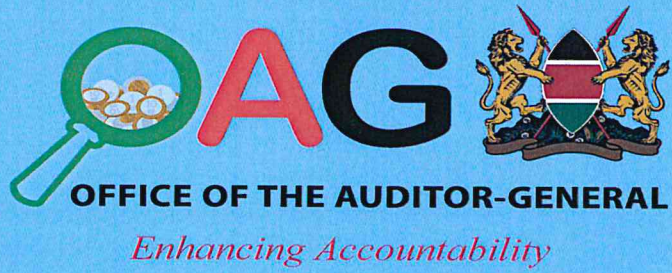
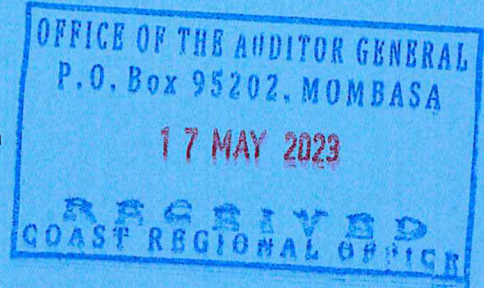


REPUBLIC OF KENYA

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REPORT



OF

THE AUDITOR-GENERAL

ON

**COAST WATER WORKS
DEVELOPMENT AGENCY**

**FOR THE YEAR ENDED
30 JUNE, 2022**



COAST WATER WORKS DEVELOPMENT AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2022**

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

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Our identity

Coast Water Works Development Agency (CWWDA) is a corporate body established under the Provisions of the Water Act 2002 of the Laws of Kenya and it is domiciled in Kenya. When it became operational, under the Water Act 2002, the Agency was known as Coast Water Services Board (CWSB) and it has been operating with that name up to 3rd May 2019. Through Legal Notice Number 27 of 26th April 2019, and with reference to Water Act 2016, the Cabinet Secretary for Water and Sanitation established eight entities and named them "Water Works Development Agencies" among them CWWDA and appointed 3rd May 2019 as the commencement date for this change.

CWWDA draws its mandate from the Water Act of 2016. As per the Act, the Agency's mandate includes;

- a. Undertake the development, maintenance and management of National Public Water works;
- b. Operate the water works and provide water services as a water service provider, until such a time the responsibilities for the operation and management of waterworks are handed over to a County Government, joint committee, Authority of County Government or water services provider,
- c. Provide reserve capacity for purposes of providing water services where the Regulatory Board orders the transfer of water services functions from a defaulting water services provider to another licensee,
- d. Provide technical services and capacity building to such County Government and water providers,
- e. Provide to the Cabinet Secretary technical support in discharge of his or her functions under the Constitution and the Water Act 2016.

CWWDA is expected to contribute to accelerated delivery of water and sanitation services aimed at progressive realization of the right to water and reasonable standards of sanitation as provided for under Article 43 of the Constitution which states that, "every person has the right to reasonable standards of sanitation and to clean and safe water in adequate quantities".

b) Principal Activities

The principal activities of the agency are to ensure efficient, effective and sustainable provision of quality and affordable water services (defined to include sewerage) in its area of jurisdiction - Mombasa County, Kilifi County Lamu County, Kwale County, Taita Taveta County and Tana River County.

Vision

CWWDA's Vision is "To be a world class water and sanitation infrastructure development agency".

Mission

The Mission is "To develop quality water and sanitation infrastructure and offer bulk water services for a sustainable economy and social growth."

Motto

The Coast Water Works Development Agency motto is "Water for Generations"

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Core Values

CWWDA's Core values are:

- i. **Teamwork** - To fully subscribe to the principles of teamwork as a key attribute in executing our mandate
- ii. **Integrity** - To uphold a high degree of honesty and integrity in dealing with stakeholders
- iii. **Professionalism** - To offer our services in a professional manner and with expertise
- iv. **Customer focused** - To be committed in exceeding the expectations of our stakeholders through continuous improvement of our services and effective communication with all stakeholders.
- v. **Accountability** - To exercise prudence in use of public resource entrusted to us
- vi. **Transparency** - To always be open to our stakeholders in our actions, decisions and policies.

Key Responsibilities

The key responsibilities of CWWDA include:

- i) Ownership and holding of water and sewerage assets/infrastructure on behalf of the National Government.
- ii) Planning, development and expansion of water and sewerage infrastructure on behalf of the National Government.
- iii) Assisting the County Governments within its jurisdiction, during the transition period, in contracting out water and sewerage services provision to Water Services Providers (WSPs) and in the monitoring of water and sewerage services provision.

Strategic direction.

Strategic Themes

To be able to undertake its mandate effectively, CWWDA has identified the following as the main operational themes:

- i. Human resource
- ii. Infrastructure development and bulk water operations
- iii. Resource mobilization
- iv. Governance and corporate communication

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Strategic Objectives

Based on the identified strategic themes, CWWDA has resolved to focus on the accomplishment of various strategic objectives over a five-year period from June 2018 to June 2023. The strategic objectives reflect the key result areas that will respond to particular sets of strategic theme and challenges facing the agency. The following are the strategic objectives: -

- i. To recruit and retain at least 80% highly qualified staff by 2023
- ii. To increase water production to 90% and water coverage by 80% by 2023
- iii. To improve ICT infrastructure and services from 40% to 80% by 2023
- iv. To improve water coverage from 56% to 80% by 2023
- v. To improve revenue collection from 60% to 90% by 2023
- vi. To reduce operation cost from 18% to 15% by 2023
- vii. To create alternative source of funds by 2023
- viii. To solicit for financial support from GOK through budget allocation by 2023
- ix. To adhere to legal, ethical and effective communication standards by 2023

c) Key Management and other key information.

