Planning |
| Ms. Ubah Abdi Ibrahim Gedi | Member |
| Mr. Joel N. Onchwati | Alternate Trustee to PS: Ministry of Water & Sanitation and Irrigation |
| Ms Halima Ali | Company Secretary |

MANAGEMENT TEAM

| | |
|--|--|
| Mr. Ismail Fahmy M. Shaiye, BA (Global Studies), Master's in International Environmental Law and MSc (Natural Resource Management) | Chief Executive Officer |
| Mr. Edwin Korir, B.Ed. (Arts), MBA, CPA (K) | Chief Manager, Internal Audit & Risk Management |
| Mr. Willis Okello Ombai, BSc (Forestry), MA (Project Planning & Management) | Chief Manager, Investments & Programmes |
| Mr. Samwel Gitau Mbugua, B. Com (Accounting), MBA, CPA (K) | Acting Chief Manager, Finance |
| Mr. Bernard Njenga, B. Com (Business Information Systems), MBA | Manager, ICT & Corporate Affairs |
| Mr. Paul Atwa, BA (HR), Higher Dip. HR, MBA(Ongoing) | Acting Manager, Human Resources and Administration |
| Mr. Isaac Kega, BA (Econ), MEcon), PMP, MESK | Manager, Research, Planning and M&E |
| Mr. Thomas Nyangau BSC. Eng, MBA Strategy | Manager, Urban Investments |
| Mr. Fidelis Tamangani, BSc Natural Resources Management, MBA | Manager, Result-Based Financing |
| Ms. Pricilla Kagure Kinyari, BSc Eng. (Agricultural), MSc (Environmental) | Manager, Rural Investments |
| Eng. Rose Nyikuri, BEng (Civil), MSc (WREM), R. Eng., MIEK | Manager, Water Resources and Climate Change Investments |
| Mrs. Ruth Nganga, BA (Theology), PGC, Ed | Manager, Partnership Development and Resource Mobilization |
| Mrs. Halima Ali Abdullahi Bachelor of Law (LLB), LLM, CIARB, CPS | Manager, Legal & Corporation Secretary |

KEY INFORMATION AND MANAGEMENT (continued)

REGISTERED OFFICES

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Tel: +254 - 20-2720696/9017/9018/9019
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BANKERS

National Bank of Kenya Limited
Hill Plaza Branch,
P.O. Box 45219 - 00100
Nairobi, Kenya.

Kenya Commercial Bank Limited
Capitol Hill Branch
P.O. Box 69695 - 00100
Nairobi, Kenya.

NCBA Bank Limited
NCBA House, Masaba Road
P.O. Box 44599 - 00100
Nairobi, Kenya.

Cooperative Bank of Kenya
Upper hill Branch
P.O. Box 48231 - 00100
Nairobi, Kenya

INDEPENDENT AUDITOR

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

PRINCIPAL LEGAL ADVISORS

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

Humphrey & Company LLLP,
Fortis Suites, 8th Floor,
Hospital Road, Upper Hill,
P.O. Box 21398- 00100,
Nairobi, Kenya.

CM Advocates LLP
I&M Bank House, & 7th Floor,
2nd Ngong Avenue,
P.O. Box 22588- 00505,
Nairobi, Kenya.

BOARD OF TRUSTEES

The Board of Trustees' who served the Fund during the financial year are:



Amb. Dr. Mary Mbiro Khimulu, MBS – Board Chairperson (Served from 29 June 2020)

Amb. Dr. Khimulu holds a Doctorate degree in Human Behaviour and Leadership (Management). She established the Kenya Delegation Office to UNESCO in 2006 as the first full time Ambassador/Permanent Delegate of Kenya to UNESCO and served from February 2006 to September 2013.

While at UNESCO she served as President of the Group of Ambassadors from Eastern Africa, Africa and Commonwealth Countries. She was elected four times as one of the Vice Presidents during UNESCO General Conferences and served in other UNESCO Committees during her tenure.

Amb. Dr. Khimulu has extensive Governance experience having served in Global, Regional and National Boards. These include Kenya Export Processing Zone Authority, Kenya Water Institute (KEWI), Founder Member of the Kenya Institute of Directors, United Bible Societies, Bible Society of Kenya (first woman to chair Kenya Bible Society Board), UNESCO Africa World Heritage Fund, Nairobi International School of Theology (now The International Leadership University), Amani Counselling Centre, Jesuits Refugee Services of Kenya, Skills for Southern Sudan and Our Lady of Mercy Secondary School. She also served as the Kenya Girl Guides Chief Commissioner, International Commissioner and Vice Chair.

Amb. Dr. Khimulu's vast leadership and strong interpersonal communication are great additions to the WaterFund Board of Trustees.



Mr. Patrick O. Kokonya – Chairman of the Board of Trustees (Served Up to 28 June 2020)

Mr. Kokonya holds a Bachelor of Business Administration Degree from Kenya Methodist University (KEMU) and a Diploma in Human Resources Development, Personnel and Industrial Relations from Cambridge Tutorial College International (CTCI) in UK among other Professional Certifications. He has over 16 years' experience as a Practitioner, Coach and Consultant in Human Resource Development and Management, Performance Management, Productivity Improvement, Quality Control, Public Administration Policy and Leadership. Others include Reforms Capacity Building using Rapid Results Initiatives (RRI) tool and Capability Reviews as some of the Performance Management Tools of Results-Based Management (RBM) that are critical in Citizen-Based public service delivery and Private Sector Reforms. He is currently undertaking a master's degree in Public Administration and Policy.

Until his appointment as Chairman of the Board of Trustees of Water Sector Trust Fund (WSTF), Mr. Kokonya was the National Rapid Results Initiatives Coach and Consultant with the Kenya Government. In the Ministry of Water and Sanitation, he was part of the Leadership Team (that include the Cabinet Secretary, Chief Administrative Secretary, Water Secretary and Secretary Administration) that was spearheading the fast tracking of the Water Sector reforms to guarantee the availability of Water, an enabler to the success of His Excellency President Uhuru Kenyatta's Big Four Agenda of Universal Healthcare, Housing, Manufacturing and Food Security.

As a Practicing National Rapid Results Initiatives Coach with the African Development Bank (AfDB), Mr. Kokonya continued to consult for the Ministry of Devolution and Arid & Semi-Arid Lands, The National Treasury and Planning, Ministry of Foreign Affairs among others in respect to issues that include Immigration, Trade, and Regional Integration, etc. He has also had active

engagements as Advisor on Sustainable Development Goals (SDGs) to the National Treasury and Ministry of Planning, State Department of Planning and Statistics, Directorate of Projects and Programs; Rapid Results Initiatives Coach and Advisor to Nyandarua County Government and the Governor (2017-2018); a Practitioner, Facilitator and Member of the African Community of Practice – Managing for Development Results (AfCoP-MfDR) and CAPSCAN (Capacity Scanning) in Africa.

Most of Mr. Kokonya's consultancy and advisory roles have been through his Directorship at Unicorp Capital Group Limited – an integrated management consulting firm offering one-stop solutions in performance management, productivity improvement, leadership, research, strategy, marketing, human resources and training, team building, technology and brand execution in East and Central Africa – experts in business development consulting.

In 2013, Mr. Kokonya was appointed by the then President H.E. Mwai Kibaki to serve as Director and Member of the Board of Directors of Kenya Water Towers Agency (KWTA), where he served up to 2016. He was the Director and Chairperson of Finance and Human Resources / Administration Board Committee in charge of Human Resources Development and Management and Financial Policies.

Previously, Mr. Kokonya worked as an Advisor and Reforms Coach to the Office of the Principal Secretary of Interior and Coordination of National Government (then Provincial Administration and Internal Security). He later moved on in the same capacity as Advisor to the Head of Public Service and Secretary to the Cabinet in the Executive Office of the President on Public Service Reforms. This was during the introduction of Results-Based Management (RBM) Tools such as RRI; Performance Contracting; Performance-Based Planning; Budgeting and Corporate Governance. This aimed at fast tracking the Implementation of national development priorities enshrined in Vision 2030 and successive Medium-Term Plans.

Before joining the Office of the Principal Secretary, Ministry of Interior & Coordination of National Government (then Provincial Administration & Internal Security), Mr. Kokonya worked as a Management Consultant and Reforms Coach with Public Sector Reforms Secretariat, Office of the President in Spearheading Capability Reviews; Performance Contracting, Strategic Planning across the entire Government.

Mr. Kokonya's vast knowledge has been enriched with over 16 years' working experience in Public Service and Private Sector institutions across Kenya, Uganda, Tanzania, Sudan, South Sudan and Nigeria in West Africa.

Mr. Kokonya is a tested Expert Trainer of Mwongozo – the Code of Governance in State Corporations and Public Service; Performance Based Budgeting Course at Kenya School of Government; Rapid Results Approach Training Course and Methodology in Results-Based Management by World Bank Institute and Robert H Schaffer & Associates; and Corporate Governance Training on Management of State Corporations, Institutions and Boards of Directors in the Delivery of Targets – Centre for Corporate Governance.

Mr. Kokonya has co-authored and published a number of publications in use including *A Readiness Assessment and Research to establish Kenya's Performance in Managing for Development Results Principles in the Management of Public Affairs in the realization of the Kenya Vision 2030 and Sustainable Development Goals*; and on the Country's Status on Regional Integration within Common Market for Eastern and Southern Africa (COMESA).

Mr. Kokonya has also participated in the development and publication of other Reports including the *Report of the Status of Water Towers in Kenya as Natural Resource and their Economic and Social relevance in National Development* – a Consolidated Milestone Report that presents an Atlas, Narrative and Status Outline of the eighteen Gazetted and nine designated Water Towers of Kenya (2016);

Formulation of the Kenyan National Youth Policy and Strategic Plan (2006) and National Aids Control Council Strategic Plan: 2005 – 2010.

Mr. Kokonya is an alumnus of the World Bank Institute and Robert H Schaffer & Associates of USA. He has mentored and trained many young people and women to take up active Leadership Roles on Peace initiatives in Kenya, Uganda, Tanzania, South Sudan and Sudan.

In conclusion, Mr. Kokonya has been distinguished by influential institutions such as Young African Leadership Institute (YALI) in March 2016 and was awarded Certificate of Appreciation and Recognition for contributing time and talent both as Advisor and Mentor to Young African Leaders by YALI Regional Leadership Centre, East Africa in conjunction with USAID, The MasterCard Foundation, Deloitte and Kenyatta University.

Mr. Kokonya has a great passion and interest for playing chess, the two-player strategy board game.

Mr. Ismail Fahmy M. Shaiye – Chief Executive Officer

Mr. Ismail Fahmy M. Shaiye joined the Trust Fund as Chief Executive Officer on 10th November 2014. He is a Natural Resource Expert with over 10 years' experience in various countries in Eastern Africa and the United States of America (USA). He served as a Program Manager and Environmental Officer at the United States Agency for International Development (USAID) in Nairobi with responsibilities of ensuring that programs comply with both national and international environmental laws. In addition, he advises USAID Missions in the region on broader issues pertaining to water and sanitation, environmental regulations, biodiversity protection, climate change and environmental dispute resolution. Mr. Shaiye holds a master's degree in International Environmental Law (Vermont Law School). He also holds a Master of Science Degree in Natural Resource Management and a Bachelor of Arts Degree in Global Studies (Environmental Governance) from the University of Minnesota. Mr. Shaiye has extensive experience in the application and compliance of Multilateral Environmental Agreements (MEAs) and is an experienced development professional with experience in program management, monitoring and evaluation and communications for clients including World Bank, European Union, DfID and the United Nations.



Mr. Shaiye has worked with several organizations in the field of water, sanitation and environment including USAID, Kenya Red Cross Society, Mercy USA for Aid and Development and Mississippi County Watershed, USA.

Mr. Joseph W. Irungu, CBS – Principal Secretary, Ministry of Water and Sanitation



Joseph W. Irungu, CBS was appointed the Principal Secretary Ministry of Water and Sanitation on 12th February 2018. He is an Administrator by profession. He holds a Bachelor of Arts Degree from University of Nairobi and an MBA from JKUAT.

He brings in a wealth of experience in administration having served in different administrative capacities in the Government of Kenya. He has served in various positions in the Ministry of Interior & Coordination of National Government as follows - Principal Administrative Secretary, Secretary of Administration/Internal Security, Director of Administration, Senior Deputy Commissioner, Lower Central Province (Thika), Deputy Provincial Commissioner, Nyanza Province, District Commissioner, Bungoma District, District Officer in Nyanza, Coast and Central Provinces and as an Assistant Secretary, Ministry of Local Government.

He is a member of Kenya Institute Management (KIM) and Kenya Association of Public Administration and Management (KAPAM).

Dr. Julius Muia - Principal Secretary, National Treasury

Dr. Julius Muia is the Principal Secretary at The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning - The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President, Republic of Kenya to facilitate the implementation of Vision 2030. This is Kenya's long-term policy framework that is premised on making Kenya a globally competitive, rapidly industrializing and upper middle income economy by 2030.



Between April 2008 and October 2016, Dr. Julius Muia served as the Secretary, National Economic and Social Council, Office of the President. This is a top advisory government think tank whose flagship project was formulating Vision 2030.

An alumnus of the University of Nairobi's School of Business, Dr Julius Muia graduated with a First Class Honours Degree in Accounting; Master's Degree and PhD in Finance from the same university. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

Dr. Julius Muia has over 25 years' experience in leadership in the private sector in Kenya and UK. He started his career as an auditor with PricewaterhouseCoopers in mid-1980's, and later worked as Head of Finance and Company Secretary in the hotel, manufacturing and banking sector. His other engagements include an adjunct faculty at Strathmore Business School; adviser on strategy and trainer on leadership.

Dr. Julius Muia serves as a non-executive board member in several companies and a number of not-for profit organizations.



Mr Joel N. Onchwati - Alternate Trustee to PS: Ministry of Water & Sanitation and Irrigation

Mr. Onchwati is Alternate Trustee to the Principal Secretary, Ministry of Water and Sanitation where he is currently the Chief Finance Officer responsible for financial management including budget planning and preparation, resource mobilisation and budget implementation and control.

Mr. Onchwati possesses wide experience in public sector financial management having served in various financial management positions in the public service including serving as an Internal Auditor in the Ministries of Education, Ministry of Finance and the Ministry of Roads and Public Works up to 2004. In 2005 he joined the Finance Officer's cadre where he served in the former Ministry of Justice, National Cohesion and Constitutional Affairs, Office of the Attorney General and Office of the Registrar of Political Parties.

He holds a master's degree in Business Administration, Finance from Moi University, and a bachelor's degree in Business Management from the University of Eastern Africa- Baraton and a Section Three Certificate of the Certified Public Accountants (KASNEB). He has attended various senior management training courses in corporate governance, strategic management and leadership programme and advanced public financial management.



Ms. Rose Muguchu - Trustee

Ms. Muguchu is a passionate, enthusiastic and experienced teacher with 30 years of experience in the profession, and with a proven record of success in all the schools that she has been posted. She is an educator who is able to convey ideas clearly, building trust and motivation on both an individual and group basis. As a teacher, she is learner-centred, an innovative teaching professional with a genuine interest in students' cognitive and social growth.

In her 30 years' experience as a teacher, Ms. Muguchu has been a positive role model who has made worthwhile contributions within the communities she has worked in.

Ms. Muguchu is well rounded with exceptional communication, interpersonal, organisational and problem-solving skills. Her language proficiency is in both English and Kiswahili.

Ms. Ubah Abdi Ibrahim Gedi – Trustee

Ms. Abdi has more than 10 years' experience in senior management at different non-governmental boards such as Maendeleo Ya Wanawake and Centre for Advocacy and Development of Muslim Women (CEADEMUW). She has associated herself with National Muslim Council of Kenya as a Chairperson.

Ms. Abdi holds a Degree of Bachelor of Arts in Gender, Women and Development Studies from Egerton University and a Diploma in Social Work and Community Development from the Regional Institute of Professional Studies. She is also currently undertaking a master's degree in Gender, Women and Development Studies at Egerton University, and Degree in Leadership and Governance at the University of Nairobi.

Ms. Abdi bring to the Board significant leadership skills with a deep understanding of clerical works, leadership skills, among others. She has served as the Chairlady of Maendeleo Ya Wanawake (Mandera Chapter) in Mandera County. She has also worked as an Executive Director at Centre for Advocacy and Development of Muslim Women (CEADEMUW).



Mr. Mwanja Musau – Trustee

Mr. Musau is a highly motivated and accomplished entrepreneur with over 40 years' experience in business leadership. He is experienced in all aspects of business formation, operation, finance and management, having worked as a managing director of Kenya Toner and Ink Suppliers Ltd, Sikim Estate Ltd, Potaya Holdings Ltd, Transfarms Trading Company, Chakula Safi Ltd, Blue Cloud Computers (U.A.E), Cintron Enterprises and World Documentation Ltd.

Mr. Musau is a fast learner who understands complex concepts and works efficiently with teams to identify and solve problems. Additionally, he is a firm decision maker who is able to turn ideas into logical strategies and implement systems that optimise productivity with the objective of increasing profitability.

Mr. Musau is proficient in both English and Kiswahili languages.

Eng. Matthew Tuitoek – Trustee

Eng. Tuitoek holds a Bachelor of Science in Agricultural Engineering from the University of Nairobi. He is a businessman and investor in both service and hospitality industry with over 15 years' experience.

Eng. Tuitoek has served in several boards of education, health and business sectors as Chairman and member at different times. With the promulgation of the new constitution, he had the opportunity of being elected to serve as the first Deputy Governor of Baringo County.





Ms. Joyce Lay – Trustee

Mrs. Lay is a confident, articulate, and highly skilled administrator with over 15 years' experience, and a record of working to very high standards both in the calling of public service, as well as private business. As a team leader, she ensures that compliance to the best practise and unimpeachable moral standards are an integral part of successful projects under her administration.

Mrs. Lay has repeatedly and consistently demonstrated a good grasp of the Kenyan socio-political and economic landscape and a thorough knowledge of the country's development opportunities and challenges.

Mrs. Lay has mastered the ability to identify partners and clients' needs and propose appropriate solutions as well as establish and maintain effective relationships with outside collaborators and other contacts.

Mrs. Lay has excellent communication skills, both oral and written, and a proven ability to lucidly communicate complex concepts, and to prepare concise yet comprehensive written reports. Her language proficiency is in English, Kiswahili and Taita.

Ms. Zahra M. Haji - Alternate Trustee to CS: Ministry of Treasury and Planning

Ms. Haji is currently the Personal Assistant to Cabinet Secretary, National Treasury and Planning, where she acts as the first point of contact dealing with all communication to the Cabinet Secretary.

Ms. Haji holds a B.Sc.in Journalism from United States International University – Africa, and a M.A. Journalism (International) from London University of Westminster. She is a communications expert with over 10 years of experience.

Ms. Haji possesses wide experience in public relations and communications having served in various positions in the public service. Ms. Haji started her work in the Committee of Experts on Constitutional Review office. In 2011 she joined Radio Salaam as the Managing Director responsible for the management, administration, and sales representation of the entire company. She later joined the Commission on Administrative Justice (Office of the Ombudsman) 2015 where she worked till 2016. Ms. Haji is a well-rounded communication expert with excellent project management and problem-solving skills.