CWWDA day to day management is under the following key departments and the key management personnel who held office during the financial year ended 30th June, 2022 and who had direct fiduciary responsibility were:

- Chief Executive Officer
- Head of Technical Services
- Head of Corporate Services
- Head of Finance
- Head of Procurement
- Head of Internal audit.
- Head of Legal Services

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Eng. MartinTsuma
2.	Head of Technical Services	Eng. David Kanui
3.	Head of Corporate Services	Ms. Fatma Gakuria
4.	Head of Finance	CPA Stephen Kivuva
5.	Head of Procurement	Mr. Stanslus Jira
6.	Head of Internal audit.	CPA Hamadi Mwazito
7.	Head of Legal Services	Ms Mary Okioma

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e) Fiduciary Oversight Arrangements

The ultimate oversight authority of CWWDA is exercised by the Board of Directors. To ensure that good corporate governance and that effectiveness is enhanced in this process, the Board of Directors have established three committees:

- i) Finance and administration Committee
- ii) Audit, Risk and Governance Committee
- iii) Technical, Planning and Development Committee
- iv) Assets Management Committee

f) Entity Headquarters

Coast Water Works Development Agency
Mikindani Street
Off Nkrumah Road
P.O Box 90417-80100
MOMBASA

g) Entity Contacts

TEL: 041-2315230
FAX: 041-2316471
EMAIL: info@cwwda.go.ke

h) Entity Bankers

KCB Bank
Treasury Square
P.O. Box 90254, 80100
MOMBASA

Co-operative Bank
Digo Road
P.O. Box 86039 – 80100
MOMBASA

Consolidated Bank of Kenya
Nkrumah Road
P.O Box
MOMBASA

i) Independent Auditors

Auditor General
Anniversary Towers
University Way
P.O. Box 30084-00100 GPO
NAIROBI


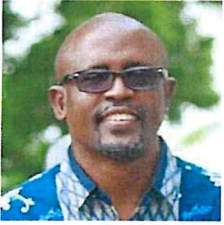


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- j) **Principal Legal Advisor**
The Attorney General
State Law Office
Harambee Avenue
P. O. Box 40112-00200
City Square
NAIROBI



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2. THE BOARD OF DIRECTORS

The following Directors were in office as at 30th June 2022 when the financial year under review.

NAME	POSITION	OPERATIONS
<p>HON. OMAR IDD BOGA</p> 	<p>Chairman Effective from 26th February 2021</p>	<p>Non-Executive</p>
<p>JILLO ALEX KASSE</p> 	<p>Director Up to 8 February 2022</p>	<p>Non-Executive</p>
<p>SIMON MWACHIA</p> 	<p>Director Up to 8 October 2021</p>	<p>Non-Executive</p>
<p>MWALIMU DIGORE KITAMBI</p> 	<p>Director Up to 8 February 2022</p>	<p>Non-Executive</p>




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<p>HIDAYA KASSIM MBWANA</p> 	<p>Director Up to 8 February 2022</p>	<p>Non-Executive</p>
<p>MARTIN TSUMA</p> 	<p>Chief Executive Officer From 24 march.2021</p>	<p>Executive</p>
<p>PS NATIONAL TREASURY – FRESIA KAMAU</p>	<p>Director</p>	<p>Non-Executive</p>
<p>STATE CORPORATIONS -CHRISOLOGAS MAKOKHA</p>	<p>Director</p>	<p>Non-Executive</p>
<p>PS MINISTRY OF WATER AND SANITATION -. DANIEL KIHARA</p>	<p>Director</p>	<p>Non-Executive</p>

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3. KEY MANAGEMENT TEAM

During the 2021 - 2022 financial period, the following officers held key management positions

Name of the Staff	Qualifications
<p>Mr. Martin Tsuma---- Ag.CHIEF EXECUTIVE OFFICER</p>  <p>Effective 24th March 2021</p>	<ul style="list-style-type: none"> • MTech. Sustainable Energy Engineering • Bachelor of Technology (Production Engineering) • Registered Eng.- EBK • Certified Energy Manager-AEE • Member-IEEE • Corporate Member -IEK
<p>Mr. Stephen Kivuva ----- DEPUTY DIRECTOR FINANCE</p> 	<ul style="list-style-type: none"> • BBA-Finance and Accounting • CPA-K
<p>Mr. Simon Charoh --- DEPUTY DIRECTOR HR&ADMINISTRATION</p> 	<ul style="list-style-type: none"> • Masters of Business Administration (Strategic Management) • Bachelor of Arts (Human Resource Management) • Diploma in Human Resource Management Registration - IHRM
<p>Ms. Mary Okioma – DEPUTY DIRECTOR CORPORATION SECRETARY</p>	<ul style="list-style-type: none"> • Bachelor of Law • Diploma in Law <p>Practicing Certificate 2020</p>

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<p>Ms. Fatma Gakuria –DEPUTY DIRECTOR CORPORATE COMMUNICATIONS</p> 	<ul style="list-style-type: none"> • Masters of Business Administration – Marketing • Bachelor of Education • Diploma in Management Public Relations Option
<p>Mr. Hamadi Mwazito -----DEPUTY DIRECTOR INTERNAL AUDIT</p> 	<ul style="list-style-type: none"> • Bachelor of Business Administration (Accounting & Finance) • CPA K

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4. CHAIRMAN'S STATEMENT

I am delighted to report the performance of CWWDA in the annual reports and Financial Statements for the year ended 30th June, 2022.