Dr. Dominic Biwott - Trustee

Dr. Biwott is a skilled strategist who transforms strategic plans into workable solutions and benchmarks performance against key operational targets / goals. He is a proactive self-starter with track record of initiative, personal responsibility, and strong work ethics. Being the pioneer and current Chief Executive Officer of the North Rift Economic Bloc, he brings on board over 10 years' valuable experience in leadership and governance having held several leadership positions in the country.

Dr. Biwott was the Deputy Governor of Nandi County for five years (2013-2017), in which he played the following key roles including being a pioneer in the successful marketing and export of horticultural produce from North Rift Region through Eldoret International Airport. He also helped attract KShs.11B worth of Investments, and chaired the Steering Committee of Nandi Investment Conference and Exhibition (NICE), making Nandi County to be an ideal location for both local and international investors.

In his position as the Deputy Governor of Nandi County, Dr. Biwott also spearheaded compliance initiatives, critically reviewed policies, ensuring relevance and subsequently implementing whilst adhering to regulatory requirements. He mediated peace between warring communities in the Nandi-Kisumu Counties border – Kibigori Border that had been a highly volatile area over time. In his



position, he also identified and applied for a grant of KShs. 38M by USAID. The county received the grant.

Dr. Biwott attended Egerton University where he graduated with a Bachelor of Science in Horticulture in 2007. In 2012, he graduated with a Master of Business Administration (Strategic Management) degree from Catholic University of Eastern Africa (CUEA). One year later he enrolled for his Doctorate Degree in Moi University, and graduated in 2017 with a PhD in Development Studies.

Dr. Biwott has attended several high-level trainings including training on Modern Agri Economy Management for Developing Countries Course in China in 2016, Saemaoul Movement for Counties in Kenya (New Village Movement) Course in Korea in 2013, Balanced Scorecard Training - Strategic Leadership Centre International, in Nairobi in 2013 and training on Developing Incorruptible Leaders Course at Egerton University in 2006.

Dr. Biwott is a member of the Kenya Institute of Management.



Mrs. Halima Ali – Company Secretary

Mrs. Halima Ali joined the Fund as Corporation Secretary and Legal Manager 2018. She is an advocate of the High Court with Bachelor of Law Degree from University of Nairobi and LLM in International Finance and Regulations from Strathmore University. She is currently undertaking her second Master in Natural Resources and Renewable Energy in Queen Mary University of London under the commonwealth scholarship award 2019/2020 with effect from 1 October 2019.

Halima is also an associate member of Chartered Institute of Arbitrators, a certified mediator and CPS (K) holder from KASNEB. She also sits at the young Lawyers LSK Committee where she advocates for welfare of young lawyers and youth in the country.

Halima has been the Managing Partner of HH Associates Advocates and has worked with other law firms including Meritad Law Africa, Bulle & Company Advocates, Swaleh and Company Advocates under the department of Commercial and Conveyancing.

MANAGEMENT TEAM



Chief Executive Officer

Mr. Ismail Fahmy M. Shaiye

Mr. Ismail Fahmy M. Shaiye – Chief Executive Officer

BA (Global Studies –Environmental Governance), Master’s in International Environmental Law and MSc (Natural Resource Management)

Mr. Ismail Shaiye was appointed the Chief Executive Officer of Water Sector Trust Fund in November 2014. He holds a master’s degree in International Environmental Law (Vermont Law School), a Master of Science Degree in Natural Resource Management and a Bachelor of Arts Degree in Global Studies (Environmental Governance) from the University of Minnesota. He has extensive experience in the application and compliance of Multilateral Environmental Agreements (MEAs) and development.



Chief Manager, Investments & Programmes

Mr. Willis Okello Ombai, BSc (Forestry), MA (Project Planning & Management)



Chief Manager, Internal Audit & Risk Management

Mr. Edwin Korir, B.Ed. (Arts), MBA, CPA (K)



Acting Chief Manager, Finance

Mr. Samwel Gitau Mbugua, B. Com (Accounting), MBA, CPA (K)



Acting Manager, Human Resources and Administration

Mr. Paul Atwa, BA (HR), Higher Dip. HR, MBA(On-going)



Manager, ICT & Corporate Affairs

Mr. Bernard Njenga, B. Com (Business Information Systems), MBA, Dip (Comp)



Manager, Rural Investments

Ms. Priscilla Kinyari, BSc Eng. (Agricultural), MSc (Environmental and Management)

MANAGEMENT TEAM (continued)



Manager, Urban Investments

Mr. Thomas Nyangau BSC. Eng,
MBA Strategy



**Manager, Water Resources and
Climate Change Investments**

Eng. Rose Nyikuri, BEng (Civil),
MSc (WREM), R. Eng., MIEK



**Manager, Partnership
Development & Resource
Mobilisation**

Mrs. Ruth Nganga, BA (Theology),
PGC, Ed



**Manager, Research, Planning
and M&E**

Mr. Isaac Kega, BA (Econ),
MEcon, PMP, MESK



**Manager, Results-Based
Financing**

Mr. Fidelis Tamangani, BSc
Natural Resources Management,
MBA



**Manager, Legal Affairs &
Corporation Secretary**

Mrs. Halima Ali Abdullahi
Bachelor of Law (LLB), LL.M.,
Certified Mediator, Associate
Member of CIARB, CPS

CHAIRMAN'S STATEMENT AND REPORT: THE ANNUAL REPORT FY 2019/2020

This Financial report has been prepared in challenging times with the advent Novel Corona Virus whose short term social economic impacts having adversely affected the ability of the Fund to realise its mandate. The challenges presented by this pandemic further exacerbated the WaterFund's already high risk and investment environments that is the rural, marginalised and underdeveloped areas of Kenya hence the need to review the standard operating procedures to rapidly respond to the emerging challenges.

Whereas significant progress was achieved in enhancing access to water and sanitation services, with the Fund reaching more than 20,000 people with improved access to these critical resources and services during the year under review, it is our belief that this achievement would have been better in the absence of the Corona Virus Disease (COVID-19) disruption. The Fund has embarked on the development of a COVID-19 response and mitigation strategy that will seek to realign its systems, procedures, investment processes to ensure maximum efficiency in the face of COVID response. The proposed measures are consistent with the Fund's strategy of making the water and sanitation investments more resilient, and having systems in place to respond to disasters.

It is noteworthy that the Fund realised remarked improvement in most of its core indicators as well as on the overall performance. Whereas major investments were made during the year under review, the outcomes are expected to be realised in the coming years as most of the works were in progress as at the time of preparation of this report.

We appreciate the development partners through whose support formidable results were achieved consequent to mutually beneficial cooperation and partnerships by various stakeholders. Together, we will continue to make our ambitions a reality, in line with the WaterFund's Strategic Plan 2017- 2022, which looks at how to scale, accelerate and transform the lives of Kenyans through improved access to water and sanitation.

In spite of the challenges presented by COVID 19, we are confident that we have the right partnerships, resources, commitment and capabilities to meet the challenges ahead; to push the national agenda presented in the national Water Master Plan and the Vision 2030 Medium Term Plan and global commitments including the Sustainable Development Goals (SDGs).

We appreciate the support from all our stakeholders and look forward to sustaining the cooperation in future. As a Fund, we are convinced that the journey to realise the objects and ambitions of the Water Act (2016) is on course and the short term implementation challenges will be overcome.

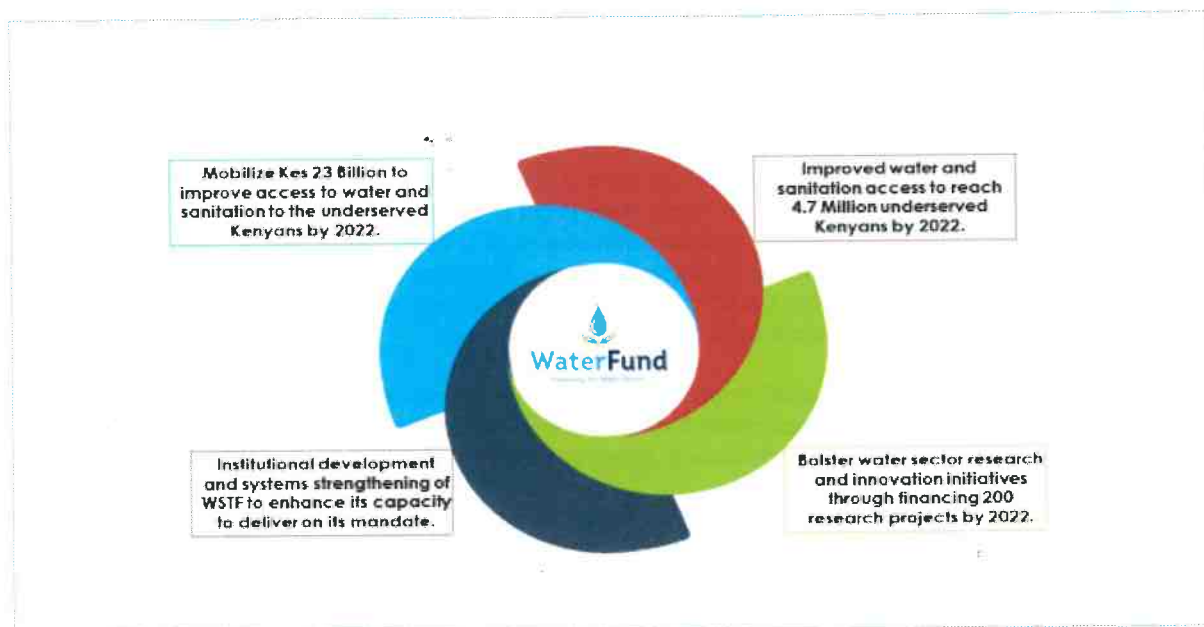
Corporate Strategy

Following the launch of the Water Sector Trust Fund in December 2019 by the Ministry of Water, Sanitation and Irrigation, the WaterFund fully transited to a new institution in line with the provisions of Water Act 2016. During the period under review, the WaterFund also launched its Establishment Report, Revised Corporate Strategy 2018-2022 and the County Engagement Strategy which are key instruments in positioning the WaterFund to achieve on its mandate.

Among the key highlights in the revised corporate strategy were: revision of strategic objectives targets; inclusion of new strategic objective specifically to address financing of research initiatives mandate; revision of the risks and assumptions considerations made during the development of the strategy; revision of strategies to align to the Ministerial Strategy 2018-2022 on key result areas especially on partnerships and collaboration for resource mobilization.

CHAIRMAN'S STATEMENT AND REPORT: THE ANNUAL REPORT FY 2019/2020 (Continued)

Corporate Strategy (Continued)



WaterFund revised strategic objectives

Institutional Performance Management

During the period under consideration, the Board of Trustees on behalf of the WaterFund signed a commitment with the Ministry of Water, Sanitation and Irrigation in the form of a performance contract outlining the strategic intents of the WaterFund towards achievements of its mandate. This is delegated to the management and cascaded to all staff for implementation.

The WaterFund's performance for FY 2018/2019 was evaluated in the FY 2019/2020 on the implementation of the performance contract targets. The evaluation was conducted by the Public Service Performance Management Unit which rated the performance as very good with a composite score of 2.837 as per the evaluation criteria.

Research and Innovation Financing Framework and Policy

During the period under review the WaterFund through the guidance of consultants developed a robust research and innovation financing framework and policy through a consultative process to guide in the implementation of the financing research initiatives mandate as provided for in Section 114 (d) of the Water Act 2016. The framework and policy development is at an advanced level awaiting stakeholder validation before being presented to the Board of Trustees for approval in consultation with the Ministry of Water, Sanitation and Irrigation.

The framework and the policy are expected to guide on mobilization of resources for investment in financing of scalable research and innovation initiatives; utilization of the resources and management of the funded initiatives. This will ensure that the objectives provide innovative, practical and cost-effective solutions that address challenges in the water sector, and contribute to generation of new knowledge in the sector.

The implementation of the financing framework upon approval is expected to start in quarter 2 of FY 2020/2021 in line with the relevant policy guidelines. The financing of initiatives through the framework will support the water sector in addressing knowledge gaps and adoption of innovative service delivery models.

County Engagement Strategy

The WaterFund, finalized and published the County Engagement Strategy in the FY 2019/ 2020 to guide and strengthen its relationship with County Governments. The strategy was launched by the Board of Trustees and has since been disseminated to key stakeholders as an entry point for implementation. In FY 2020/2021, the WaterFund in collaboration with counties will strengthen the County Working Groups to spearhead the implementation of the strategy at the county level.

CHAIRMAN'S STATEMENT AND REPORT: THE ANNUAL REPORT FY 2019/2020 (Continued)

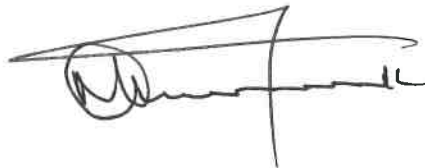
Project mapping

During the period under review, the WaterFund finalized and published the Water Utilities maps developed in collaboration with Kenya Water Institute (KEWI) under the Joint Six Programme funded utilities by the Governments of Finland and Sweden. The maps capture the utilities infrastructure, customers and assess credit worthiness in line with the international best practices. In addition, the maps depict baseline data for the utilities. The Fund plans to upscale the implementation of mapping activities across all programmes and provide them on its ICT platforms in line with the requirements under Water Act 2016.

ISO 9001:2015 Certification

The WaterFund successfully transited from ISO 9001:2008 to ISO 9001:2015 in FY2017/2018 and is currently implementing the ISO 9001:2015 standards. During the period under review, the WaterFund continued to implement the Standards under the certification and was scheduled for an independent surveillance Audit by the Kenya Bureau of Standards. However, the surveillance audit was rescheduled for quarter 2 of FY 2020/2021 implying that WaterFund retains its certification status under ISO 9001: 2015.

Thank You.



Eng. Mathew Tuitoek
Trustee
Water Sector Trust Fund (WSTF)

REPORT OF THE CHIEF EXECUTIVE OFFICER

On behalf of the management of Water Sector Trust Fund (WSTF), it gives me great pleasure to present to you our annual report and financial statements for the year ended 30 June 2020.

Water Sector Trust Fund is funded by the Government of Kenya and Development Partners. WaterFund therefore places great value on developing and nurturing partnerships as part of its resource mobilization activities.

During the reporting period, WaterFund submitted several funding proposals which are at various stages of follow-up. Two new agreements were signed, the KfW Phase IV financing and separate agreements, and the Danida Covid-19 Response Programme agreement. Several approvals were received from Development Partners such as the European Union, Sweden and Finland to reallocate programmes budgets in order to finance projects that respond to the Covid-19 pandemic.

Negotiations on a new programme funded by the World Bank to aid in mitigation and recovery against Covid-19 in water and sanitation provision, were initiated and will be finalized in the next financial year. The Fund is working on a new Development Engagement with Danida, while additional funding is expected from the Upper Tana Natural Resources Management Programme through an addendum to the current programme. The Fund received approval to proceed and pursue the Green Climate Funds through a partnership with the African Development Bank as the internationally accredited entity.

The Fund undertook various activities to nurture existing partnerships and identify new ones. This was done through networking forums, programme steering, bilateral and multilateral meetings, consultative forums and field visits to the projects. Stakeholder relationship has remained a key aspect of sustainable partnerships and has been achieved through sustained engagement with both public and private Sector players.

As a show case Institution, high level delegates from various countries including Ethiopia, South Africa, Burundi, Burkina Faso and Malawi visited the Fund for knowledge exchange. The highest profile delegation though was the United Nation's Department of Economic and Social Affairs, (UNDESA), which, through the Kenya School of Government, visited Water Sector Trust Fund in recognition of the Fund's achievement on winning the 2019 United Nation's Public Service Award for inclusive service in sanitation to low income urban areas.

The Fund has continued to pursue initiatives which will provide sustainable financing. To this end, several consultative forums were held with the National Treasury, the Ministry of Water, Sanitation and Irrigation, financial institutions and other relevant stakeholders. Among other instruments, the Fund is in the process of establishing a revolving fund in fulfilment of the Water Act 2016 mandate. Other sustainability efforts will emanate from this, through a seed fund provided by the Government of Kenya and Development Partners.

BUSINESS PERFORMANCE

Revenue

Water Sector Trust Fund earned revenues amounting to KShs. 1,867 million from the development partners, the Government of Kenya and other revenues from exchange transactions. The Government of Kenya contributed KShs. 689 million, development partners contributed KShs. 1,064 million while revenues from exchange transactions amounted to KShs. 114 million.

The Government of Kenya support to WaterFund experienced an increase of 19% from the previous year. The support from the development partners made significant impact in the performance that made Water Sector Trust Fund earn funds amounting to KShs 1,064 million representing an increase of 158%. WaterFund remained liquid throughout the year experiencing high liquidity towards the end of the financial year due to increased support from the development partners and the government. WaterFund is projecting increased support from the development partners as well as the GoK.

Cash flow

The cash and cash equivalents increased from KShs. 2,199 million as at 30 June 2019 to KShs. 2,809 million as at 30 June 2020. Towards the end of the financial year, there was significant cash inflow in form of funding of projects from donors.

CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

Employees

Water Sector Trust Fund values and invests heavily in human capital for realisation of its key strategic objectives and mandate. As the Fund's stakeholders increase their expectations, the Fund finds it imperative to ensure adequate, highly talented and motivated human resource capacity is available for effective service delivery.

During the year under review, WSTF reviewed its Organizational Structure, Grading Structure, Human Resource Policies and Procedures Manual, Staff Establishment and developed Career Guidelines in line with guidelines as issued by the Public Service Commission and the Salaries and Remuneration Commission to facilitate the achievement of the Fund's expanded mandate as stipulated in the Water Act, 2016. The Fund's reviewed Staff Establishment has resulted in the growth of staff numbers from the current Seventy-Five (75) to the approved and optimal One Hundred Seventy-Five (175) aimed at increasing efficiency and effectiveness in the realization of the Fund's strategic objectives and its expanded mandate. The Jobs under the reviewed Human Resource Policy Instruments were evaluated by the Salaries and Remuneration Commission resulting to elevation of current grades by one level. The Fund engaged 16 staff during the financial year under review with programme-based staff constituting 93.75% while the operational support staff constituting 6.25%.

WaterFund also entered into a Memorandum of Understanding with Kenya Water Institute to develop the capacity of water utilities across the counties by attaching Field-Based Interns in the utilities. This has seen an increase in revenues generated facilitated by increased connections and a general reduction in water losses through leakages and illegal connections. The Fund also managed to attach four interns under the Public Service Internship Programme in a bid to facilitate the achievement of the provisions of the Country's Vision 2030 on building technical capacity and being industrialized by the year 2030.

Through committed team efforts by the previous and present Board of Trustees with the management and members of staff, WaterFund attained an overall performance contractual rating of "Very Good" as at the end of the financial year. In the same period, staff satisfaction index which measures staff perceptions improved from 74.26% in the previous year to 77.14% in the year 2019/2020.