Water assets and infrastructure

Under its core mandate of infrastructure development, CWWDA has been recording an upward movement in the water infrastructure with development increasing year by year from the preceding period in the last 5 years.

During the year under review the water assets under Development increased from Kshs 12,468,661,423 in the previous year to Kshs 13,949,613,257 with most projects having not been completed.

As the water and sanitation water projects came to an end in December 2019, CWWDA embarked on more projects under Water and Sanitation Development programs (WSDP). The WSDP is undertaking various projects which include Baricho Lot 3, Baricho Replacement Boreholes, Nyali pipeline, Baricho Wellfield Protection, Second Baricho-Kakukyuni Pipeline and Mwache Dam Transmission lines.

Revenue

The year under review also recorded a slight Decrease in total revenue billed amounting to Kshs. 787,320,840 due to implementation of water Act 2016 where Administrative fees was discontinued. The Agency Collected ab total of Kshs. 564,182,220 from the sale of bulk water to the water service providers. Further disbursements from the Government to subsidize on recurrent and development expenditures amounted to Kshs. 445,552,703 and Kshs. 1,121,825,748 Respectively.

Compliance

On compliance the agency complied with all guidelines and laws applicable within its mandate and other applicable laws including deducting and remitting of all statutory deductions as well as preparing financial statements to the relevant agencies. In addition, CWWDA also complied with other guidelines from state agencies and circulars on the same.

Performance

Under its mandate, CWWDA covers six coast counties with an estimate area of 83,630 km² and with it an estimated current population for the region being 4.4 million. Water demand has continued to rise with the current demand for the region estimated at 329,306 m³/day. With the current water production from all sources being 180,000m³/day the gap is evidence and this is a daily concern to us as the Agency with the mandate of ensuring adequate water infrastructure in the region. In consultation with other stakeholders the Agency also has to strategize on providing infrastructure for piped water considering that currently the total population that is served with piped water is approximately 55% or 2.405 Million.

During the year the Agency through its four water Schemes produced 46,760,018 m³ of water. It was able to bill the Water Service Providers 39,247,524m³. This indicated a Non. Revenue Water level of 16%.

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Corporate Governance:

The Board's corporate governance structure and practices are in line with the guidelines issued by Mwongozo and other applicable regulations. At a Board level CWWDA has a non-executive Chairman and the Director's except the CEO who is in charge of day to day management of the Agency. The key role of the Board is to give direction and address policy issues. This clarity ensures the Board and management perform their roles within specific parameters.

All the members of the Board have committed themselves to observing ethical behavior and practices in all the Board's businesses. In addition, all the members of the Board have gone through various Governance training to enable them undertake their roles and mandate with information.

The Board has constituted appropriate committees which are the Human Resource and Administration, Technical and Asset Development and the Audit and Risk Committee. All the Board meetings are scheduled and are held on quarterly basis. Ad hoc board meetings are also held whenever necessary and with specific agenda.

Stakeholder Management

CWWDA has various types of stakeholders who perform different roles complimentary to it. Some of these are: the various water institutions like WASREB, WARA, Water Appeals Board, Water Services Providers, Water Services Trust Fund, Community Based Organizations (CBO) the Hospitality Industry players among others.

Appreciation

In conclusion, I take this opportunity to thank my colleagues in the Board for supporting me in providing leadership since I took over the leadership of this Agency as the Chairman. Their commitment contributed immensely to our performance and being able to focus on the future together.

I also commend management and staff for working tirelessly to achieve the level of service growth that we have witnessed. I am confident that they will continually spare no effort to attain and surpass the targets set for the new financial year. I recognize the support from the community at large and all other stakeholders for supporting and doing business with us.

I also wish to thank our Government and Development Partners for their continued support in building this Agency and in the process impacting positively on lives and communities in our region.


DR. DANIEL K MWARINGA
CHAIRMAN

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5. REPORT OF THE CHIEF EXECUTIVE OFFICER

Execution of our mandate

CWWDA mandate is implemented principally through two roles which are to develop and maintain water infrastructure and management of the Bulk Water Supply unit which produces water for sale to the Water Service Providers namely Mombasa, Kilifi-Mariakani, Malindi, Kwale and Tavevo Water Companies.

The assets development is under the technical unit which plays its role in various ways including:

- a) Operations and maintenance of Bulk Water Systems in the Region.
- b) Overall Planning Design and Construction for capital improvement projects, facility improvements and replacements for existing systems.
- c) Preparation of Terms of Reference, RfP's and Tender Documents.
- d) Projects' Supervision and reporting.
- e) Provision of Technical Assistance to the CS, other departments, WSPs and Counties.

The Bulk Unit (established under the technical department) is responsible for the operation and maintenance of the bulk system which comprise Baricho, Marere, Tiwi and Mzima schemes. Currently the Bulk Unit is semi-autonomous with offices at Mazaras and headed by acting Managing Director. The bulk unit is budgetarily supported by CWWDA.

The Operation and Maintenance (O & M) of the Bulk Water Supply Unit (BWSU) involves patrolling of the systems' pipelines, attending to leaks and bursts, servicing and repair of electrical installations, bulk meter reading and bulk water billing, servicing and repair of bulk water meters. In undertaking these activities, BWSU is able to effectively serve the Water Service Providers (WSPs) as well as the Community Based Organizations (CBOs)

The water production under the below schemes has increased by a good margin since 2005 as shown by table 2 below.

Table No 2. Production of water by different schemes

	Marere	Mzima	Tiwi	Baricho	TOTAL Prod.
2021-2022	2,534,000	14,609,000	2,257,654	27,359,364	46,760,018
2020-2021	2,902,535	14,618,182	2,062,185	25,749,835	45,332,737
2019-2020	3,441,893	14,760,000	2,394,188	23,183,100	43,779,181
2018-2019	2,398,000	14,473,729	1,876,911	23,363,930	42,112,570

The demand for water in the coast region is yet to be met despite the increase in Water production from these schemes. Some of the reasons that contribute to this scenario include aged infrastructure that requires frequent repairs and maintenance, non-revenue water as well as the length of time that it takes to complete projects when compared to the rise in demand for water.

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Non-Revenue Water:

This is water lost from the infrastructure which could be dilapidated and from commercial sources like faulty meters, theft of water, wrong billing, estimated billing etc.

The Agency has been struggling with this menace since its inception. A Lot of effort has been put to reduce this NRW since it impacts on the revenue side as well as water coverage and supply sufficiency. Every year hundreds of millions of shillings go to waste as a result of this.

Year	Total NRW (m3)	Revenue Lost (Kshs)
2021-2022	7,512,494	150,249,880
2020-2021	7,227,614	144,552,280
2019-2020	6,798,900	135,978,000
2018-2019	7,016,125	140,322,500
2017-2018	5,980,826	119,616,520

Revenue collection

Coast Water Works Development Agency has had challenges with collection of its revenues that emanate from the bills generated and delivered to the WSPs. There has been a reluctance by these WSPs to pay in full their bills. For a very long time the efficiency level has been way below the standard set by WASREB of 90% and above. In addition, the WSPs have not paid the administration charges causing the Agency a lot of concerns due to the high operational costs which constitute over 96% of the revenue collected. Other costs for bulk water production are left with funding gap.

Efforts to involve the Counties have yielded minimal results. The table below shows the revenue collection efficiency over the years.

Table 3: Revenue collection trend For the Last Five Years

Year	Billed Amount (Kshs)	Collected (Kshs)	Collection Efficiency (%)
2021-2022	787,320,840	564,182,220	72%
2020-2021	784,271,796	521,289,333	66%
2019-2020	849,760,568	490,369,595	58%
2018-2019	697,863,700	580,415,946	83%
2017- 2018	715,296,860	627,900,870	88%

Working with Stakeholders

Stakeholders play an important role in our ability to deliver on our strategy and meet our customer expectations. We continue to engage with them, and are committed to developing and maintaining healthy relationships. These include various ministries in the government, Counties, various government agencies, private organizations, media houses, financial institutions, suppliers and the general public. CWWDA has maintained good working relationships with all stakeholders and will endeavor to do so in future.

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Appreciation

In conclusion, I thank the Government of Kenya for its confidence in our ability to execute our strategy to ensure efficient and economical provision of water and sewerage services within our area of jurisdiction. I also thank the board and the employees for their commitment and dedication in delivering on our mandate and our development partners who have continued to support our expansion of water and sanitation infrastructure.


MARTIN TSUMA
Ag.CHIEF EXECUTIVE OFFICER

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6. STATEMENT OF CWWDA PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES FOR FY 2021-2022

Coast Water Works Development Agency has *nine* strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- i. To recruit and retain at least 80% highly qualified staff by 2023
- ii. To increase water production to 90% and water coverage by 80% by 2023
- iii. To improve ICT infrastructure and services from 40% to 80% by 2023
- iv. To improve water coverage from 56% to 80% by 2023
- v. To improve revenue collection from 60% to 90% by 2023
- vi. To reduce operation cost from 18% to 15% by 2023
- vii. To create alternative source of funds by 2023
- viii. To solicit for financial support from GOK through budget allocation by 2023
- ix. To adhere to legal, ethical and effective communication standards by 2023

CWWDA develops its annual work plans based on the above *nine* pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Agency achieved its performance targets set for the FY 2021/2022 period for its nine strategic pillars, as indicated in the diagram below:

	S/No.	Performance Criteria Category	Unit of measure	Weight (%)	Status In Year (FY 2021/22)
A		FINANCIAL STEWARDSHIP & DISCIPLINE DISCIPLINE			
	A.1	Absorption of Allocated Funds	%	2	95.70
	A.2	Absorption of Externally Mobilized Funds	%	3	21
	A.3	A in A	Kshs.(M)	2	616
	A.4	Pending Bills	%	3	0.80
		Sub Total		10	
B		SERVICE DELIVERY			
	B.1	Implementation of Citizens' Service Delivery Charter	%	4	90
	B.2	Business Process Re-Engineering	%	3	N/A
	B.3	Resolution of Public Complaints	%	3	100
	Weights Sub Total		10		
		CORE MANDATE			

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	S/No.	Performance Criteria Category	Unit of measure	Weight (%)	Status In Year (FY 2021/22)
		Priority programmes/projects (“Big-Four” initiatives, Vision 2030 Flagship Projects, Post COVID-19 Recovery Strategies and Plans and other Programmes/Projects) aligned to SDGs, Agenda 2063 and SPS			
C	C.1	Project Completion Rate	%	2	5
	C.2	Pemba Dam and Water Treatment Plant Constructed/Rehabilitated	%	5	99
	C.3	Mombasa Water Distribution Works for North Mainland (Short Term Works) Lot 1A Constructed	%	5	55
	C.4	Mombasa Mainland North (Nyali Area Phase 1) Program for Improvement of Water Services Implemented	%	5	55
	C.5	Makamini Dam and Treatment Plant Phase I Constructed	%	5	15
	C.6	Watamu Town Water Distribution Network Lot 2A Constructed	%	7	95
	C.7	Tiwi Boreholes Rehabilitated and Drilled	%	5	15
	C.8	Water Supply to Dongo Kundu Special Economic Zone (SEZ) Phase II Implemented	%	0	
	C.9	Mwache Dam Water Transmission Pipelines Implemented	%	5	10
	C.10	Mwache Dam Water Treatment Plant (WTP) Implemented	%	5	10
	C.11	Baricho Protection Works Implemented	%	8	45
	C.12	Second Baricho Kakuyuni Pipeline Implemented	%	8	10
		Weights Sub total		60	
D		Implementation of Presidential Directives	%	2	86
E		Access to Government Procurement Opportunities (AGPO)	Kshs(M)	3	141
F		Promotion of Local Content in Procurement	Kshs(M)	2	346
		CROSS – CUTTING			

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	S/No.	Performance Criteria Category	Unit of measure	Weight (%)	Status In Year (FY 2021/22)
G	G.1	Asset Management	%	1	90
	G.2	Youth Internships/Industrial Attachments Apprenticeships	No.	1	114
	G.3	Competence Development	%	2	91
	G.4	Disability Mainstreaming	%	1	98.75
	G.5	Gender Mainstreaming	%	1	100
	G.6	Prevention of Alcohol and Drug Abuse	%	1	100
	G.7	Prevention of HIV Infections and Non-Communicable Diseases	%	1	99.98
	G.8	National Values and Principles of Governance	%	2	100
	G.9	Road Safety Mainstreaming	%	1	100
	G.10	Corruption Prevention	%	2	95
		Weight sub total		13	
		Overall Total Weight		100	

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7. CORPORATE GOVERNANCE STATEMENT

Introduction

The agency is committed to maximizing business performance, generating appropriate levels of stakeholder's value and financial returns, and sustaining the growth and success of CWWDA.

Effective governance is achieved through a combination of strong process and structures, underpinned by the right values and culture. The principles of corporate governance are contained in the Constitution and The Public Officer Ethics Act, 2003 among other guidelines. CWWDA is in compliance with the governance tenets of the recently developed "Code of Governance for Government Owned Entities", Mwongozo. CWWDA is committed to ensuring compliance with the provisions of Water Act 2016 among other regulatory and supervisory Corporate Governance requirements.

In conducting business in accordance with these objectives, the Agency seeks to ensure that CWWDA is properly managed to protect and enhance stakeholder interests, and that CWWDA, its Directors, officers and employees operate in an appropriate environment of corporate governance.

The Board has in place a framework for governing CWWDA which includes adopting internal controls, risk management processes and corporate governance policies and practices, designed to promote responsible management and ethical conduct.

Roles and responsibilities of the Board and management

The Board provides overall strategic guidance for CWWDA and effective oversight of management. Responsibility for the governance of CWWDA, including establishing and monitoring key performance goals, rests with the Board. The Board monitors the operational performance and financial position of the agency through management reports, performance contracts procurement plans as well as the audited financial reports.

The Board Charter articulates the Board's roles and responsibilities, its membership and operation clearly stating which responsibilities may be delegated to committees or to management. Specific responsibilities have been reserved by the Board in key areas of strategy, governance, executive appointments and financial approvals. The Board has established Four standing committees to assist in performing its responsibilities by discussing in detail particular issues and making recommendations to the Board and these committees operate under specific terms of reference.

The CEO has the responsibility of managing the day-to-day affairs of CWWDA in line with the Board-approved corporate plan, the corporate strategy and policies.

Board Size, Composition and Appointment

The structure of CWWDA Board starts with the Board of Directors who are appointed by the Cabinet Secretary and all independent except the CEO. The Cabinet Secretaries in both the National Treasury and the Ministry of water and sanitation are represented in the Board by their dully appointed nominees. The state Corporation Advisory Committee (SCAC) is also represented in the board.