WaterFund builds strong teams to achieve its objectives and improve staff morale, communication and working relationships. WaterFund has continued the implementation of national values and rewarding of best performing staff on a quarterly basis resulting in improved motivation levels. In addition, the Fund continued to develop the capacity of its staff by sponsoring them to pursue continuous professional development courses and courses aimed at career progression.

WaterFund is committed to realising the objects of the Kenyan Constitution 2010 through implementation of its initiatives. WaterFund did embark on enhanced staff sensitizations and awareness campaigns on Safety and Security, HIV/AIDS, Gender & Disability Mainstreaming and Corruption Prevention leading high performance ratings by the responsible Constitutional Commissions in the Country.

In the year under review, WaterFund organised an End of Year Party to reflect on the general performance of the year under review and celebrate its successes at Crowne Plaza Hotel in Nairobi. This was after a successful launch and rebranding exercise officiated by the Cabinet Secretary for Water, Sanitation and Irrigation.

Conclusion

We appreciate the unrelenting support from the Board of Trustees, management, staff, development partners, implementing partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest.



Mr. Ismail Fahmy M. Shaiye
Chief Executive Officer
Water Sector Trust Fund (WSTF)

REVIEW OF WATER SECTOR TRUST FUND PERFORMANCE FOR FY 2019/2020

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Water Sector Trust Fund has 4 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019 - 2022/2023. These strategic pillars are as follows:

Pillar 1: Mobilize KShs 23 Billion to improve access to water and sanitation to the underserved poor by 2022.

Pillar 2: Improved water and sanitation access to reach 4.7M people underserved Kenyans by 2022.

Pillar 3: Bolster water sector research and innovation initiatives through financing 200 projects by 2022.

Pillar 4: Institutional development and systems strengthening of WSTF to enhance its capacity to deliver on its mandate.

WaterFund develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Fund* achieved its performance targets set for the FY 2019/2020 period for its 4 strategic pillars, as indicated in the diagram below:

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Achievements |
|---|---|---|--|--|
| Pillar 1: Mobilize KShs 23 Billion to improve access to water and sanitation to the underserved poor by 2022. | To increase resources available for investment in water, sanitation, water resources and research projects. | %Increase in GoK budgetary allocation Amount in KShs (B) of new funding commitments from new & existing Partners | Engage GoK for increased budgetary allocation Engage existing & new Partners for Increased Funding to WSTF | 10% increase in GoK budgetary allocation KShs 1.65B realized in new signed agreements |
| Pillar 2: Improved water and sanitation access to reach 4.7M people underserved Kenyans by 2022. | To increase the number of people with access to improved water services and basic levels of sanitation services | No. of people reached with increased access to water services No. of people reached with sanitation services No. of water resources management initiatives financed | Financing of Water projects to increase access to water services provision Financing of Water projects to increase access to water services provision Financing of Sub Catchment Management Plans and Participatory Forest Management Plans activities | 60No. Water projects financed increasing access to 209,455 people with improved water services 88No. Sanitation projects financed increasing access to 181,207 people with improved sanitation services 84No. Water resources projects/initiatives financed to conserve/rehabilitate degraded catchments |

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Achievements |
|---|---|--|--|---|
| Pillar 3: Bolster water sector research and innovation initiatives through financing 200 projects by 2022 | To generate new knowledge and utilize innovations to improve service delivery in the water sector in areas of water, sanitation, sewerage and water resources | No. of Research Initiatives Financed | Financing of Research and Innovations to bolster knowledge in the water sector | Research and Innovation Financing Framework and Policy developed to guide in financing of the research and innovation initiatives |
| Pillar 4: Institutional development and systems strengthening of WSTF to enhance its capacity to deliver on its mandate | To improve the capacity of the Institutional to deliver on its mandate | <p>No. of Staff trained to address institutional gaps.</p> <p>Customer Satisfaction index</p> <p>Employee satisfaction index</p> | <p>Training of Staff to address institutional gaps</p> <p>Conduct customer satisfaction surveys to indicate level of satisfaction with services offered</p> <p>Conduct Employee satisfaction survey to ascertain level of job satisfaction</p> | <p>24No. of staff trained on various courses to institutional address gaps identified.</p> <p>Achieve a Customer Satisfaction Index of 79.9% implying a good satisfaction level</p> <p>Achieved Employee satisfaction index of 77.14% which implies a good satisfaction level</p> |

MANAGEMENT DISCUSSIONS AND ANALYSIS

WaterFund's core operating activity has been the financing support to projects for improved access to water and sanitation and investments in water resources. The Government of Kenya has supported WaterFund in the engagement of new partners and its support in honouring the counterpart funding.

During the year, WaterFund earned revenue of KShs. 1,761 million from GOK, Government of Sweden, European Union (EU), Kreditanstalt fuer Wiederaufbau (KfW) (German Government Bank), International Fund for Agricultural Development (IFAD), Government of Finland, Government of Denmark and the World Bank for water, sanitation and water resources management projects. The funds received from the Government of Kenya represented support to operations and development to the rural and urban investments.

The Urban Investments

The Urban investments programme is a funding mechanism that was established in the year 2007 to finance extension of water and sanitation services in urban low-income areas of Kenya. The financing of the extension of the water services is done through two major programmes namely; Urban Project Concept (UPC) and up-scaling basic sanitation for the urban poor (UBSUP). UPC is funded by KfW and the Government of Kenya (GoK) while the UBSUP is funded by KfW, the Bill and Melinda Gates Foundation (BMGF) and also GoK.

The UPC investments focuses on the extension of water supply and improvement of sanitation situation in public places while UBSUP investments targets household and plot level sanitation based on the principle of complete sanitation value chain. To date, urban investments programme has financed 342 projects including 278 UPC projects and 64 UBSUP projects costing a total of KShs. 3.61 billion and benefiting an estimated population of 1.86 million people. During the year, the UPC closed all the 7th call projects and started preparations for the 8th call projects which are expected to be financed in the FY 2020/2021 financial year.

The UBSUP programme is financed to a total of KShs. 1.46 billion, and its targeting 400,000 beneficiaries with improved sanitation services as well as 200,000 beneficiaries with clean and safe drinking water. The programme has achieved most of the milestones related to the concept development. The other milestones related to the number of beneficiaries is ongoing since January 2011 and is planned to run until December 2020.

The UBSUP programme targets countrywide upscaling of its projects. Currently, UBSUP projects are under implementation in 35 counties which includes; Embu, Nakuru, Kajiado, Muranga, Bungoma, Transzoia, Machakos, Kericho, Tharaka Nithi, Nyandarua, Kisii, Laikipia, Kilifi, Kitui, Makeni, Kirinyaga, Nyeri, Homabay, Migori, Bomet, Nyandarua, Nandi, Kisumu, Uasin Gishu, Nyeri, Mombasa, Taita Taveta, Kilifi, Lamu, Kwale, Vihiga, Kakamega, Busia, Meru and Garissa. As at the end of the 4th quarter for the year 2019/2020, the UBSUP programme, since inception, it has increased sanitation access of 184,020 people through the household toilets built and additional 135,000 people through the completed Decentralized Treatment Facilities (DTFs). During the reporting period KShs. 195,142,193 was received from the Gates Foundation and KShs. 185,874,837 disbursed to the projects. The programme improved the living conditions of the urban poor especially on the safe access to sanitation and also the hygiene practices within the project areas.

The Results Based Financing (RBF) program provides financial incentives to water services providers (WSPs) to invest in rehabilitation and expansion of water and sanitation infrastructure. The objective of the program is to improve the operating efficiency and financial performance of WSPs, and to extend access to unserved consumers. The WSPs projects are pre-financed with commercial loans from local banks, on market terms, for construction of water supply and sanitation services infrastructure. Once the projects are complete and pre-agreed targets set for the project have been achieved, the WSPs will be eligible for up to 60 percent subsidy of the commercial loans borrowed. The subsidies are disbursed towards partial loan repayment.

The RBF program is supported by the World Bank-Output Based Aid (OBA) program for US\$11.835 million (approximately KShs. 1.18 billion) with funds from the Swedish International Development Agency (SIDA) and the German Development Bank (KfW) supporting Aid on Delivery (AoD) program for 1.36 million Euros.

Since inception of the program in December 2014, the OBA program has supported nine (9) water and sanitation improvement projects valued at KShs. 1.27 billion. A total of 14 WSP have accessed technical assistance funding amounting to KShs. 66.96 million for the development of bankable proposals and projects supervision by 30 June 2019. Out of the 14 projects, 9 viable projects have a loan portfolio valued at KShs. 1.27 billion. The loans are disbursed through four commercial banks namely Sidian bank (KShs. 224 million), Co-op bank (KShs. 935 million), Family bank (KShs. 109 million).

MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

The Urban Investments (continued)

The program has also disbursed subsidies for completed and on-going projects worth KShs. 332 million as at 30 June 2020. Four out of the nine financed projects have been completed and have accessed the full RBF subsidies valued at KShs. 159 million. The on-going five projects have also received partial advance subsidy disbursements totalling to KShs. 172 million. The five projects were fully completed by mid November 2020 and will access additional subsidies for KShs. 525 million.

The OBA program has to date benefited a total of 11,172 low income households or 54,573 people with access to clean water. As at 30 October 2020, the project had reached 124,763 people or 24,952 households accessing clean water supply and sanitation services.

Rural Investment

The rural investment programme's objective is to finance water and sanitation projects in the underserved rural communities across Kenya. The key implementers are Rural Water Service Providers (WSPs), Water Users Associations (WUAs) and Community Based Organizations (CBOs) who are involved in the preparation, planning, implementation operations water and sanitation projects. Provision of water and sanitation services is a devolved function, with WSTF working closely with the County Governments in identifying target projects, underserved areas, provide co-financing to projects, oversight and coordination of activities. In FY 2019-2020, the rural investments department implemented many activities under the following programmes; EU-SHARE programme, Climate Proofed Infrastructure Programme, Water and Livelihood programme, Joint 6 programme, Green Growth and Employment.

Green Growth and Employment Programme

Green Growth Employment Thematic Programme (GGEP) is financed by Danida within a programme period of FY2016-2020. The programme objective is to enhance water resources management and investments in selected counties for improved and sustained access by communities and households to water and sanitation for their domestic and productive needs. The programme targets eight ASAL counties namely: Garissa, Isiolo, Lamu, Mandera, Marsabit, Tana River, Turkana and Wajir counties. To date the Board of Trustees has approved KShs 723 million funding to support Water, Sanitation and Water Resources and Conservancies projects.

In the FY 2019-2020, KShs 221,320,029.00 was disbursed to 23 water and sanitation projects increasing access to 16,250 beneficiaries. In water resource management, KShs 52,499,135.95 was disbursed to fifteen projects: 4 No. Conservancies, 6 No. Level 2 WRUAs, 4 No. Level 3 WRUAs and 1 No. Level 4 WRUA. It is envisaged that all completed WRM activities will increase the area conserved to 12,725km² and a storage capacity of 246,170m³ through the two projects. 5 sanitation projects, 2 water projects and three water resource management projects were complete during this reporting period.

Joint Six Programme (J6P)

Support to Equitable Access to Quality Water, Basic Sanitation and Enhanced Water Resources Management in Rural Kenya also known as J6P (Joint 6 Programme) is an ongoing programme financed by Government of Finland (GoF), the Government of Sweden (GoS) and the Government of Kenya (GoK). The programme is expected to end in June 2021 and is targeting Counties of Kwale, Tharaka Nithi, Laikipia, Narok, Nandi and Migori. The programme aims to achieve its purpose through five areas; County capacity, Water Resource Management, Water Services, Sanitation Services and WSTF capacity. Overall, the Board of Trustees has approved investments worth KShs 1 billion to these counties for completed and ongoing projects.

In the FY 2019/2020, a total of KShs 251,942,750.45 was utilized by 12 water supply projects in the six counties reaching out to 6,500 beneficiaries from six projects which have been substantially completed. On the other hand, KShs 40,854,578 was utilized to implement Water Resources Management activities by 9 Water Resources Users Associations (WRUAs). 4,530 households and up to 100,000 livestock are benefitting from protected springs while rainwater harvesting in institutions is benefitting approximately 10,980 students and staff in two counties of Nandi and Narok. KShs 23,582,096 was utilized in supporting institutional sanitations in 20 schools and 1 public sanitation facility (PSF). Out of these, 3 sanitation projects were completed in FY2019/2020 benefitting 480 students in three schools.

MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

Water Resources & Climate Change Investments (WRCCI)

The Upper Tana Natural Resources Management Project (UTaNRMP) is an eight year programme (2012-2023) having received a project extension till end June 2023. It is supported by the Government of Kenya, the International Fund for Agricultural Development (IFAD) and the Spanish Trust Fund through the Water Sector Trust Fund in the financing of Water Resources Users Associations (WRUAs) and Community Forest Association (CFAs) activities. The programme objective is to enhance sustainable management of water resources and natural resources in the six counties of Nyeri, Embu, Meru, Kirinyaga, Tharaka Nithi and Murang'a at an initial grand budget of KShs.600 million. By end of June 2020, 85% of the initial programme budget had been disbursed to WRUA and CFA activities through the WaterFund.

Cumulatively, 58 No. WRUAs and 31 No. CFAs have been supported against programme targets of 61 No. WRUAs and 33 No. CFAs respectively. In the year 2019/2020; 13 No. new CFA groups were capacity build on financial management and procurement skills as a strategy to enhance project management, improved funds utilisation and accountability within these benefitting communities. At grassroot level, 341.5 hectares of gazetted forest area was rehabilitated, 10 No. tree nurseries established, 152,714 fruit and agroforestry seedlings both produced and procured with long term positive impacts of reduced pressure on forests ; forest related products and improved nutrition at household level. In regard to water resource management, several springs were protected; rainwater harvesting tanks installed at tree nursery and greenhouse sites with results of improved water resource access and increased water storage within the project area. Key livelihood activities such as beekeeping and fishponds were also supported with the impact of improved livelihoods within the benefitting WRUA and CFA communities.

Climate proofed infrastructure Programme- EU CPIRA

Ending Drought Emergencies: Climate Proofed Infrastructure for improved access to Water supply and Sanitation in ASALs (EDE CPIRA) Programme is financed under the 11th European Development Fund. The Programme is being implemented under the National Common Programme Framework, Ending Drought Emergencies, Pillar II. The programme is financed by the European Union, the Government of Kenya and Eight County Governments to a tune of KShs 2.8 billion targeting 362,000 direct beneficiaries in 8 counties namely; Kilifi, Taita Taveta, Samburu, Mandera, Kitui, West Pokot, Baringo and Kajiado Counties. The implementation of the programme started in December 2018 and will run up to December 2025.

The programme has three outcome areas namely: - improved access to water supply and sanitation services, improved and sustained management of Water Resources, and implemented Public Private Community Partnerships in Water Provision. As at the end of the FY 2019/2020, the EDE CPIRA Programme supported the County Governments in an elaborate proposal development and project design and survey processes. The Board of Trustees approved a funding of KShs 627 million for 24 Water Supply, Public Sanitation and CLTS projects identified by the Counties. The programme leveraged KShs 79 million from the targeted County Governments as part of their Co- funding to the approved projects. County Water and Public Health Teams, Water Utilities Capacity were taken through various workshops on Proposal development, Project implementation, contract, financial and procurement management. The programme also supported Kilifi, Kitui, Kajiado and Mandera Counties to mitigate the effects of COVID 19 by financing COVID 19 Emergency Response activities to a total cost of KShs 26 million.

STATEMENT OF CORPORATE GOVERNANCE

THE BOARD

Water Sector Trust Fund is established under Section 113 of the Water Act, 2016 as a Trust Fund mandated to provide financing access to water and sanitation in underserved areas. The Fund is committed to ensuring compliance with the provisions of the Water Act, 2016, among other regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the Fund is a formal governance structure with the Board of Trustees at its apex. The operations of the Fund are governed by a Trust Deed dated 26th April 2004, expected to be replaced by a new Trust Deed as provided for under the Water Act, 2016. The structure is designed to ensure an informed decision-making process based on accurate reporting to the Board.

THE BOARD OF TRUSTEES

While the Trust Deed of 2004 provides that the Board of Trustees shall be made up of nine Trustees, including the Chairman, all appointed by the Cabinet Secretary, Ministry of Water, Sanitation and Irrigation, The Water Act, 2016 provides that the Board shall consist of a chairperson and six other members identified for appointment through a competitive process. The Board of Trustees is responsible for the long-term strategic direction of the Fund and recruitment of the Chief Executive Officer and the senior management. The Board of Trustees exercises leadership, enterprise, integrity and determination in directing the Fund.

The Trustees are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of WaterFund is delegated to the CEO but the Board of Trustees is responsible for establishing and maintaining WaterFund's system of internal control for the realization of its mandate of providing financial support for improved access to water service, water resources and sanitation in areas without adequate services.

All members of the Board of Trustees have been taken through a comprehensive induction programme, inducted on the new Water Act, 2016 and are adequately trained on their roles as Board members. The Trustees are professional, committed and guided by the mission, vision and core values of the WaterFund in the execution of their duties. At the end of each financial year, the Board, its Committees, individual Trustees and the CEO are evaluated by an independent body against targets agreed to at the beginning of the year.

BOARD MEETINGS

The Board of Trustees meets quarterly or as required to monitor the implementation of the WaterFund's Strategic Plan and achievement of the targets in the Performance Contract signed with the Government. The Board of Trustees also plays an oversight role over all other financial and operational issues. The Trustees held four Board and four Special Board meetings during the Financial Year 2019/2020. During the period, there was also one consultative meeting.

In ensuring that corporate governance and integrity is enhanced in between the governance of WaterFund, the Board of Trustees has established three substantive committees namely: -

i) Investment & Monitoring Committee

This Committee was established to guide the Board of Trustees in making prudent investment decisions aimed at financing viable water and sanitation projects and provide organizational guidance on the monitoring and evaluation of funded projects. The committee held two committee meetings and two special committee meetings during the financial year. The trustees who served on this committee during the year under review were:

| S/No. | Name | Position in committee |
|-------|-------------------------|-----------------------|
| 1 | Eng. Mathew Tuitoek | Chairperson |
| 2 | Ms. Joyce Lay | Member |
| 3 | Dr. Dominic Biwott | Member |
| 4 | Mr. Joel Onchwati | Member |
| 5 | Mr. Chrisologus Makokha | Member |

STATEMENT OF CORPORATE GOVERNANCE (continued)

ii) Finance & General Purposes Committee

This Committee was established to advise the Board of Trustees in matters relating to Finance, Resource Mobilization, Human Resources Management, ICT and Corporate Communication, and Procurement. The Committee held four committee meetings and two special committee meetings during the year. The members who served on this committee during the year under review were:

| S/No. | Name | Position in committee |
|-------|-------------------------|-----------------------|
| 1 | Ms. Ubah Ibrahim | Chairperson |
| 2 | Ms. Joyce Lay | Member |
| 3 | Ms. Rose Muguchu | Member |
| 4 | Mr. Joel Onchwati | Member |
| 5 | Mr. Chrisologus Makokha | Member |
| 6 | Mr. Ismail Fahmy Shaiye | Member |

iii) Audit and Risk Committee

This Committee was established to advise the Board of Trustees on institutional risk management and compliance. The Committee held three committee meetings and two special committee meetings during the year. The Committee also met WaterFund's external auditors PricewaterhouseCoopers to deliberate on risk management issues. The members of this Committee during the year under review were:

| S/No. | Name | Position in committee |
|-------|-------------------------|-----------------------|
| 1 | Mr. Mwanja Musau | Chairperson |
| 2 | Ms. Rose Muguchu | Member |
| 3 | Dr. Dominic Biwott | Member |
| 4 | Mr. Joel Onchwati | Member |
| 5 | Mr. Chrisologus Makokha | Member |

COMMUNICATION WITH STAKEHOLDERS

WaterFund is committed to ensuring that all its stakeholders are provided with full and timely information about its programmes and performance. This is usually done through quarterly Steering Committee meetings and the Annual Stakeholders Conference.

STATEMENT OF COMPLIANCE

The Board of Trustees confirms that Water Sector Trust Fund has throughout the FY2019/2020 complied with all statutory and regulatory requirements and that the Fund has been managed per the principles of good corporate governance.

STATEMENT OF CORPORATE GOVERNANCE (continued)

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

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

Standing Instructions

WaterFund has a Code of Conduct and Ethics, and Service Charter that applies to all employees. These have several standing instructions to employees of WaterFund designed to enhance internal control. The WaterFund has also designed a set of standing instructions to be followed in the financing of projects in each investment.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities and that WaterFund can meet its future management requirements.

Strategic Plan

The business of WaterFund is determined by the Strategic Plan. The Strategic Plan sets out the objectives of WaterFund, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored every quarter.

Internal Control Framework

WaterFund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing WaterFund, is approved by the Audit and Risk Committee.

The Audit and Risk Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the current financial year.

Risk Management

WaterFund has in place a risk management framework that guides the Fund in identifying, assessing, and managing the risks. The Fund has developed a risk register that documents and prescribes mitigating measures of all the risks both external and internal facing the Fund. The risk management framework and register are regularly reviewed to incorporate any emerging issues in the operating environment. The risk management is coordinated by the Head of Internal Audit assisted with a management team drawn from the various departments/sections. This team reviews all the risks in WaterFund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated, and any further actions identified. The identified risks are reported to the Audit and Risk Committee to assist the Board in the management of risks.

During the period under review, the Fund began the implementation of the road map developed during the review of the Risk Management Framework.

STATEMENT OF CORPORATE GOVERNANCE (continued)

Management Team

The management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently.

Auditor

WaterFund is audited by the Auditor-General. The Auditor-General has however delegated this function to an independent auditor (PricewaterhouseCoopers, LLP) as per Sections 23 of the Public Audit Act, 2015.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY REPORTING

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Affairs Unit of the Water Sector Trust Fund (WaterFund) provides a framework for the WaterFund to have a co-ordinated plan for communicating its mandate among its internal and external stakeholders.

The unit's primary aim is to maximise the WaterFund's visibility and publicity among its target audiences through various communication mediums, with the aim of enhancing the WaterFund's corporate image as the lead agency in provision of financial support for improved access to water and sanitation in underserved areas.

The unit undertook several Corporate Social Responsibility (CSR) activities to this effect. In the FY2019/2020, the activities included:

1. Support to Tatu Kenga's Education
2. Support and participation in the Eldama Ravine Marathon in October 2019
3. Support and participation in the Kakamega Forest Marathon in November 2019
4. Presidential Directive on increasing forest cover in Kenya

1. Support to Tatu Kenga's Education

Tatu Kenga came to the limelight in the year 2008 when the then Minister for Water and Irrigation, Hon. Charity Ngilu, was on an official visit to Mombasa to assess water projects and challenges facing various communities. It was dusk when the Minister's entourage met with a small 6-year-old girl carrying a 10-litre jerrycan of water on her head, walking all alone in the dark. The Minister was moved by the plight of the young girl.

Given the mandate of WaterFund, and after consultation with the Ministry, WaterFund agreed to adopt the Tatu as the face of WaterFund. As part of the WaterFund's CSR, WaterFund took up Tatu's education, signifying giving back to the community through this little girl who had rightly depicted the plight of women, girls and water-underserved areas in Kenya.

After completing primary school in 2018, Tatu was admitted to Mazeras Memorial Girls' School, a girls' boarding secondary school located in Mazeras town in Kilifi.

Through CSR, the Corporate Affairs Unit travelled to Kilifi County in January 2019 to ensure that Tatu reports to secondary school, paid her annual school fees and took care of her school reporting needs. The unit made follow up visits to her in school and to the family regularly throughout the year, and also when she was reporting to Form 2 in January 2020.

2. Support and Participation in the Eldama Ravine Marathon

WaterFund participated in the 6th edition Eldama Ravine Half Marathon (E-Ravine) on 5th October 2019. Eldama Ravine Half Marathon (formerly known as Chemususu Dam Half Marathon) is a charity event managed by the Eldama Ravine Half Marathon Community Based Organization (CBO) whose noble cause is environmental conservation and provision of financial support, through scholarships, towards needy students from Uzalendo School. WaterFund presented its sponsorship cheque of KShs. 250,000 towards this noble cause during the E-Ravine media launch that took place at a Nairobi hotel.

To kick start the event WaterFund together with other sponsors visited Uzalendo School for a tree-planting activity and also to meet with the beneficiaries of the scholarships.

CORPORATE SOCIAL RESPONSIBILITY (continued)

3. Support and Participation in the Kakamega Forest Marathon

The Kakamega Forest Marathon is an annual event that is a brainchild of the Kakamega Forest Heritage Foundation, a charitable organisation founded with the objective of complementing the efforts of the Kenya government of restoring and conserving Kakamega Forest.

WaterFund presented its sponsorship cheque of KShs 1,000,000 towards this noble cause that in turn will supplement the National's Government cause of increasing forest cover in the country by 10% by year 2022. The funds went towards supporting and improving the restoration and conservation efforts (tree planting) of the Kakamega Forest.

This formed part of WaterFund's contribution towards the Presidential directive on increasing forest cover in Kenya.

4. Presidential Directive on Increasing Forest Cover in Kenya

The Ministry of Water, Sanitation and Irrigation launched a tree-planting campaign together with Water Sector Institutions, in order to support the National Government's target of 10% forest cover by the year 2022.

WaterFund, under its CSR activities, took part in the tree-planting campaign at Mpirani Primary School, which is in the Mwache Dam catchment area, in Kwale County. The tree planting exercise was to comply with the presidential directive on inclusion of tree planting in CSR activities in all state corporations towards support for afforestation.

In view of the above, WaterFund donated 2,000 indigenous tree seedlings towards this noble cause. Ms. Winnie Guchu, the then Chief Administrative Secretary at the Ministry of Water, Sanitation and Irrigation, together with other Water Sector Institutions leadership, presided over the event.

SUSTAINABILITY REPORTING

Water Sector Trust Fund exists to provide conditional and unconditional grants to counties, in addition to the Equalisation Fund and to assist in financing the development and management of water services in marginalized areas or any area which is considered by the Board of Trustees to be underserved. To continuously deliver on the mandate, the Fund has developed a framework for sustainable financing, which is articulated in both its Corporate Strategy, and Resource Mobilization Strategy 2018-2022. The framework is based on the Water Act 2016 which gives WaterFund authority to:

- 1. Receive grants for On-lending to implementing agencies which can afford to repay/ subsidiary lending:**
WaterFund is pursuing a seed fund from the Government of Kenya to finance deliver on its expanded mandate, especially the on-lending mechanism through a low interest Revolving Fund. Discussions are ongoing with the Ministry of Water & Sanitation and Irrigation, various Development Partners and local commercial banks for technical and financial support in setting up the Fund. Government and local banks will provide sustainable local financing, and interest earned will grow the fund. Banks are already lending to Water utilities through WaterFund's Result Based Financing programme, subsidized by funding from Sweden through World Bank, and KfW;
- 2. Receive allocations from County Governments on agreed programmes:** WaterFund is implementing this through County Counterpart Contributions to programmes. This contribution has been effected in some programmes such as the Sweden /Finland Joint Programme, and European Union ASAL Programme. These enhances ownership and leverages on County Water Budgets;
- 3. Collect a levy from consumers of piped water supplied by a licensed Water Services Provider:** This is at an advanced stage and has been incorporated in the Water Sector regulatory guidelines and Policy. The levy, when operationalized, will provide a sustainable local source of financing; and
- 4. Developing incentive programmes for water resources management, climate change and disaster management:** To achieve financial and ensure sustainability of programmes, WaterFund is reviewing its mechanisms of financing to water resources in order to enhance performance. The funding realised will be utilised to increase storage and protection of catchment areas thus contributing to increased access to safe water. Under this component, WaterFund will be able to receive funding from the Government of Kenya during drought emergency as well as to mobilize climate financing through the Green Climate Fund etc.

REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended 30 June 2020.

REGISTRATION

The Water Sector Trust Fund (WSTF) is a state corporation established under the Water Act, 2016, Section 113 (1) with a mandate to assist in financing the provision of water services to areas of Kenya which are without adequate water services. WSTF operates under the Ministry of Water and Irrigation and is guided by the Trust Deed of 26 April 2004.

PRINCIPAL ACTIVITIES

The WSTF is a basket fund through which the Government of Kenya, through appropriations by Parliament, development partners and other funds, channels financial assistance towards the implementation of water, sanitation and water resources projects throughout the country with special emphasis on the poor, marginalized communities and working with the County Governments in delivering these services.

RESULTS

The results of the entity for the year ended 30 June 2020 are as set out on page 35-66

TRUSTEES

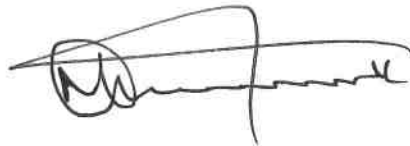
The members of the Board of Trustees who served during the year are as shown on page 3. During the year, the changes in the Board of Trustees are as shown in the table below:-

| | | |
|----------------------------------|---|--|
| Amb. Dr. Mary Mbiro Khimulu, MBS | - | Board Chairperson (Served from 29 June 2020) |
| Mr. Patrick O. Kokonya | - | Board Chairman (Served up to 28 June 2020) |

AUDITOR

The Auditor General is responsible for the statutory audit of WaterFund's books of account in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 and Sections 23 which empowers the Auditor General to outsource other auditors to carry out the audit on his behalf, PricewaterhouseCoopers LLP (PwC) were appointed as the auditors of WaterFund to conduct the statutory audit for the year ended 30 June 2020.

FOR AND ON BEHALF OF THE BOARD OF TRUSTEES



15 December 2020

Eng. Matthew Tuitock
Trustee

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Section 81 of the Public Finance Management (PFM) Act, 2012, Section 14 of the State Corporations Act, and the Water Services Trust Deed, require the trustees to prepare financial statements for each financial year which give a true and fair view of the financial position of the WaterFund at the end of the financial year and its financial performance for the year then ended. The trustees are responsible for ensuring that WaterFund keeps proper accounting records that are sufficient to show and explain the transactions of WaterFund; disclose with reasonable accuracy at any time the financial position of WaterFund; and that enables them to prepare financial statements of WaterFund that comply with prescribed financial reporting standards and the requirements of the Section 81 of the Public Finance Management Act and Section 14 of the State Corporations Act. They are also responsible for safeguarding the assets of WaterFund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.


The trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and in the manner required by the PFM Act, the State Corporations Act and the Water Services Trust Deed. They also accept responsibility for:

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

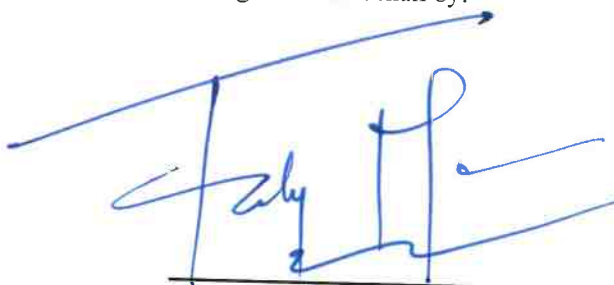
Having made an assessment of WaterFund's ability to continue as a going concern, the trustees are not aware of any material uncertainties related to events or conditions that may cast doubt upon the WaterFund's ability to continue as a going concern.

The Trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of Trustees on 15 December 2020 and signed on its behalf by:



Eng. Matthew Tuitoek
Trustee



Mr. Ismail Fahmy M. Shaiye
Chief Executive Officer

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON WATER SECTOR TRUST FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Water Sector Trust Fund set out on pages 35 to 78, which comprise the statement of financial position as at 30 June, 2020, and the statement of 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, have been audited on my behalf by PricewaterhouseCoopers, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Water Sector Trust Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2015 and The Water Act, 2016.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Water Sector Trust Fund 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 opinion.

Emphasis of Matter

Unsupported Expenditure

The statement of financial performance reflects project expenses of Kshs.1,280,183,117, which as disclosed under Note 12 to the financial statements, includes an amount of Kshs.11,211,949 (2019: Kshs.5,424,187) relating to expenditures that have outstanding audit queries arising from the audit of Project

Report of the Auditor-General on Water Sector Trust Fund for the year ended 30 June, 2020

implementing organizations. Although Management has indicated that the issue is being dealt with legally and administratively, the outcome of the process has not been disclosed.

My opinion in respect of this matter is not modified.

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.4,128,900,000 and Kshs.1,867,808,184 respectively resulting to an under-funding of Kshs.2,261,091,816 or 55% of the budget. Similarly, the Fund actual expenditure amounted to Kshs.1,687,724,308 against a budgeted expenditure of Kshs.4,128,900,000 resulting to an under expenditure of Kshs.2,441,175,692 or 59%. The underfunding and under-expenditure affected the planned activities which in turn may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, 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

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

Basis for Conclusion

ICT Control Deficiencies

Review of the Information Communication Technology (ICT) systems implemented by Management, and controls put in place revealed existence of deficiencies and weaknesses in those systems. For instance, the ICT Policy did not include a change management process. As such, critical elements including change log tracking, change management workflow for emergency scenarios, risk assessment and impact criteria on requested changes, details of change approvers, user acceptance testing, fallback procedures and responsibilities for aborting and recovering from unsuccessful changes and unforeseen events were lacking.

Further, weaknesses were identified in password configuration whereby parameters documented in the policies were not being enforced in the system. Also, databases password history configurations had been set to 5 passwords against policy recommendation of no re-use of old passwords. In addition, continuous monitoring of superuser activities and administrator accounts on the applications, database and operating level were also lacking.

Although Management has subsequently amended the ICT Policy and reconfigured password parameters, existence of the above identified and other weaknesses may lead to undetected unauthorized access and activities, abuse of privileged access which can negatively impact on business operations, financial loss and reputational damage.

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

Responsibilities of Management and the Board of Trustees

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

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

Management is also responsible for 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 preparing and presenting the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Trustees is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Fund 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 comply 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.

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 internal control matters 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund 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 Fund 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 December, 2021

STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2020

| | Notes | 2020 KShs | 2019 Restated KShs |
|---|--------|------------------------|-----------------------|
| REVENUE | | | |
| Revenue from non-exchange transactions | | | |
| Government of Kenya grants | 6 | 688,742,500 | 579,856,000 |
| Restricted donor funds | 7 | 1,064,849,032 | 412,564,092 |
| | | 1,753,591,532 | 992,420,092 |
| Revenue from exchange transactions | | | |
| Miscellaneous income | 8 | 42,068,036 | 25,417,314 |
| Finance income - external investments | 9 (a) | 41,167,989 | 52,092,307 |
| Kenya Sanitation conference | 9 (b) | 30,980,627 | - |
| | | 114,216,652 | 77,509,621 |
| Total revenue | | 1,867,808,184 | 1,069,929,713 |
| EXPENDITURE | | | |
| Staff costs | 10 | (214,905,368) | (190,491,648) |
| Remuneration of trustees | 11 (a) | (29,126,664) | (22,509,915) |
| Repairs and maintenance | 11 (b) | (696,792) | (188,105) |
| Depreciation and amortization expense | 11 (c) | (9,615,914) | (15,543,690) |
| General expenses | 11 (d) | (153,196,453) | (115,489,635) |
| Project expenses | 12 | (1,280,183,117) | (559,021,772) |
| Total expenditure | | (1,687,724,308) | (903,244,765) |
| Surplus for the year | | 180,083,876 | 166,684,948 |


The notes set out on pages 40 to 67 form an integral part of these financial statements.