The Board is well composed in terms of range and diversity of skills, knowledge, and experience in various sectors which makes it effective in providing an appropriate balance for the oversight of the Board's mandate.

Coast Water Works Development Agency

Annual Report and Financial Statements For The Year Ended 30th June 2022

Separation of Roles and Responsibilities

The roles and responsibilities of the Chairman of the Board, the Chief Executive Officer and non-executive directors remain distinct and separate which ensures a balance of power of authority and provides for checks and balances such that no one individual has unfettered powers of decision making. Their roles have been documented and are expected to be independent and free from conflict upon appointment. SCAC is responsible for reporting to the Board on the evaluation of the performance of the Chairman, Board and committees.

The Chairman provides overall leadership to the Board without limiting the principles of collective responsibility for Board's decisions. The Chairman builds an effective board and sets the board agenda in consultation with the Chief Executive Officer and ensures effective communication to stakeholders.

The Board does not consider the Chief Executive Officer to be independent as this is an executive role. All Directors are non-executive and are independent of management. Their roles include appointing the CEO and establishing a framework for the delegation of authority and ensure succession planning for the CEO and the senior management. Their main role is therefore to give oversight and strategy direction and monitor the progress of strategy implementation ensuring it is done within the risk appetite and control framework that is set out by the Board.

The CEO is responsible to the Board and takes the overall responsibility for the management of the affairs of CWWDA. The CEO recommends the strategy to the Board and implements it and makes operational decisions. The CEO further ensures appropriate and timely information flows within the Board, its committees and management.

Board Committees and Responsibilities

The Board delegates certain functions to well-structured committees but without abdicating its own responsibilities. The Board has developed a committee structure that assists in the execution of its duties, powers and authorities. Each Committee is guided by the Committee Charter/Terms of Reference, which outlines its responsibilities as mandated by the Board.

The Committees are appropriately constituted drawing membership from amongst the Board members with appropriate skills and experience. The Chairman of the Board, management and external parties/advisors are required to attend the committee meetings only by invitation. The committees are expected to operate transparently, ensure full disclosure to the Board and conduct themselves within the rules and procedures set out by the Board. Matters deliberated by the Committees are presented to the Board by the respective chairman during the next Board meeting.

Conflict of Interest, Code of Conduct and Ethics

The Directors and employees of CWWDA have a fiduciary duty to act honestly and in the best interest of the Agency. Business transactions with all parties must be carried out at arm's length and with integrity. The Board provides effective leadership based on ethical foundation and ensures all deliberations, decisions and actions are based on the Boards' core values underpinning good governance.

The Board has put various measures in place to ensure that there is no conflict of interest amongst its directors and staff. The Board has put in place corruption prevention plan and Code of Conduct & Ethics Policies that binds both the directors and the employees. A declaration of interest is signed by board members before deliberating on various matters. During the year, under review CWWDA conducted various training to Directors and staff on ethics and integrity.

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Accountability & Audit /Control Environment Management

a) Internal Auditors

CWWDA has an internal audit function which has the role of providing independent and objective assurance to the Audit and Risk committee on the adequacy and effectiveness of the risk management framework, financial reporting processes, internal control systems and compliance

The annual internal audit plan, which is approved by the committee of the board is developed using a risk-based approach and is driven by the risk framework, risk profile and governance principles. The head of the internal audit function reports directly to the committee Chairman, with an administrative reporting line to the Chief Executive Officer. This ensures that internal audit is given the independence that is required.

The Manager, Internal Audit & Risk reports to the committee meeting on progress against the annual internal audit plan, audit findings and recommendations and the status of management actions. The Board has qualified staff who carry out the internal audit function and present reports on compliance. The Audit and Risk Committee is composed of non-executive directors.

b) Internal Controls and Risk Management

The Board has the responsibility of identifying internal risk exposures and developing measures to mitigate against the identified risks. The Board reviews and monitors the development and implementation of internal control systems and risk management systems using various approach including through policies and manuals.

c) Relationship with Stakeholders

As an organization, CWWDA appreciates that stakeholder perception affects the organizations reputation and may affect its ability to effectively undertake its mandate. Therefore, the Board strives to achieve an appropriate balance between its various stakeholders in the best interest of the organization by taking into account their legitimate interest and expectations in decision making.

The Board values the importance of complete, timely, transparent and effective communication with its stakeholders for building and maintaining their trust and confidence by providing regular information on its performance, activities and addressing their concerns while taking into consideration legal and strategic considerations.

CWWDA has developed a Corporate Communications Strategy which encompasses internal & external communication, customer service and public relations. The main avenues for communication are through press releases, stakeholder forums and publications in print and social media, and annual reports and financial statements. The Board has continued to encourage electronic communication through publishing documents in the corporate website and has endeavored to ensure that the website is highly interactive and contains all the relevant information.

Additionally, the Board has dedicated staff to deal with complaints and public relations efficiently and effectively. The Board has an established mechanism of receiving, resolving and giving feedback on complaints referred to it by its stakeholders. The Board submits quarterly reports to the Commission of Administrative Justice on the complaints handling and management.