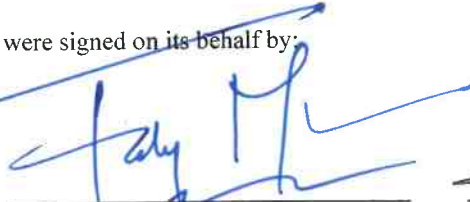
**STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2020**

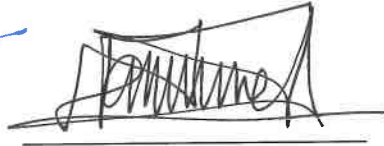
| | Notes | 2020 KShs | Restated 2019 KShs | Restated 2018 KShs |
|--|-------|-----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 17 | 2,808,907,414 | 2,198,599,900 | 2,090,107,152 |
| Receivables from non-exchange transactions | 16 | 518,272,143 | 335,321,885 | 189,926,983 |
| Inventories | 15 | 595,390 | 480,848 | 158,937 |
| | | <u>3,327,774,947</u> | <u>2,534,402,633</u> | <u>2,280,193,072</u> |
| Non - current assets | | | | |
| Property and equipment | 13 | 16,748,975 | 13,106,406 | 18,419,782 |
| Intangible assets | 14 | 1,928,368 | 3,581,254 | 5,234,140 |
| | | <u>18,677,343</u> | <u>16,687,660</u> | <u>23,653,922</u> |
| TOTAL ASSETS | | <u>3,346,452,290</u> | <u>2,551,090,293</u> | <u>2,303,846,994</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Deferred income from capital grants | 20 | 3,882,563 | 5,580,000 | 259,898,426 |
| Staff gratuity | 21 | 27,917,975 | 25,372,080 | 26,484,764 |
| Trade and other payables | 22 | 63,603,707 | 69,179,978 | 66,323,928 |
| | | <u>95,404,245</u> | <u>100,132,058</u> | <u>352,707,118</u> |
| Non-current liabilities | | | | |
| Deferred income from capital grants | 20 | 257,045,090 | 259,230,216 | 4,796,513 |
| Staff gratuity | 21 | 32,040,279 | 6,225,434 | 8,001,978 |
| | | <u>289,085,369</u> | <u>265,455,650</u> | <u>12,798,491</u> |
| Net assets | | | | |
| Accumulated surplus | 18 | 496,689,586 | 316,605,710 | 149,920,762 |
| Unexpended grants | 19 | 2,465,273,090 | 1,868,896,875 | 1,788,420,623 |
| TOTAL NET ASSETS AND LIABILITIES | | <u>3,346,452,290</u> | <u>2,551,090,293</u> | <u>2,303,846,994</u> |

The financial statements on pages 35 to 67 were approved and authorized for issue by the Board of Trustees on

... 15 December 2020 and were signed on its behalf by:


Eng. Matthew Tuitoek
 Trustee


Mr. Ismail Fahmy M. Shaiye
 Chief Executive Officer


Mr. Samwel Gitau Mbugua
 Ag. Chief Manager, Finance
 ICPAK Member No. 2868

STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2020

| | Revenue reserves KShs | Unexpended grants KShs | Total KShs |
|--|-----------------------------|------------------------------|----------------------|
| Year ended 30 June 2018 | | | |
| As previous stated | 546,002,391 | 1,392,338,994 | 1,938,341,385 |
| Restatements arising from errors in prior periods' financial statements unexpended schedule | | | |
| Less: | | | |
| GoK Counterpart | (241,426,155) | 241,426,155 | - |
| Interest income | (123,857,918) | 123,857,918 | - |
| Foreign exchange (gain)/loss | (365,507) | 365,507 | - |
| Omitted/(over-reported) expenditure | (30,432,049) | 30,432,049 | - |
| Effect of restatements | (396,081,629) | 396,081,629 | - |
| As restated on 30 June 2018 | 149,920,762 | 1,788,420,623 | 1,938,341,385 |
| Year ended 30 June 2019 | | | |
| Balance at 1 July 2018 (restated) | 149,920,762 | 1,788,420,623 | 1,938,341,385 |
| Surplus for the year (restated) | 166,684,948 | - | 166,684,948 |
| Funds received from development partners | - | 521,783,018 | 521,783,018 |
| GoK Counterpart funding | - | 110,703,511 | 110,703,511 |
| Total project Expenditure restated | - | (556,098,754) | (556,098,754) |
| Donor Interest income restated | - | 33,430,151 | 33,430,151 |
| Project assets | - | (599,000) | (599,000) |
| Unrealized foreign exchange gain/(loss) restated | - | (28,742,674) | (28,742,674) |
| As at 30 June 2019 | 316,605,710 | 1,868,896,875 | 2,185,502,585 |
| Year ended 30 June 2020 | | | |
| Balance at 1 July 2019 (restated) | 316,605,710 | 1,868,896,875 | 2,185,502,585 |
| Surplus for the year | 180,083,876 | - | 180,083,876 |
| Funds received from development partners | - | 1,661,225,247 | 1,661,225,247 |
| GoK Counterpart funding | - | 201,196,489 | 201,196,489 |
| Total project Expenditure | - | (1,279,060,716) | (1,279,060,716) |
| Donor Interest income | - | 20,756,273 | 20,756,273 |
| Project assets | - | (7,741,078) | (7,741,078) |
| | - | - | - |
| As at 30 June 2020 | 496,689,586 | 2,465,273,090 | 2,961,962,676 |

The notes set out on pages 40 to 67 form an integral part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

| | Notes | 2020 KShs | 2019 KShs |
|--|----------|------------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Government grants | 6 | 688,742,500 | 579,856,000 |
| Restricted revenue from development partners | 7 | 1,064,849,032 | 412,564,092 |
| Miscellaneous income | 8 & 9(b) | 73,048,663 | 25,417,314 |
| Finance income | 9 (a) | 41,167,989 | 52,092,307 |
| Total Receipts | | 1,867,808,184 | 1,069,929,713 |
| Payments | | | |
| Employee costs | 10 | (214,905,368) | (190,491,648) |
| Remuneration of Directors | 11 (a) | (29,126,664) | (22,509,915) |
| Repairs and maintenance | 11 (b) | (696,792) | (188,105) |
| Depreciation and amortization expense | 11 (c) | (9,615,914) | (15,543,690) |
| General expenses | 11(d) | (153,196,453) | (115,489,635) |
| Project expenses | 12 | (1,280,183,117) | (559,021,772) |
| Total Payments | | (1,687,724,308) | (903,244,765) |
| Net cash flows from operating activities | | 180,083,876 | 166,684,948 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | | (12,102,841) | (8,604,000) |
| Proceeds from sale of PPE | | 1,720,465 | 59,056 |
| Gain on disposal of assets | | (1,223,221) | (32,484) |
| Increase in receivables from non-exchange transactions | | (182,950,258) | (145,394,902) |
| Increase in inventories | | (114,542) | (321,911) |
| Increase in unexpended grants | | 596,376,215 | 80,476,252 |
| (Decrease)/ increase in deferred income | | (3,882,563) | 115,277 |
| Increase/(decrease) in staff gratuity | | 28,360,740 | (2,889,228) |
| (Decrease)/increase in trade and other payables | | (5,576,271) | 2,856,050 |
| Depreciation of property and equipment | | 7,963,028 | 13,890,804 |
| Amortization of intangible assets | | 1,652,886 | 1,652,886 |
| Net cash flows used in investing activities | | 430,223,638 | (58,192,200) |
| Net increase/(decrease) in cash and cash equivalents | | 610,307,514 | 108,492,748 |
| Cash and cash equivalents as at 1 July | | 2,198,599,900 | 2,090,107,152 |
| Cash and cash equivalents as at 30 June | | 2,808,907,414 | 2,198,599,900 |

The notes set out on pages 40 to 67 form an integral part of these financial statements.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the year ended 30 June 2020

| | Original budget | | Adjustments | | Final Budget | | Actual | | Performance difference 2020 KShs | Notes |
|---|------------------------|----------------------|----------------------|------------------------|------------------------|----------------------|------------------------|-----|--|-------|
| | 2020 KShs | 2020 KShs | 2020 KShs | 2020 KShs | 2020 KShs | 2020 KShs | 2020 KShs | | | |
| REVENUE FROM NON-EXCHANGE TRANSACTIONS | | | | | | | | | | |
| Government of Kenya grants | 595,000,000 | - | - | - | 595,000,000 | 688,742,500 | 93,742,500 | (a) | | |
| Donor funds | 3,910,900,000 | (442,000,000) | (442,000,000) | - | 3,468,900,000 | 1,064,849,032 | (2,404,050,968) | | | |
| REVENUE FROM EXCHANGE TRANSACTIONS | | | | | | | | | | |
| Miscellaneous income | - | - | - | - | - | 42,068,036 | 42,068,036 | | | |
| Finance income – external investments | 2,000,000 | - | - | - | 2,000,000 | 41,167,989 | 39,167,989 | | | |
| Kenya Water and Sanitation conference | 100,000,000 | (37,000,000) | (37,000,000) | - | 63,000,000 | 30,980,627 | (32,019,373) | | | |
| Total Revenue | 4,607,900,000 | (479,000,000) | (479,000,000) | (479,000,000) | 4,128,900,000 | 1,867,808,184 | (2,261,091,816) | | | |
| EXPENSES | | | | | | | | | | |
| Administration expenses | (674,791,180) | 95,528,877 | 95,528,877 | (579,262,303) | (407,541,191) | 171,721,112 | (b) | | | |
| Project expenses | (3,933,108,820) | 383,471,123 | 383,471,123 | (3,549,637,697) | (1,280,183,117) | 2,269,454,580 | (c) | | | |
| Total expenses | (4,607,900,000) | 479,000,000 | 479,000,000 | (4,128,900,000) | (1,687,724,308) | 2,441,175,692 | (a) | | | |
| Surplus for the period | - | - | - | - | - | 180,083,876 | (d) | | | |

- a) WSTF had budgeted to finance projects to the tune of KShs. 3,468,900,000 using development partner funds. This target was however not met because not all of the funds anticipated from development partners were received during the year. The actual amounts received from development partners in the year was KShs. 1,661,225,248. Project funds held at Central Bank of Kenya amounted to KShs. 722,484,851 and have been recognized as cash-in-transit. WSTF's policy is to recognize funds from development partners as income when utilized for project expenditure hence funds disbursed at the end of the year were not recognized as expenditure for the year because the projects had not accounted for the use of these funds. They were recognized as receivables. Total project expenditure for the year amounted to KShs. 1,280,182,117; of this KShs. 1,122,401 was financed directly by the Government of Kenya (GoK) and KShs. 1,279,060,716 by the development partners. GoK made a contribution of KShs. 201,196,489 as counterpart funding to the projects.
- b) The favourable variance between budget and actual administrative expenses resulted from efficiency in use of resources hence keeping costs lower than budget. Waterfund intends to keep these costs at low levels so as to free more funds for project financing.
- c) The variance between budget and actual project expenses is as a result of factors explained in a) above.
- d) The surplus for the year is underutilized funds from the Government of Kenya

NOTES TO THE FINANCIAL STATEMENTS

1. LEGAL STATUS AND OBJECTIVES

The Water Sector Trust Fund (WSTF) is a body corporate established under the Water Act, 2016, Section 113 (1) and the object of the Fund as provided by Section 114 of the Act is to *provide conditional and unconditional grants to counties, in addition to equalisation fund and to assist in financing the development and management of water services in marginalised areas or any area which is considered by the Board of Trustees to be underserved including;*

- a) community level initiatives for the sustainable management of water resources;
- b) development of water services in rural areas considered not to be commercially viable for provision of water services by licensees;
- c) development of water services in the under-served poor urban areas; and
- d) research activities in the area of water resources management and water services, sewerage and sanitation.

As one of the institutions under the Ministry of Water and Sanitation, WSTF is guided by the Trust Deed of 26 April 2004 executed by the Cabinet Secretary. The Trust Deed is currently under review to align it with the Water Act 2016.

The WSTF is a basket fund through which the government, through appropriations by Parliament, development partners and other funds, channels financial assistance towards the implementation of water, sanitation and water resources projects throughout the country with special emphasis on the poor and marginalized communities.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act and the Water Services Trust Deed.

The financial statements are prepared on the historical cost basis of accounting. The principal accounting policies adopted remain unchanged from the previous year are as stated below.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

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.

The standard did not have effect on WSTF's financial statements.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

IPSAS 41, Financial Instruments- 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:

- 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. ADOPTION OF NEW AND REVISED STANDARDS (continued)

IPSAS 42: Social Benefits, 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:

- (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.

There are no other IPSASs interpretations that are not yet effective that would be expected to have a material impact on the Fund's financial statement.

iii. Early adoption of standards

The entity did not early-adopt any new or amended standards in year ended 30 June 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

(i) Functional and presentation currency

These financial statements are presented in Kenya Shillings (KShs) which is also the functional currency.

(ii) Transactions and balances

Assets and liabilities denominated in foreign currencies are translated into Kenya shillings at the rates of exchange ruling at the end of reporting period. Transactions during the year are translated at the rates ruling on the transaction dates. Gains or losses on translation are dealt with in the surplus or deficit.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the fund and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized.

- (i) Government grants are recognized as income when there is reasonable assurance that the grants will be received, and the entity is in compliance with the conditions attached to the grants.
- (ii) Grants from donors are recognized as income when there is reasonable assurance that the grants will be received. The grants are recognized as income on a systematic and rational basis over the period necessary to match them with the related costs.
- (iii) Grants related to depreciable assets are recognized as income over the periods and in the proportions in which depreciation on those assets is charged.
- (iv) Other income comprises of funds other than the grants from the development partners and the Government of Kenya. Other income is recognized when there is reasonable assurance that it will be received.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds received for specific purposes (conditional grants) are treated as unexpended grants and credited to the surplus or deficit when the activities for which they were provided for have been undertaken. Specific grant pledges that have not been received but for which expenditure has been incurred, as well as the excess of expenditure over receipts for specific grants are recognized as revenue and included in the financial statements as grants receivable from donors.

Expenditure

Expenditure comprises expenses incurred directly for programme and administrative activities. These are recognized on the accrual basis.

Inventories

Inventories of consumable items are stated at the lower of cost and net realizable value. Cost comprises the purchase price and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of selling the item.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Property and equipment donated to the fund or purchased using specified donor funds are recognized as deferred income from capital grants. Donated assets are recorded at a reasonable estimate of their fair value to the fund at the date of receipt as determined by the trustees.

Depreciation

Depreciation is calculated on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life at the following rates:

| | % per Annum |
|-----------------------|-------------|
| Furniture | 20 |
| Motor vehicles | 25 |
| Computer equipment | 30 |
| Equipment | 25 |
| Fittings and fixtures | 20 |

Gains and losses on disposal of items of equipment are determined by comparing the proceeds to their carrying amounts and are included in the statement of financial performance

Intangible assets

All costs attributable to the purchase of computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortization and accumulated impairment losses. Amortization is calculated on a straight-line basis over the estimated useful lives not exceeding a period of 5 years. It is charged to the surplus or deficit under the expenditure line, amortization of intangible assets.

Impairment of tangible and intangible assets

At end of each reporting period, WaterFund reviews the carrying amounts of its financial assets, tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. Any impairment losses are recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income

Grants received for the purchase of fixed assets or donated assets are recognized as deferred income and transferred to the surplus or deficit over the expected useful lives of the respective assets. 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 in relation to any other income received out of the ordinary course of business.

Budget information

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

Taxation

Water Sector Trust Fund is exempt from income tax under the First Schedule, paragraph 10 of the Income Tax Act. As a result, no provision for taxation has been made in these financial statements.

Cash and cash equivalents

For the purposes of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less, and bank overdrafts.

Provisions

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

Where WaterFund 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.

Contingent liabilities

WaterFund does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

WaterFund does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of WaterFund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Employee benefits are all forms of consideration given by WaterFund in exchange for the services rendered by all employees. Employee benefits include:

- Short-term employee benefits (such as wages, salaries and paid leave) and non-monetary benefits (such as medical care) for current employees;
- Post-employment benefits such as gratuity and accrued leave pay.
 - i. Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
 - ii. Other post-employment benefits
Employees on three-year employment contracts are entitled to service gratuity at 31% of their annual salary. Service gratuity and outstanding leave days are recognized when they accrue to employees. A provision is made for the estimated liability for services rendered by employees up to end of the reporting period. The estimated monetary liability for employees' accrued leave and service gratuity entitlements at the end of reporting period is recognized as an expense accrual. Service gratuity is paid at the end of the employment contract.
Provisions are also made in respect of outstanding leave days accruing to staff at the end of the year.

Financial Instruments

Financial assets and liabilities are recognized in WaterFund's statement of financial position when WaterFund has become a party to the contractual provisions of the instrument. Specific accounting policies are adopted by WaterFund, key financial instruments outstanding at the end of the reporting period are summarized below.

Financial assets

Receivables

Receivables are initially recognized at fair value and subsequently carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the end of the reporting period. Bad debts are written off when all reasonable steps to recover them have failed.

Payables

Payables are not interest bearing and are stated at their nominal value.

Impairment of financial assets

The Fund assesses at each reporting period end whether there is objective evidence that a financial asset (or group of financial assets) is impaired. Impairment losses are recognized if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and that those events have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Financial liabilities

After initial recognition, WaterFund measures all financial liabilities other than liabilities held for trading at amortized cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

De-recognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where WaterFund has transferred substantially all risks and rewards of ownership.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING WATERFUND'S ACCOUNTING POLICIES

In the process of applying WaterFund's accounting policies, management has made estimates and assumptions that affect the WaterFund. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future funding that are believed to be reasonable under the circumstances. The key areas of judgment in applying the Trust's accounting policies are dealt with below:

i. Critical judgments in applying WaterFund's accounting policies

The Trustees makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in section (ii) below.

ii. Key sources of estimation uncertainty

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Property and equipment

Critical estimates are made by the trustees in determining depreciation rates of property and equipment.

Intangible assets

Critical estimates are made by the trustees in determining amortization rates of intangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16.

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 30 June 2020.

Changes in accounting policies and estimates

There was no change in accounting policies during the year ended 30 June 2020.

Comparative balances: Reconciliation of restated balances

The comparative balances included in the financial statements are for the audited period 1 July 2018 to 30 June 2019, and for the year 1 July 2017 to 30 June 2018 for the statement of financial position. Where necessary, comparative figures have been adjusted or extended to conform to the changes in presentation in the current year. Restatements were done to correct errors from prior periods. The reconciliations of the restated balances are presented in note 29 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Notes (continued)

*The restricted donor funds amount was restated to recognize grants received as income on a systematic and rational basis over the period necessary to match them with the related project costs that were either omitted or over/understated in the unexpended schedule in the previous periods. The entire amount has been corrected through restatement of the restricted donor funds and unexpended grants balances.

6. GOVERNMENT OF KENYA GRANTS

The Fund as currently set up, receives grants from the Government of Kenya for two purposes:

- (i) Disbursements to various community water projects (development) throughout Kenya.
- (ii) Operational (recurrent) needs.

During the year, the split for the two functions was as follows:

| | 2020 | 2019 |
|----------------|---------------------------|---------------------------|
| | KShs | KShs |
| Development | 318,742,500 | 414,956,000 |
| Recurrent | 170,000,000 | 164,900,000 |
| Emergency Fund | 200,000,000 | - |
| | <u>688,742,500</u> | <u>579,856,000</u> |

7. RESTRICTED DONOR FUNDS

WaterFund received restricted donations from several development partners. The grants are recognized as income on a systematic and rational basis over the period necessary to match them with the related project costs. Details of the donor funds are tabulated below:

| | 2020 | 2019 Restated |
|---|-----------------------------|---------------------------|
| | KShs | KShs |
| United Nations International Children Emergency Fund (UNICEF) | - | 1,744,009 |
| European Union | 61,455,544 | 109,748,727 |
| Government of Germany – K/W/BMGF | 91,263,460 | 54,334,765 |
| Government of Denmark | 363,980,318 | 62,188,203 |
| International Fund for Agricultural Development - IFAD | 79,842,213 | 64,800,390 |
| World Bank | 203,589,393 | 40,693,881 |
| Sweden/Finland – J6P | 264,718,104 | 79,054,117 |
| Total (Note 19) | <u>1,064,849,032</u> | <u>412,564,092</u> |

Notes (continued)

8. MISCELLANEOUS INCOME

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | KShs | KShs |
| Management fee earned on disbursement to some projects* | 36,811,944 | 19,903,522 |
| Deferred income recognized (note 20) | 3,882,563 | 5,464,723 |
| Other income ** | 150,308 | 16,585 |
| Net gain on disposals of assets | 1,223,221 | 32,484 |
| | <u>42,068,036</u> | <u>25,417,314</u> |

*Management fee represents the administration cost recovered as a percentage of funds disbursed to projects as per the respective donor agreements currently at 5% of funds disbursed. Currently only four donor agreements provide for the management fees. Management fee earned from the development partners is as tabulated below:

** Other income relates to fees charged to insurance policy providers for administration of insurance policies held by the staff in which WaterFund deducts and remits the premium to the insurance companies.

| | 2020 | 2019 |
|----------------------|-------------------|-------------------|
| | KShs | KShs |
| Danida – MTAP II | - | 2,199,717 |
| European Union (EU) | 4,243,593 | 4,484,239 |
| Sweden/Finland – J6P | 12,425,438 | 9,252,025 |
| Danida - GGEP | 13,669,338 | 3,967,541 |
| Danida - WLP | 6,473,575 | - |
| | <u>36,811,944</u> | <u>19,903,522</u> |

9. FINANCE INCOME

| | 2020 | 2019 |
|------------------------------|-------------------|-------------------|
| | KShs | KShs |
| 9. (a) FINANCE INCOME | | |
| Bank interest | 41,167,989 | 52,092,307 |
| | <u>41,167,989</u> | <u>52,092,307</u> |

This relates to interest earned on interest bearing current account balances.

9 (b) Kenya Sanitation conference

| | | |
|-----------------------------|-------------------|----------|
| Kenya Sanitation conference | 30,980,627 | - |
| | <u>30,980,627</u> | <u>-</u> |

This relates to income generated from the Kenya Sanitation Conference.

Notes (continued)

| | 2020 KShs | 2019 KShs |
|--|--------------------|--------------------|
| 10. STAFF COSTS | | |
| Salaries and wages | 158,758,381 | 144,018,894 |
| Staff gratuity | 37,437,513 | 28,450,849 |
| Staff training expenses | 9,270,853 | 11,821,355 |
| NSSF contribution | 3,426,420 | 170,200 |
| Other staff expenses | 6,012,201 | 6,030,350 |
| | 214,905,368 | 190,491,648 |
| 11. ADMINISTRATION EXPENSES | | |
| (a) Remuneration of Trustees | | |
| Chairman's Honoraria | 960,000 | 400,000 |
| Trustee emoluments | 8,260,000 | 6,060,000 |
| Other allowances | 19,906,664 | 16,049,915 |
| Total | 29,126,664 | 22,509,915 |
| (b) Repairs and maintenance | | |
| Furniture and fittings | 696,792 | 188,105 |
| Total | 696,792 | 188,105 |
| (c) Depreciation and amortization expense | | |
| Property, plant and equipment | 7,963,028 | 13,890,804 |
| Intangible assets | 1,652,886 | 1,652,886 |
| Total | 9,615,914 | 15,543,690 |

Notes (continued)

11. ADMINISTRATION EXPENSES (continued)

| | 2020 KShs | 2019 KShs |
|--|--------------------|--------------------|
| (d) General expenses | | |
| Communications expenses | 4,629,628 | 4,711,897 |
| Printing and stationery | 2,124,956 | 1,437,779 |
| Resource centre expenses | 148,587 | 237,160 |
| Traveling and accommodation | 15,392,104 | 12,943,588 |
| Motor vehicle expenses | 14,145,703 | 13,042,604 |
| Computer expenses | 3,758,990 | 3,810,237 |
| Consultancy and professional fees | 7,055,636 | 3,293,740 |
| Audit fees | 11,181,552 | 23,675,555 |
| Resource Mobilization expenses | 8,173,688 | 3,310,217 |
| Planning | 4,898,881 | 4,792,952 |
| Advocacy | 39,568,544 | 10,492,984 |
| COVID -19 expenses | 3,000,000 | - |
| Office running expenses | 4,028,705 | 3,853,202 |
| Insurance | 16,250,447 | 12,257,192 |
| Office rent & land rates | 18,430,424 | 19,642,335 |
| Bank charges | 329,301 | 344,853 |
| Movement in provision for bad and doubtful debts (note 16) | 79,307 | (2,356,660) |
| Total | 153,196,453 | 115,489,635 |

Notes (continued)

12. PROJECT EXPENSES

These are funds utilized in various water and sanitation and water resources projects in various counties. The funds are disbursed to Water Utilities (WUs), Community Based Organisations (CBOs), Community Forest Associations (CFAs), Water Service Providers (WSPs), Water Resources Authority (WRAs) and Water Resources Users Associations (WRUAs) in line with proposals received and approved in accordance with documented processes of funding the rural and urban investments projects.

| | 2020 | 2019 Restated |
|--|----------------------|----------------------|
| | KShs | KShs |
| Rural Programme | | |
| Water and Sanitation | 643,598,871 | 313,203,025 |
| Water Resources | 175,274,926 | 108,525,820 |
| Water Sanitation and Hygiene (WASH) | 21,463,873 | 1,744,009 |
| | 97,152,379 | - |
| Note 19 (b) | 937,490,049 | 423,472,854 |
| Total – Rural Programme | 937,490,049 | 423,472,854 |
| Urban Programme | | |
| Water and Sanitation | 54,726,130 | 36,051,646 |
| Up-scaling Basic Sanitation for the Urban Poor (UBSUP)- Bill & Melinda Gates Foundation (BMGF) | 83,255,144 | 55,880,372 |
| OBA (World Bank) | 203,589,393 | 40,693,881 |
| Note 19(a) | 341,570,667 | 132,625,899 |
| Water and Sanitation – Direct funding from GOK | 1,122,401 | 2,923,018 |
| Total – Urban Programme | 342,693,068 | 135,548,917 |
| Total project expenses* | 1,280,183,117 | 559,021,771 |

*Included in the total project expenditure amount above is an amount of KShs 6,848,846 relating to COVID-19 expenditure.

**Included in the amount of KShs 1,280,183,117 above is an amount of KShs 11,211,949 (2019 - KShs 5,424,187) that relates to questioned costs arising from the audits of project implementing organizations. These costs are being dealt with legally and administratively.

Project expenditure is funded by development partners and the Government of Kenya funds.

Notes (continued)

13. PROPERTY AND EQUIPMENT

| | Furniture KShs | Motor Vehicle KShs | Computer Equipment KShs | Office Equipment KShs | Fixtures and Fittings KShs | Total KShs |
|--------------------------------------|-------------------|-----------------------|-------------------------------|-----------------------------|----------------------------------|--------------------|
| COST | | | | | | |
| At 1 July 2018-Not Fully Depreciated | 3,389,506 | 33,958,486 | 11,608,491 | 4,301,968 | 6,949,291 | 60,207,742 |
| At 1 July 2018-Fully depreciated | 2,885,801 | 18,431,673 | 5,765,188 | 1,771,041 | 8,366,234 | 37,219,937 |
| Additions | - | 5,420,000 | 3,084,000 | 100,000 | - | 8,604,000 |
| Disposal | - | (132,876) | - | - | - | (132,876) |
| At 30 June 2019 | 6,275,307 | 57,810,159 | 20,324,803 | 6,173,009 | 15,315,525 | 105,898,803 |
| At 1 July 2019 | 6,275,307 | 57,810,159 | 20,324,803 | 6,173,009 | 15,315,525 | 105,898,803 |
| Additions | 2,360,500 | - | 7,628,998 | 2,113,343 | - | 12,102,841 |
| Disposal | (134,560) | (8,231,360) | (2,987,454) | (406,440) | - | (11,759,814) |
| At 30 June 2020 | 8,501,247 | 49,578,799 | 24,966,347 | 7,879,912 | 15,315,525 | 106,241,830 |
| DEPRECIATION | | | | | | |
| At 1 July 2018 | 4,758,720 | 44,748,801 | 12,780,928 | 4,679,253 | 12,040,195 | 79,007,897 |
| Charge for the year | 672,335 | 8,045,520 | 2,969,970 | 813,127 | 1,389,852 | 13,890,804 |
| Disposal | - | - | (106,304) | - | - | (106,304) |
| At 30 June 2019 | 5,431,055 | 52,794,321 | 15,644,594 | 5,492,380 | 13,430,047 | 92,792,397 |
| At 1 July 2019 | 5,431,055 | 52,794,321 | 15,644,594 | 5,492,380 | 13,430,047 | 92,792,397 |
| Charge for the year | 838,473 | 1,741,244 | 3,438,051 | 555,399 | 1,389,861 | 7,963,028 |
| Disposal | (134,560) | (8,231,360) | (2,840,212) | (56,438) | - | (11,262,570) |
| At 30 June 2020 | 6,134,968 | 46,304,205 | 16,242,433 | 5,991,341 | 14,819,908 | 89,492,855 |
| NET BOOK VALUE | | | | | | |
| At 30 June 2019 | 844,252 | 5,015,838 | 4,680,209 | 680,629 | 1,885,478 | 13,106,406 |
| At 30 June 2020 | 2,366,279 | 3,274,594 | 8,723,914 | 1,888,571 | 495,617 | 16,748,975 |

Notes (continued)

14. INTANGIBLE ASSETS

| | SAP KShs | UPCIS KShs | Q-PULSE KShs | PMIS Software KShs | Total KShs |
|---------------------------------------|------------------|-------------------|-----------------|-----------------------|-------------------|
| COST | | | | | |
| At 1 July 2018-Not fully amortized | 414,364 | - | - | 8,264,427 | 8,678,791 |
| At 1 July 2018-Fully amortized | 3,335,028 | 12,729,739 | 588,312 | - | 16,653,079 |
| At 30 June 2019 | 3,749,392 | 12,729,739 | 588,312 | 8,264,427 | 25,331,870 |
| At 1 July 2019-Not fully amortized | 414,364 | - | - | 8,264,427 | 8,678,791 |
| At 1 July 2019-Fully amortized | 3,335,028 | 12,729,739 | 588,312 | - | 16,653,079 |
| At 30 June 2020 | 3,749,392 | 12,729,739 | 588,312 | 8,264,427 | 25,331,870 |
| AMORTIZATION | | | | | |
| At 1 July 2018 | 3,749,392 | 12,729,739 | 588,312 | 3,030,287 | 20,097,730 |
| Charge for the year | - | - | - | 1,652,886 | 1,652,886 |
| At 30 June 2019 | 3,749,392 | 12,729,739 | 588,312 | 4,683,173 | 21,750,616 |
| At 1 July 2019 | 3,749,392 | 12,729,739 | 588,312 | 4,683,173 | 21,750,616 |
| Charge for the year | - | - | - | 1,652,886 | 1,652,886 |
| At 30 June 2020 | 3,749,392 | 12,729,739 | 588,312 | 6,336,059 | 23,403,502 |
| CARRYING VALUE | | | | | |
| At 30 June 2019 | - | - | - | 3,581,254 | 3,581,254 |
| At 30 June 2020 | - | - | - | 1,928,368 | 1,928,368 |

Notes (continued)

15. INVENTORIES

| | 2020 | 2019 |
|-------------------|-------------|-------------|
| | KShs | KShs |
| Office stationery | 595,390 | 480,848 |

WaterFund purchased various stationery items. As at the end of the reporting period, the balance of stock at hand is recognised as inventories.

16. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | 2020 | 2019 |
|---|---------------------------|---------------------------|
| | KShs | KShs |
| Project receivables – Urban Investments | 105,892,985 | 44,018,773 |
| - Rural Investments | 411,341,074 | 290,365,460 |
| Prepayments | 10,583,354 | 9,376,167 |
| Staff receivables | 5,099,558 | 4,592,200 |
| Other Trade Debtors | 3,295,109 | 4,829,915 |
| Provision for Bad Debts | (17,939,937) | (17,860,630) |
| | <u>518,272,143</u> | <u>335,321,885</u> |

- Urban project receivables relate to unaccounted for disbursements by the Water Service Providers carrying out the implementation of the Urban investments.
- Rural project receivables relate to unaccounted for funds by various partners under the Rural investments. The project disbursements are expected to be accounted for within one year.
- Staff receivables represent funds given to staff as imprest but not accounted for.

Movements on the provision for impairment of receivables are as follows:

| | 2020 | 2019 |
|---------------------------------|--------------------------|--------------------------|
| | KShs | KShs |
| At start of year | 17,860,630 | 20,217,290 |
| Provision in the year | 8,882,982 | 6,447,015 |
| Amounts recovered/accounted for | (8,803,675) | (8,803,675) |
| At end of year | <u>17,939,937</u> | <u>17,860,630</u> |

Notes (continued)

17. CASH AND CASH EQUIVALENTS

| | 2020 KShs | 2019 KShs |
|--|-----------------------------|-----------------------------|
| National Bank of Kenya Limited – Recurrent | 4,315,016 | 22,434 |
| National Bank of Kenya Limited – OBA | 4,016,682 | 922,473 |
| National Bank of Kenya Limited – OBA II | 67,867,013 | 72,243,904 |
| Kenya Commercial Bank Limited – Recurrent | 485,224,028 | 148,707,815 |
| Short Term Deposits – Kenya Commercial Bank | 296,222,720 | 275,699,623 |
| NIC KFW PHASE KShs | 125,904,960 | 187,234,371 |
| NIC KFW PHASE EURO | 9,947,144 | 9,629,670 |
| NIC BMGF KShs | 201,881,409 | 99,350,519 |
| NIC BMGF USD | 8,204,655 | 8,472,099 |
| National Bank of Kenya – IFAD | 22,291,808 | 16,405,636 |
| Kenya Commercial Bank-STAFF | 106,732,333 | 109,177,953 |
| NIC Bank Limited-MTAP II | - | 1,010 |
| NIC Bank – EU SHARE | 1,433,043 | 26,853,621 |
| NIC Bank – GGEP | 233,738,573 | 81,665,768 |
| Kenya Commercial Bank Limited – Sweden/Finland (J6P) | 148,022,113 | 84,690,815 |
| NIC - EU CPIRA | 300,140,387 | - |
| Co-operative Bank - WLP | 70,457,736 | - |
| Cash on hand* | 22,943 | 244,369 |
| Cash in transit** | 722,484,851 | 1,077,277,820 |
| | <u>2,808,907,414</u> | <u>2,198,599,900</u> |

*Cash on hand includes amounts received from staff after surrender of imprest totalling to KShs 21,823 and petty cash totalling to KShs 1,120.

** Cash in transit represents funds released by the donors, but at year end were still held in project designated bank accounts at the Central Bank of Kenya. These funds had not reflected in WSTF's account as at 30 June 2020.

18. ACCUMULATED SURPLUS

This is composed of the excess of revenue over expenditure relating to funds that have no conditions attached to them. It forms the pool from which future expenses will be drawn. The movement is shown below:

| | 2020 KShs | 2019 Restated KShs | 2018 Restated KShs |
|------------------------------------|---------------------------|---------------------------|---------------------------|
| Opening accumulated surplus | 316,605,710 | 149,920,762 | 90,573,907 |
| Surplus for the year | 180,083,876 | 166,684,948 | 59,346,855 |
| Closing accumulated surplus | <u>496,689,586</u> | <u>316,605,710</u> | <u>149,920,762</u> |

Notes (continued)

19. UNEXPENDED GRANTS

As per IPSAS 3: “Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with IPSAS if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity’s financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are authorized for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.”

WSTF carried out an assessment of components recognized in the Rural and Urban Investments individual Fund Accountability Statements (FASs) that were not previously recognized in the unexpended grants schedule in the Fund's financial statements. The assessment revealed material misstatements. To correct the errors, WSTF restated the prior period financial statements.

| | 2020 | 2019 Restated | 2018 Restated |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | KShs | KShs | KShs |
| Unexpended grants – Urban Investments | 647,917,905 | 417,285,334 | 463,559,161 |
| Unexpended grants – Rural Investments | <u>1,817,355,185</u> | <u>1,451,611,541</u> | <u>1,324,861,462</u> |
| | <u>2,465,273,090</u> | <u>1,868,896,875</u> | <u>1,788,420,623</u> |

The unexpended grants movement for each investment is presented below:

Notes (continued)

19. UNEXPENDED GRANTS

(a) Unexpended Grants - Urban investments

| | Government of Germany- KfW/BMFG | World Bank | Total |
|--|------------------------------------|--------------------|--------------------|
| As at 1 July 2018 restated | 391,216,280 | 72,342,881 | 463,559,161 |
| Funds received from development partners | - | 48,754,819 | 48,754,819 |
| GoK Counterpart funding | 30,000,000 | - | 30,000,000 |
| Donor interest income | 7,597,253 | - | 7,597,253 |
| Total project Expenditure | (91,932,018) | (40,693,881) | (132,625,899) |
| As at 30 June 2019 restated | 336,881,515 | 80,403,819 | 417,285,334 |
| As at 1 July 2019 restated | 336,881,515 | 80,403,819 | 417,285,334 |
| Funds received from development partners | 195,142,193 | 330,343,231 | 525,485,424 |
| GoK Counterpart funding | 39,900,000 | - | 39,900,000 |
| Donor interest income | 6,817,814 | - | 6,817,814 |
| Total project Expenditure | (137,981,274) | (203,589,393) | (341,570,667) |
| As at 30 June 2020 | 440,760,248 | 207,157,657 | 647,917,905 |
| Donor income recognized in the year (note 7) - Total project expenditure less GoK counterpart funding, interest income and foreign exchange gain/(loss) | | | |
| 2019 | 54,334,765 | 40,693,881 | 95,028,646 |
| 2020 | 91,263,460 | 203,589,393 | 294,852,853 |
| Represented by: | | | |
| Cash and cash equivalents | 345,938,166 | 71,883,695 | 417,821,861 |
| Cash in transit | - | 78,936,859 | 78,936,859 |
| Project Receivables | 105,892,986 | - | 105,892,986 |
| Other Receivables | - | - | - |
| Receivable from WSTF recurrent account | - | 57,112,103 | 57,112,104 |
| Payables | (11,070,904) | (775,000) | (11,845,904) |
| As at 30 June 2020 | 440,760,248 | 207,157,657 | 647,917,906 |

Notes (continued)