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

d) Annual Report and Accounts

The financial reports for CWWDA accounts are audited by the Auditor-General whose role and responsibilities are defined under the Constitution of Kenya. CWWDA has in the past prepared and submitted its annual reports and financial statements to the auditor general for review as required. In addition, quarterly reports are prepared and submitted to the relevant agencies as per existing guidelines.


MARTIN TSUMA
CHIEF EXECUTIVE OFFICER

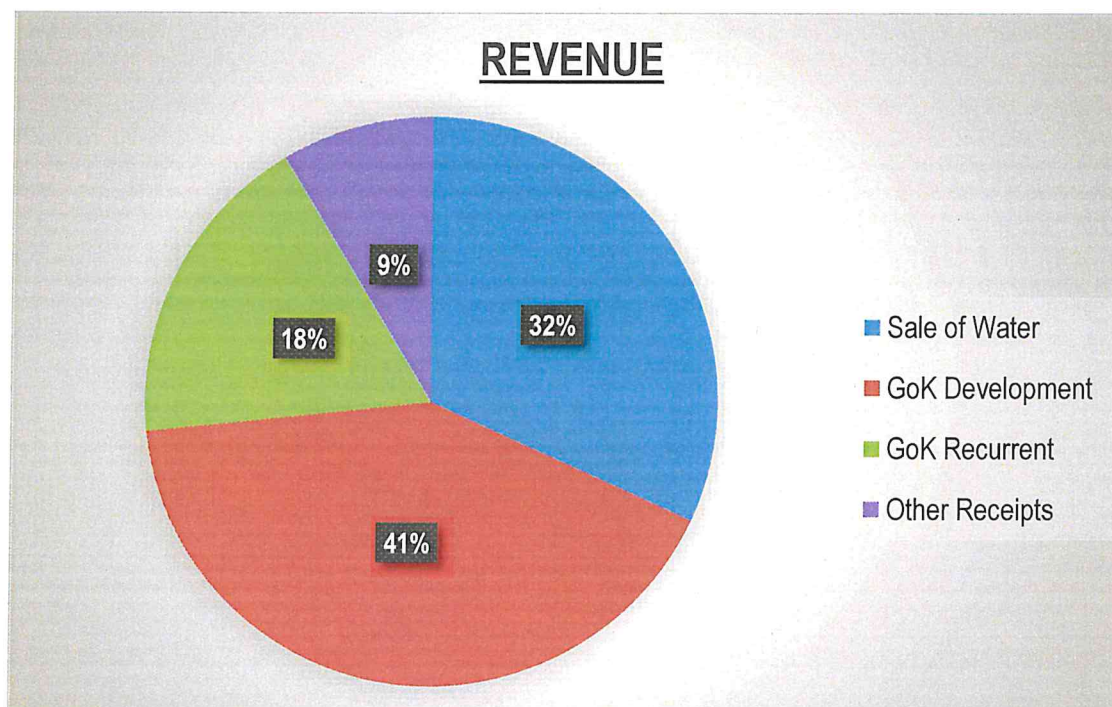
**Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022**

8. MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

During the financial year ending 30th June 2022, CWWDA generated total revenue amounting to Kshs. 2,586,293,048 against an expenditure of Kshs. 1,687,594,788

Detail	Kshs	%
Sale of Water	787,320,840	32%
GoK Development	1,138,469,958	41%
GoK Recurrent	445,552,703.	18%
Other Receipts	214,949,547	9%
Total	2,586,293,048	100%