(b) UNEXPENDED GRANTS (Rural investments)

| | UNICEF | Sweden/Finland – J6P | European Union-EU (Rural) | Government of Denmark | IFAD | Total |
|--|-------------------|----------------------|---------------------------|-----------------------|--------------------|----------------------|
| As at 1 July 2018 restated | 16,426,015 | 412,535,036 | 767,321,070 | 80,413,664 | 48,165,677 | 1,324,861,462 |
| Funds received from development partners | - | 171,239,906 | 51,767,856 | 170,000,000 | 80,020,437 | 473,028,199 |
| GoK Counterpart funding | - | 70,000,000 | 10,703,511 | - | - | 80,703,511 |
| Donor interest income | - | 6,729,075 | 17,113,747 | 1,990,076 | - | 25,832,898 |
| Project assets | - | - | (599,000) | - | - | (599,000) |
| Total project Expenditure | (1,744,009) | (155,783,192) | (136,966,985) | (64,178,279) | (64,800,390) | (423,472,855) |
| Unrealized foreign exchange gain/(loss) | - | - | (28,742,674) | - | - | (28,742,674) |
| As at 30 June 2019 restated | 14,682,006 | 504,720,825 | 680,597,525 | 188,225,461 | 63,385,724 | 1,451,611,541 |
| As at 1 July 2019 restated | 14,682,006 | 504,720,825 | 680,597,525 | 188,225,461 | 63,385,724 | 1,451,611,541 |
| Funds received from development partners | - | 50,495,240 | 5,724,105 | 955,000,000 | 124,520,478 | 1,135,739,823 |
| GoK Counterpart funding | - | 112,000,000 | 49,296,489 | - | - | 161,296,489 |
| Donor interest income | - | 3,099,801 | 5,865,847 | 4,972,811 | - | 13,938,459 |
| Project assets | - | - | (2,230,000) | (5,511,078) | - | (7,741,078) |
| Total project Expenditure | - | (379,817,905) | (114,387,880) | (363,442,051) | (79,842,213) | (937,490,049) |
| As at 30 June 2020 | 14,682,006 | 290,497,961 | 624,866,086 | 779,245,143 | 108,063,989 | 1,817,355 |

| Donor income recognized in the year (note 7) - Total project expenditure less GoK counterpart funding, interest income and foreign exchange gain/(loss) | | | | | | |
|---|-------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| 2019 | 1,744,009 | 85,783,193 | 144,177,607 | 64,800,390 | 353,472,854 | |
| 2020 | - | 264,718,104 | 61,455,544 | 363,980,318 | 79,842,213 | |
| Represented by: | | | | | | |
| Cash and cash equivalents | - | 148,022,113 | 301,714,885 | 304,196,309 | 22,291,808 | 776,225,115 |
| Cash in transit | - | 56,004,725 | 312,152,914 | 275,390,353 | - | 643,547,992 |
| Project Receivables | 336,644 | 94,275,301 | 19,813,263 | 208,256,746 | 87,749,334 | 410,431,288 |
| Other Receivables | - | 1,259,663 | 92,040 | 184,176 | 6,250 | 1,542,129 |
| Receivable from WSTF recurrent account | 14,345,362 | - | - | - | - | 14,345,362 |
| Payables | - | (9,063,841) | (8,907,016) | (8,782,441) | (1,983,403) | (28,736,701) |
| As at 30 June 2020 | 14,682,006 | 290,497,961 | 624,866,086 | 779,245,143 | 108,063,989 | 1,817,355,185 |

| Development Partner | As at 1 July 2018 | GoK Counterpart omitted from unexpended grants presentation | Interest income omitted from unexpended grants presentation | Foreign exchange (gain)/loss | Omitted/(over-reported) expenditure | Inter-account transfers (Outflow)/inflow | Net impact from 2017 | As at 1 July 2018 Restated |
|----------------------------------|------------------------|---|---|------------------------------|-------------------------------------|--|----------------------|----------------------------|
| UNICEF | (20,537,131) | (156,601,945) | (3,438,046) | - | 164,151,107 | | 4,111,116 | (16,426,015) |
| J6P | (332,803,987) | (84,824,210) | (32,606,260) | (20,254,428) | 57,953,849 | | (79,731,049) | (412,535,036) |
| EU Rural | (758,931,995) | - | (10,080,540) | - | (54,463) | 1,745,928 | (8,389,075) | (767,321,070) |
| Government of Denmark | 55,859,695 | - | (21,710,485) | - | (114,562,874) | | (136,273,359) | (80,413,664) |
| IFAD | (48,415,159) | - | - | - | 249,482 | | 249,482 | (48,165,677) |
| World Bank OBA | (73,304,842) | - | - | - | 961,961 | | 961,961 | (72,342,881) |
| Government of Germany - KfW/BMGF | (214,205,575) | - | (56,022,587) | 19,888,921 | (139,131,111) | | (177,010,705) | (391,216,280) |
| Total | (1,392,338,994) | (241,426,155) | (123,857,918) | (365,507) | (30,432,049) | - | (396,081,629) | (1,788,420,623) |

Notes (continued)

20. DEFERRED INCOME FROM CAPITAL GRANTS

| | 2020 | 2019 |
|----------------------------------|--------------------|--------------------|
| | KShs | KShs |
| As at 1 July | 264,810,216 | 264,694,939 |
| Received during the year | - | 5,580,000 |
| Transfer to income - depreciated | (3,882,563) | (5,464,723) |
| As at 30 June | 260,927,653 | 264,810,216 |
| Current | 3,882,563 | 5,580,000 |
| Non – current | 257,045,090 | 259,230,217 |
| As at 30 June | 260,927,653 | 264,810,217 |

The portion transferred to income represents depreciation charge for 12 months at the year-end on the donated assets during the year.

21. STAFF GRATUITY

| | 2020 | 2019 |
|------------------------|-------------------|-------------------|
| | KShs | KShs |
| At start of year | 31,597,514 | 34,486,742 |
| Provision for the year | 35,860,556 | 28,450,848 |
| Paid during the year | (7,499,816) | (31,340,076) |
| As at 30 June | 59,958,254 | 31,597,514 |
| Current | 27,917,975 | 25,372,080 |
| Non-current | 32,040,279 | 6,225,434 |
| As at 30 June | 59,958,254 | 31,597,514 |

This refers to the estimated monetary liability for contractual employees' accrued service gratuity entitlement at the end of the reporting period. Gratuity is accrued at the rate of 31% of annual basic salary. The current portion is payable within one year.

Notes (continued)

22. TRADE AND OTHER PAYABLES

| | 2020 | 2019 |
|--------------------------|-------------------|-------------------|
| | KShs | KShs |
| Trade payables | 52,255,752 | 57,115,350 |
| Staff leave accrual | 6,082,271 | 3,920,539 |
| Withholding tax payable | 5,265,684 | 6,416,890 |
| Salaries payables - CRMs | - | 1,727,199 |
| | <u>63,603,707</u> | <u>69,179,978</u> |

23. COMMITMENTS

Capital Assets Commitments

The Fund had capital commitments in the current year as follows.

| | 2020 | 2019 |
|----------|-------------|-------------|
| | KShs | KShs |
| Budgeted | 31,700,000 | 26,100,000 |

Project commitments

The Fund had committed to fund projects to the tune of KShs. 3,540 Million (2019:KShs 3,923 Million) for subsequent disbursement requests which become due on the submission of acceptable financial and progress reports. As at the end of reporting period, the projects were at different stages of implementation. This amount is expected to fall due during the next financial year.

The project commitments are as follows:

| | 2020 | 2019 |
|------------------------------|----------------------|----------------------|
| | KShs | KShs |
| Water and sanitation – Rural | 1,990,544,933 | 1,948,016,056 |
| Water Resources | 459,092,764 | 451,092,764 |
| Water and sanitation - Urban | 1,090,000,000 | 1,524,000,000 |
| | <u>3,539,637,697</u> | <u>3,923,108,820</u> |

Notes (continued)

24. OPERATING LEASE ARRANGEMENTS

| | 2020 KShs | 2019 KShs |
|---|--------------|--------------|
| Minimum lease payments under operating leases recognized through Statement of financial performance | 18,430,424 | 19,642,335 |

At the end of the reporting period, WaterFund had outstanding commitments under operating leases, payable as follows:

| | 2020 KShs | 2019 KShs |
|--|-------------------|-------------------|
| Within one year | 9,742,323 | 21,239,451 |
| In the second to fifth years inclusive | 12,629,547 | 10,149,983 |
| | <u>22,371,870</u> | <u>31,389,434</u> |

Operating lease payments represent rentals payable by WaterFund for its office premises. The lease will expire in December 2025.

25. RELATED PARTY TRANSACTIONS

i) Key management compensation

The remuneration of Trustees and other members of key management during the year were as follows:

| | 2020 KShs | 2019 KShs |
|--|-------------------|-------------------|
| Salaries and other short-term benefits | 24,186,888 | 24,324,406 |
| Gratuity | 3,220,804 | 3,013,380 |
| NSSF | 11,400 | 11,400 |
| | <u>27,419,092</u> | <u>27,349,186</u> |
| Trustees emoluments | 9,180,000 | 6,460,000 |
| Other emoluments (included in key management compensation above) | 12,954,603 | 7,002,056 |

ii) WSTF is a State Corporation. Funds received from the Government of Kenya are disclosed under note 6.

26. CONTINGENT LIABILITIES

The claim on WaterFund from ongoing legal cases was as follows:

- i) Rosaita Ngina Mbukua vs WSTF. This is an employment legal claim for unfair termination. The claim sought is KShs 14,061,998 in terminal dues and/or damages for unfair/unlawful termination and costs to the suit.

However, WaterFund's lawyers estimate that the contingent liability may not exceed KShs 3,187,667.

Based on the information currently available and legal advice by WaterFund's contracted lawyers, the Trustees believe that the ultimate resolution of these legal proceedings is not expected to result into a material effect on the results of WaterFund's operations, financial position or liquidity.

Notes (continued)

27. FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

(b) Financial risk management objectives

WaterFund's activities expose it to a variety of financial risks including credit and liquidity risks and the effects of changes in foreign currency. The fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. In the current year the management met and drafted a risk management manual that will guide in the management of the risks affecting the fund.

(c) Credit risk

WaterFund's credit risk is primarily attributable to its liquid funds with financial institutions, staff receivables as well as funds advanced to projects. The credit risk on the liquid funds with financial institutions is low because the counter parties are banks with high credit-ratings. The financial assets are fully performing as the fund continues to enjoy the services secured by these balances. The default rate is low.

The amount that best represents the Fund's maximum exposure to credit as at 30 June is made up as follows:

| | Fully performing KShs | Past due KShs | Impaired KShs | Total KShs |
|-------------------------------------|-----------------------------|--------------------------|------------------|-----------------------------|
| Cash at bank | 2,086,399,620 | - | - | 2,086,399,620 |
| Project receivables | 495,494,422 | 17,939,937 | - | 513,434,359 |
| Staff receivables | 5,099,558 | - | - | 5,099,558 |
| Other receivables | 3,295,109 | - | - | 3,295,109 |
| Prepayments and other trade debtors | 13,878,463 | - | - | 13,878,463 |
| At 30 June 2020 | <u>2,604,167,172</u> | <u>17,939,937</u> | <u>-</u> | <u>2,622,107,109</u> |
| Cash at bank | 1,121,077,710 | - | - | 1,121,077,710 |
| Project receivables | 316,523,603 | 17,860,630 | - | 334,384,233 |
| Staff receivables | 4,269,524 | 322,676 | - | 4,592,200 |
| Prepayments and other trade debtors | 14,206,082 | - | - | 14,206,082 |
| At 30 June 2019 | <u>1,456,076,919</u> | <u>18,183,306</u> | <u>-</u> | <u>1,474,260,225</u> |

Notes (continued)

27. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the trustees, who have built an appropriate liquidity risk management framework for the management of WaterFund's short, medium and long-term funding and liquidity management requirements. The WaterFund manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows and developing a risk management policy manual to guide in risk assessment and management in the fund.

The table below analyses the WaterFund's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows as the impact of discounting is not significant.

| | Less than 1 month KShs | Between 1-3months KShs | Over 3 Months KShs | Total KShs |
|--------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------|
| Trade payables | 52,255,752 | - | - | 52,255,752 |
| Withholding tax payable | 5,265,684 | - | - | 5,265,684 |
| Salaries payables - CRMs | - | - | - | - |
| Staff leave | - | 6,082,271 | - | 6,082,271 |
| Staff gratuity | - | - | 59,958,254 | 59,958,254 |
| Deferred income | - | - | 260,927,653 | 260,927,653 |
| At 30 June 2020 | 57,521,436 | 6,082,271 | 320,885,907 | 384,489,614 |
| Trade payables | 57,115,530 | - | - | 57,115,530 |
| Withholding tax payable | 6,416,890 | - | - | 6,416,890 |
| Salaries payables CRMs | 1,727,199 | - | - | 1,727,199 |
| Staff leave | - | 3,920,539 | - | 3,920,539 |
| Staff gratuity | - | - | 31,597,514 | 31,597,514 |
| Deferred income | - | - | 264,810,216 | 264,810,216 |
| At 30 June 2019 | 65,259,619 | 3,920,539 | 296,407,730 | 365,587,888 |

(e) Market risk management

WaterFund takes on exposure to market risk, which is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the fund's surplus or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Monitoring of market risk is done by management in conjunction with the Board of Trustees. Market risk exposures are measured by the use of sensitivity analyses. The market risk exposure for the Fund relates primarily to currency risk.

Currency Risk

The fund undertakes certain transactions denominated in foreign currencies mainly the USD and Euro. This results in exposures to exchange rate fluctuations. The Fund does not hedge its foreign currency risk.

In light of the above, any adverse movements in exchange rates may result in either exchange gain or loss, with the latter having a negative impact on earnings, as the Fund reports its financial performance in Kenya Shillings.

Notes (continued)

27. FINANCIAL RISK MANAGEMENT POLICIES (continued)

The balances held in foreign currency as at the end of the year were as follows:

| Foreign currency Denominated Balances | 2020 | 2019 |
|--|-------------|-------------|
| NIC Bank - KfW Phase II Euro | 82,796 | 82,796 |
| NIC Bank -- KFW USD | 77,022 | 82,818 |

28. CAPITAL RISK MANAGEMENT

WaterFund manages its funds to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and fund balance.

The capital structure of the WaterFund consists of revenue reserves and the Fund was not geared as at 30 June 2020 and 30 June 2019.

29. RESTATEMENT OF COMPARATIVE BALANCES

RECONCILIATION OF THE RESTATED BALANCES STATEMENT OF FINANCIAL PERFORMANCE

| | Notes | At 30 June 2019 | | Restated KShs |
|---|--------|---------------------------|---------------------|----------------------|
| | | Previously stated KShs | Adjustments | |
| REVENUE | | | | |
| Revenue from non-exchange transactions | | | | |
| Government of Kenya grants | 6 | 579,856,000 | | 579,856,000 |
| Restricted donor funds | 7 | 468,127,153 | (55,563,061) | 412,564,092 |
| | | <u>1,047,983,153</u> | | <u>992,420,092</u> |
| Revenue from exchange transactions | | | | |
| Miscellaneous income | 8 | 25,417,314 | | 25,417,314 |
| Finance income | 9 (a) | 52,092,307 | | 52,092,307 |
| Kenya Sanitation conference | 9 (b) | - | | - |
| | | <u>77,509,621</u> | - | <u>77,509,621</u> |
| Total revenue | | <u>1,125,492,774</u> | <u>(55,563,061)</u> | <u>1,069,929,713</u> |
| EXPENDITURE | | | | |
| Staff costs | 10 | (190,491,648) | | (190,491,648) |
| Remuneration of trustees | 11 (a) | (22,509,915) | | (22,509,915) |
| Repairs and maintenance | 11 (b) | (188,105) | | (188,105) |
| Depreciation and amortization expense | 11 (c) | (15,543,690) | | (15,543,690) |
| General expenses | 11 (d) | (115,489,635) | | (115,489,635) |
| Project expenses | 12 | (571,050,172) | 12,028,400 | (559,021,772) |
| Total expenditure | | <u>(915,273,16)</u> | <u>12,028,400</u> | <u>(903,244,765)</u> |
| Surplus for the year | | <u>210,219,610</u> | <u>(43,534,661)</u> | <u>166,684,948</u> |

29. RESTATEMENT OF COMPARATIVE BALANCES

RECONCILIATION OF THE RESTATED BALANCES STATEMENT OF FINANCIAL POSITION

| | Notes | 2019 As previously stated KShs | Adjustments KShs | 2019 Restated |
|--|-------|---|---------------------|----------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 15 | 2,198,599,900 | | 2,198,599,900 |
| Receivables from non-exchange transactions | 14 | 335,321,885 | | 335,321,885 |
| Inventories | 13 | 480,850 | | 480,850 |
| | | <u>2,534,402,635</u> | | <u>2,534,402,635</u> |
| Non - current assets | | | | |
| Property and equipment | 11 | 13,106,406 | | 13,106,406 |
| Intangible assets | 12 | 3,581,254 | | 3,581,254 |
| | | <u>16,687,660</u> | | <u>16,687,660</u> |
| TOTAL ASSETS | | <u>2,551,090,295</u> | - | <u>2,551,090,295</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Deferred income from capital grants | 18 | 5,580,000 | | 5,580,000 |
| Staff gratuity | 19 | 25,372,080 | | 25,372,080 |
| Trade and other payables | 20 | 69,179,978 | | 69,179,978 |
| | | <u>100,132,058</u> | - | <u>100,132,058</u> |
| Non-current liabilities | | | | |
| Deferred income from capital grants | 18 | 259,230,217 | | 259,230,217 |
| Staff gratuity | 19 | 6,225,434 | | 6,225,434 |
| | | <u>265,455,651</u> | - | <u>265,455,651</u> |
| Net assets | | | | |
| Accumulated surplus | 16 | 756,222,001 | (439,616,291) | 316,605,710 |
| Unexpended grants | 17 | 1,429,280,585 | 439,616,291 | 1,868,896,875 |
| TOTAL NET ASSETS AND LIABILITIES | | <u>2,551,090,295</u> | - | <u>2,551,090,295</u> |

29. RESTATEMENT OF COMPARATIVE BALANCES

RECONCILIATION OF THE RESTATED BALANCES STATEMENT OF FINANCIAL POSITION

| | Notes | 2018 As previously stated KShs | Adjustments KShs | 2018 Restated |
|--|-------|---|---------------------|----------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 15 | 2,090,107,152 | | 2,090,107,152 |
| Receivables from non-exchange transactions | 14 | 189,926,983 | | 189,926,983 |
| Inventories | 13 | 158,937 | | 158,937 |
| | | <u>2,280,193,072</u> | | <u>2,280,193,072</u> |
| Non - current assets | | | | |
| Property and equipment | 11 | 18,419,782 | | 18,419,782 |
| Intangible assets | 12 | 5,234,140 | | 5,234,140 |
| | | <u>23,653,922</u> | | <u>23,653,922</u> |
| TOTAL ASSETS | | <u>2,303,846,994</u> | <u>-</u> | <u>2,303,846,994</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Deferred income from capital grants | 18 | 259,898,426 | | 259,898,426 |
| Staff gratuity | 19 | 26,484,764 | | 26,484,764 |
| Trade and other payables | 20 | 66,323,928 | | 66,323,928 |
| | | <u>352,707,118</u> | - | <u>352,707,118</u> |
| Non-current liabilities | | | | |
| Deferred income from capital grants | 18 | 4,796,513 | | 4,796,513 |
| Staff gratuity | 19 | 8,001,978 | | 8,001,978 |
| | | <u>12,798,491</u> | - | <u>12,798,491</u> |
| Net assets | | | | |
| Accumulated surplus | 16 | 546,002,391 | (396,081,629) | 149,920,762 |
| Unexpended grants | 17 | 1,392,338,994 | 396,081,629 | 1,788,420,623 |
| TOTAL NET ASSETS AND LIABILITIES | | <u>2,303,846,994</u> | <u>-</u> | <u>2,303,846,994</u> |

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APPENDICES

APPENDIX 1 – STATUS OF IMPLEMENTATION OF PRIOR AUDIT RECOMMENDATIONS

| No | Finding | Recommendation | Management comments | Responsibility | Status |
|-------|--|---|---|--|--|
| 3.1.1 | <p>Questioned project costs</p> <p>The auditor identified questioned project costs amounting to KShs 5,424,187 arising from project expenditures incurred by implementing partners. The questioned costs arose from expenditure transactions that were not adequately supported.</p> | <p>Management should follow up with the implementing partners for evidence that the expenses reported were incurred. Failure to obtain this they should demand for a refund of the questioned amounts. In addition to this, the WaterFund should consider going forward to have the project implementing partners submit certified copies of the supporting documents when submitting their accounting reports.</p> | <p>Follow up for questioned costs is ongoing. Other key policy changes made at the fund to mitigate the recurrence of the questioned cost are;</p> <ul style="list-style-type: none"> -Development and implementation of a governance assessment tool for implementing partners; -Development and implementation of Project Implementation Manual (PIM); -Risk assessment of implementing partners; -Development and implementation of integrity management toolbox; -Continuous training and capacity building of implementing partners; -Taking legal action against implementing partners; -Development and implementation of County engagement strategy; -Enhance monitoring and evaluation of funded projects; | <p>Chief Manager, Investments and Programmes and Chief Manager, Audit & Risk</p> | <p>Open</p> <p>Questioned costs amounting to KShs 11,211,949 arose from expenditure transactions that were not adequately supported, anomalies in the procurement process and payment of VAT paid from donor funds.</p> |

| No | Finding | Recommendation | Management comments | Responsibility | Status |
|-------|---|--|--|---------------------------|---|
| 3.1.2 | <p>Management fees income recognised in the wrong period</p> <p>The auditor not that management fees/ income of KShs 1,910,559 (KShs 761,216 under J6P and KShs 1,149,343 under MTAP- EU Share) recognized by WSTF in the current period which should have been recognized in the prior period. It related to disbursements made in the financial year ended 30 June 2018. The entire amount of KShs 1,910,559 has been included in the current period financial statements.</p> | <p>In line with the matching concept, management fees are to be recognised upon disbursements of funds to the various implementing partners and not when actual funds are received in WSTF's recurrent bank account. Management should consider at the end of each financial year, preparing a reconciliation of fund disbursed in the year, expected management fees and actual management fees recognized.</p> | <p>-Recruitment of County Resident Monitors and Resident Engineers to assist implementing partners in all aspects of project implementation; and -Copies of all financial transaction to be submitted to WSTF on regular basis for reviews and filing. Management has noted the recommendation and shall be observed in subsequent reporting periods</p> | Chief Manager, Finance | <p>Open In the current period management fees income for one project was recognised in the wrong period.</p> |
| 3.1.3 | <p>Journals posted in the system by an unexpected user</p> <p>The auditor noted the following issues: Journals relating to stock issues were created and posted in SAP using a 'manager' account profile. From our understanding, this</p> | <p>The 'manager' account profile should only be accessible by the IT manager/ super user and not the finance department staff. All transactions</p> | <p>The management has noted the observation and shall ensure that staff managing stores are trained and use the SAP issue module appropriately.</p> | Manager ICT | <p>Resolved There were no postings done by unexpected users.</p> |

| No | Finding | Recommendation | Management comments | Responsibility | Status |
|-------|---|--|---|---------------------|--|
| | <p>'manager' account profile is for the IT super user to enable creation and deletion of accounts and granting access rights to various users in SAP. We further noted that this account profile has the rights to delete transaction trails; and There was no evidence of review and approval of the journals posted by the super user ('manager')</p> | <p>posted in SAP should be through individual staff profiles. All rights should be re-confirmed/ re-certified to ensure that no individual user profile on SAP can process a transaction from input to approval. There also need to ensure there is regular monitoring of the transaction logs for the 'master' account profile. Additionally, training of the procurement staff on use of SAP should be conducted to ensure that they update SAP regularly with stock issues.</p> | | | |
| 3.1.4 | <p>Weakness in stock management</p> <p>From the review of the auditors, transactions relating to the inventory (stock) account, we noted that stock quantities were updated in SAP using the quantities on the approved local purchase orders (LPOs). However, there was no evidence of reconciliation of stock recognized in SAP (per LPO) with the actual quantities received. In addition to this, we noted that stock issue forms were duly filled</p> | <p>Management should ensure that: -Stock quantities purchased are recorded in SAP based on actual quantities received; -The procurement team is trained on how to use the issues module in SAP; -Timely update of stock issues in SAP are done using the staff requisition forms; and</p> | <p>Procurement staff will be trained by SAP vendor on the modalities of using the stock issue. It will lead to timely update of stock issues in SAP, reconciliation of stock on SAP and minimise undetected loss and misappropriation of stock.</p> | <p>Manager, ICT</p> | <p>Open Timely update of stock issues in SAP was not done . However staff were trained on SAP system during the year.</p> |

| No | Finding | Recommendation | Management comments | Responsibility | Status |
|-------|--|---|---|---|---|
| 3.2.1 | <p>Delayed submission of quarterly reports to development partners</p> <p>The auditor noted instances of non-compliance with the development partners reporting requirements evidenced through late submission of quarterly reports to the development partners for both rural and urban investments.</p> | <p>-Reconciliation of stock recorded in SAP to stock count sheets and staff requisition forms is done. Priority High</p> <p>Management should ensure reporting requirements are adhered to according to the provisions of the grant agreements with development partners. This can be achieved by implementing an internal reporting deadline which is set for a date before the donors' deadline to make sure that even with delays they have a cushion period within which the reports can be completed. In addition, management should follow up keenly with the CRMs to ensure timely submission of the</p> | <p>Management has developed and implemented various measures that will ensure timely submission of reports to the development partners. Key policy changes made at the WaterFund to ensure timely submission of reports to Development Partners are as listed in No. 1 above under Questioned costs</p> | <p>Chief Manager Investments & Programmes</p> | <p>Open Instances of late reporting of quarterly reports to the development partner are outstanding.</p> |

| No | Finding | Recommendation | Management comments | Responsibility | Status |
|-------|---|--|--|---|--|
| 3.2.2 | Variances between reports to development partners and the WaterFund's financial statements | The auditors noted instances where there was variance between the expenditure reported to the development partners in the quarterly reports and the final financial statements prepared by WaterFund. | Although subsequent to the year-end management has discussed with the development partners on the need to submit updated annual reports and it has been deemed as not necessary, management should consider indicating in their quarterly report an estimate of other expenses incurred but not included in the report and the estimated overall burn rate. | The Management and the Development Partners (DPs) in the Rural Steering meeting held on 8th October 2019 discussed the matter where the DPs were informed that the final fund balances will be those derived from the audit report, and these may vary from those in the Harmonised Annual Rural Progress Report. Further the audit recommendations will be implemented in subsequent periods. | Open There are variances between reported amounts and the FS amount. |
| 3.2.3 | Delay in funding from both the Government of Kenya (GoK) and development partners | In the period under review, the auditors noted a delay in receipt of funds from the GoK relating to counterpart funding for projects and also from development partners (KfW, Governments of Sweden and Finland) relating to the Urban investment and J6P programmes respectively. | Management should liaise with GoK and the development partners to ensure there is a follow up on the funding to be received within reasonable/ stipulated contract timelines. This can be done through official reminders by the WSTF CEO through the Cabinet Secretary Ministry of Water and Sanitation as well as during the board meetings where the ministry is represented and for the development partners through the | The management has undertaken follow ups with the Ministry, the National Treasury and development partners on the matter pertaining to delayed disbursements. The disbursement of GoK funds is done at the same time for all state entities based on availability of funds by the Government. WSTF transfers the counterpart funds when the funds are received to respective project bank accounts. In addition, WSTF has ensured there is adequate | Resolved There were no delays in funding from both GOK and development partners. |

| No | Finding | Recommendation | Management comments | Responsibility | Status |
|-------|--|--|--|---------------------|---|
| 3.3.1 | <p>Deficiencies in the MIS policy</p> <p>The auditor noted weaknesses in relation to the Management Information System (MIS) policy in the following areas:</p> <ul style="list-style-type: none"> - Change Management - User Management - Password Management | <p>continuous interaction and meetings held.</p> <p>Change management process should be documented to include logging of changes, risk and impact assessment criteria, user acceptance testing and fall-back strategies. Password lock out policy requirement should be outlined in the policy.</p> <p>Management should ensure the processes of user access rights review and superuser activities monitoring is documented and formalized. This should include the frequency of periodic user access review, as well as how the management identifies superuser/sensitive accounts that should be monitored.</p> | <p>funds in the project bank accounts that meet the project commitments.</p> <p>The ICT Policy will be revised in line with the period of time that it covers. Emerging issues such as change management and user management will be included. The password management section will be enhanced.</p> | <p>Manager ICT</p> | <p>Open</p> <p>Deficiencies in the MIS policy noted.</p> |
| 3.3.2 | <p>Systems underutilization</p> <p>The auditors noted that management implemented Project management Information</p> | <p>Management should ensure that all stakeholders are involved during all phases of development to</p> | <p>Management has undertaken a comprehensive review of the previous project systems, undertaken stakeholder</p> | <p>Manager, ICT</p> | <p>Resolved</p> <p>No systems underutilization</p> |

| No | Finding | Recommendation | Management comments | Responsibility | Status |
|-------|---|---|---|---------------------|--|
| 3.3.3 | <p>Weakness in password configuration on applications</p> <p>The management has a documented MIS policy that defines most of the parameters required for strong password enforce for the application, operating system and the database. We however noted the following weaknesses in password management:</p> <p>a) Password sharing We noted that the admin level account manager on SAP B1 is shared by IT staff.</p> <p>b) AREN Password Parameters Key password parameters not enforced on the application. Details of these have been provided in appendix 3 to this report.</p> | <p>enhance user acceptability. Return of investment should be assessed as a post implementation review strategy to ensure the systems serve the purpose.</p> <p>Password profiles on the applications should be aligned to the password policy or good practice recommendations. The account lockout policy controls brute force attack by locking the accounts whenever the number of failed attempts is reached. This locks out the user for some specified period of time before the user can be allowed to retry logging in. In some sensitive applications, management may require the account to be locked until unlocked by the administrator. Password history prohibits users from recycling password to the extent of</p> | <p>participation and come up with a plan for a revised system that integrates these previous systems and also takes into account the changes in technology. This systems integration process is being currently carried out.</p> <p>SAP password configuration will be revised to bring it in line with the password policy. At the moment, password controls are not enforced in Aren. The management is in discussions with the Aren vendor to update the application to include password controls.</p> | <p>Manager, ICT</p> | <p>Open Weakness in password configuration on applications still outstanding.</p> |

| No | Finding | Recommendation | Management comments | Responsibility | Status |
|-------|--|---|--|--|--|
| | <p>c)SAP B1 Password Parameter the auditors noted that minimum password length and password history are not set as per the policy/best practice.</p> | <p>the number specified. Appropriate password length minimizes instances of brute-force attack.</p> | | | |
| 3.3.4 | <p>Weaknesses in the database (DB) and operating system (OS)</p> <p>The auditor observed the following: a) Audit logs were not enabled at the database level. Global auditing parameters are not enabled on SAP B1 SQL 2012 database. b) Minimum password length and minimum password age parameters on the OS are not appropriately set.</p> | <p>Auditing at the database level should be enabled. Minimum password length and minimum password age parameters on the OS should be set as per policy requirements.</p> | <p>Auditing at the SAP database level will be enabled. Password parameters on the OS will be set appropriately.</p> | <p>Manager, ICT</p> | <p>Resolved No weaknesses in DB and OS noted.</p> |
| 3.3.5 | <p>Monitoring of super user activities is not done</p> <p>The auditors noted that continuous monitoring of super user and administrator level accounts is not done at application, database and operating system</p> | <p>Super user activities should be continuously monitored and periodically reviewed. Management should consider using a variety of super user activities monitoring tools available for monitoring activities at application, operating systems and database level.</p> | <p>Management will enhance periodic review of audit logs to ensure that the super user activities are reviewed. Monitoring tools will be explored to automate monitoring of super user activities.</p> | <p>Chief Manager, Audit and Manager, ICT</p> | <p>Partially resolved A super user review was conducted by the internal audit in December 2019, best practice recommendation is to have the review as an ongoing process.</p> |

| No | Finding | Recommendation | Management comments | Responsibility | Status |
|-------|--|---|--|----------------|--|
| 3.3.6 | Periodic user access rights recertification for AREN was not performed | <p>It was noted that the management identifies users with the role IDs, role Name and department to determine the appropriateness of the roles granted to the users. Access to programs and data is also properly reviewed and authorized before users are granted access to the systems. User access rights review is done in an ad hoc manner. In addition, the auditor could not obtain evidence of periodic user access rights review for AREN.</p> | <p>Management should ensure that user access rights are reviewed periodically for appropriateness of continued access. The frequency of the review should be documented.</p> | Manager ICT | Resolved No issues on user access rights in the period under audit. |
| 3.3.7 | Lack of fire extinguisher around the data centre | <p>The auditor noted that the management had in place important operational controls in the server room that help to ensure that an organization will be able to continue operations in the event of a disaster. However, there was no fire extinguisher in place for the server room.</p> | <p>Management should ensure that there is a fire extinguisher for the server room located in a visible area near the entrance of the server room.</p> | Manager, ICT | Resolved A fire extinguisher was installed in the server room |
| 3.3.8 | Lack of Operational level agreements (OLAs) between IT and other functional units | <p>The auditors noted that there were no documented service delivery commitments between IT and other functional areas. This stipulates the service level agreement to ensure issues raised and</p> | <p>Service delivery commitments between IT and other functional areas will be included as part of the IT policy.</p> | Manager ICT | Open No documented service delivery commitments between IT and other functional areas. |

| No | Finding | Recommendation | Management comments | Responsibility | Status |
|-------|---|---|--|---|--|
| 3.3.9 | Lack of a reliable incidence management system | Management should ensure that there is a functionality to enable user raise issue calls with IT and the issues are tracked from the time they are raised to resolution. | As part of the systems integration process, an IT Helpdesk application will be developed, this will ensure that all issues raised by users are captured through a suitable ticketing system and expedited appropriately. | Manager ICT | Open Issues raised during production are recorded in manual spreadsheets |
| 3.4.1 | Project implementation without valid contracts | WSTF should keenly monitor project implementation and be able to determine the completion status of projects and be aware of contracts approaching expiry and take up the necessary action. | In future the management will ensure that all implementation contracts are valid and there is compliance to contractual requirements. | Chief Manager, Investments and Programmes | Open An instance where the IP did not obtain the approval for extension of the contract was noted. |
| 3.4.2 | Weaknesses around procurement process | Management should continue to capacity build and train implementing partners on the importance of competitive bidding and value for money. They should also require of them to ensure they maintain justification | An action plan has been developed by the management to have the issues raised under procurement at Implementing Partners level resolved and mitigate future recurrence. Key action to be implemented is as per | Chief Manager, Investments and Programmes | Open Instances where procurement processes were not adhered to were noted. |

| No | Finding | Recommendation | Management comments | Responsibility | Status |
|-------|--|---|---|--|--|
| 3.4.3 | Failure to brand (label) projects with WSTF and Development partner logos | The auditors noted that some implemented projects had not been branded. As such locating them and identifying them as having been funded by WSTF and the respective donor was not possible. | where single sourcing is done. Management should ensure projects are properly labelled as directed by WSTF. Priority Medium | An action plan has been developed by the management to have the issues raised of failure to brand (label) projects with WSTF and Development partner logos. Key action to be implemented is as per response on No. 1 of Questioned costs. | Open There were project sites that were not labelled with WSTF and development partners logos. |
| 3.4.4 | Supporting documents not nullified. | The auditors noted that some projects management teams did not cancel, or stamp "PAID" all the supporting documents for processed project payments. | WSTF should follow this up with the various projects to ensure that this control is implemented and that all payments vouchers are stamped 'PAID' or cancelled. | The management has developed elaborate measures that will ensure that the issues raised are addressed and implementing partners nullify supporting document by stamping 'PAID'. Key action to be implemented is as per response on No. 1 of Questioned costs. | Open Projects management teams did not cancel, or stamp "PAID" all the supporting documents for processed project payments |

APPENDIX II – INTER-ENTITY TRANSFERS

The table below shows funds received during the year from the Government of Kenya and Development Partners.

| a. | Recurrent Grants | | | |
|----|--------------------|----------------------------|----------------------|---------------------------|
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | |
| | GOK | 14.08.2019 | 14,166,667 | FY 2019/20 |
| | | 05.09.2019 | 14,166,667 | FY 2019/20 |
| | | 04.10.2019 | 14,166,666 | FY 2019/20 |
| | | 05.11.2019 | 14,166,667 | FY 2019/20 |
| | | 10.12.2019 | 14,166,667 | FY 2019/20 |
| | | 24.12.2019 | 14,166,667 | FY 2019/20 |
| | | 10.02.2020 | 14,166,667 | FY 2019/20 |
| | | 04.03.2020 | 10,353,869 | FY 2019/20 |
| | | 02.04.2020 | 14,166,666 | FY 2019/20 |
| | | 08.04.2020 | 3,812,797 | FY 2019/20 |
| | | 28.05.2020 | 14,166,667 | FY 2019/20 |
| | | 03.06.2020 | 14,166,667 | FY 2019/20 |
| | | 29.06.2020 | 14,166,666 | FY 2019/20 |
| | | Total | 170,000,000 | |
| | | | | |
| b. | Development Grants | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | |
| | GOK | 03.07.2019 | 103,706,000 | Accrued on 30th June 2019 |
| | | 04.11.2019 | 106,250,000 | |
| | | 04.11.2019 | 106,250,000 | |
| | | 12.06.2020 | 106,242,500 | |
| | | Total | 422,448,500 | |
| | | | | |
| c. | Emergency Fund | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | |
| | GOK | 30.06.2020 | 200,000,000 | |
| | | | | |
| | | | | |
| c. | Direct Payments | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | |
| | NONE | NONE | NONE | |
| | | | | |
| d. | Donor Receipts | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | |
| | World Bank | 04.07.2019 | 13,091,433 | Accrued on 30th June 2019 |
| | | 17.10.2019 | 13,277,856 | |
| | | 24.01.2020 | 101,556,953 | |
| | | 26.03.2020 | 12,221,607 | |

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| | | | | |
|--|-----------------|-----------------------------------|-----------------------------|---|
| | | 17.04.2020 | 69,653,674 | |
| | | 26.06.2020 | 54,696,282 | |
| | | | 78,936,859 | Cash in Transit accrued on 30th June 2020 |
| | | Total | 343,434,664 | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | |
| | EU CPIRA | 27.09.2019 | 313,275,690 | |
| | | 19.06.2019 | 312,152,914 | Cash in Transit accrued on 30th June 2020 |
| | | Total | 625,428,604 | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | |
| | IFAD | 19.09.2019 | 18,627,086 | |
| | | 23.12.2019 | 2,415,000 | |
| | | 31.01.2020 | 971,355 | |
| | | 04.03.2020 | 26,507,037 | |
| | | 23.03.2020 | 76,000,000 | |
| | | Total | 124,520,478 | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | |
| | SIDA | 02.03.2020 | 285,266,404 | |
| | | | 56,004,725 | Cash in Transit accrued on 30th June 2020 |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | |
| | GGEP | 23.10.2019 | 50,000,000 | Accrued on 30th June 2019 |
| | | 11.11.2019 | 95,000,000 | |
| | | 02.03.2020 | 64,150,000 | |
| | | 16.04.2020 | 300,000,000 | |
| | | | 50,390,353 | Cash in Transit accrued on 30th June 2020 |
| | | Total | 559,540,353 | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | |
| | WLP | 11.11.2019 | 220,000,000 | |
| | | 02.03.2020 | 459,647 | |
| | | | 225,000,000 | Cash in Transit accrued on 30th June 2020 |
| | | Total | 445,459,647 | |

APPENDIX III – REGISTER OF LOSSES DURING THE YEAR

Section 153 of the PFM (National Government) Regulations, 2015, require the Accounting Officer to maintain a register of all losses incurred by his or her national government entity and attach a list of all losses incurred during that year to the financial statements submitted to the Auditor-General for audit with a copy to the National Treasury.

During the year ended 30 June 2020, there were no losses.