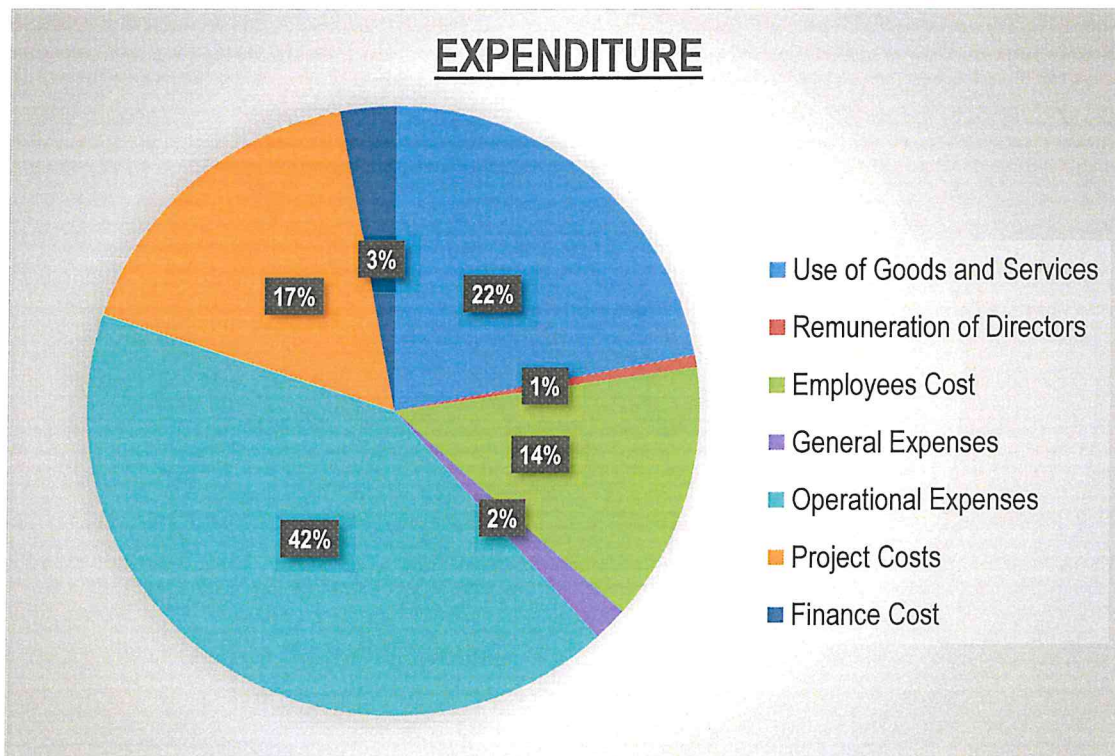


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Expenditure

The total expenditure for year under review was Kshs. 1,687,594,788 with bulk of the same being utilized for operational Expenses, Use of Goods and Services and Projects among others as indicated below

Expenditure	Kshs.	%
Use of Goods and Services	374,640,284	22%
Remuneration of Directors	11,207,809	0.7%
Employees Cost	232,431,421	14%
General Expenses	31,316,800	2%
Operational Expenses	706,937,376	41%
Project Costs	280,811,774	17%
Finance Cost	50,249,323	3%
Total	1,687,594,788	100%



Coast Water Works Development Agency
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Detailed Utilization of Revenue

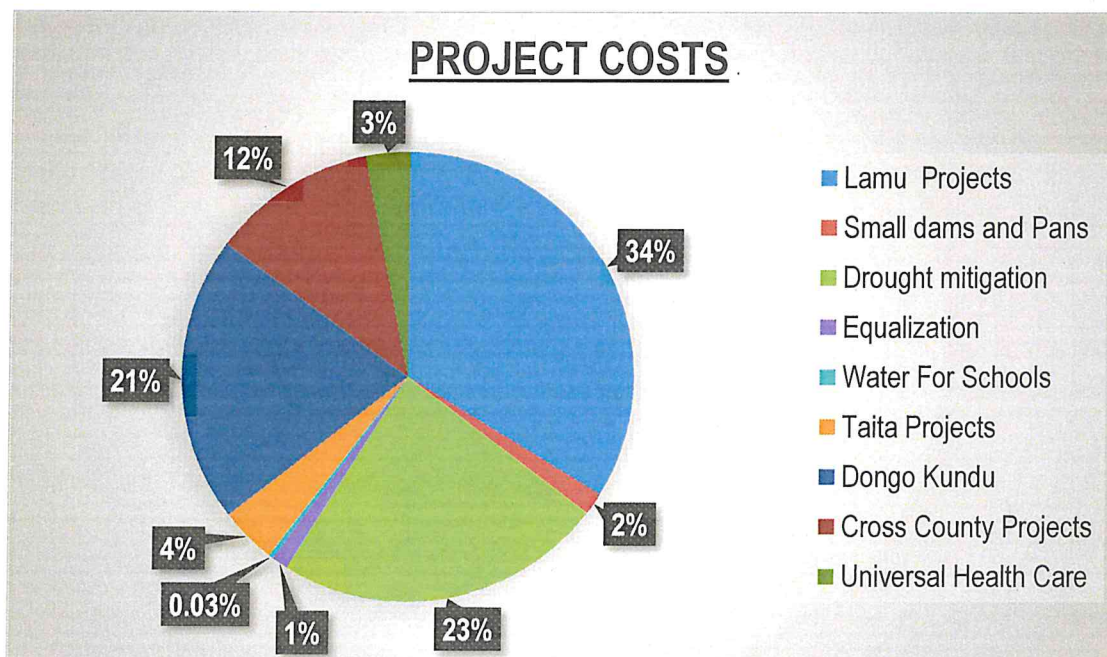
a) Projects expenses

During the year under review the CWWDA undertook several projects under its Master plan as well as other projects that became necessary during period.

The projects that were undertaken were under different programmes depending on the source of funds as well as the key purpose of the project. Some projects were factored in the budget while others were continuing project from the previous period. Some of the projects were completed while others are ongoing and will be completed in the coming financial periods.

The table below shows the project expenditure as per each category respectively:

Project Name	Cost(Kshs)	%
Lamu Projects	90,608,178	34%
Small dams and Pans	4,632,632	2%
Drought mitigation	67,396,880	24%
Equalization	3,369,409	1%
Water For Schools	994,034	0.03%
Taita Projects	34,243,294	4%
Dongo Kundu	30,502,544	21%
Cross County Projects	39,958,244	19%
Universal Health Care	9,106,559	3%
Total	280,811,774	100%



Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

a) Cross County Projects 2021-2022

The Agency Implemented Several Projects in Lamu County during the financial year

S/No	Project Name	Funding Programme	Allocated (Kshs)
1	Garsen/Shell/Hamesa Water Project	GoK	8,000,000.00
2	Dibe Galili Water Project	Gok	8,000,000.00
3	Gubani-Furaha Water Project	GoK	8,000,000.00
4	Furaha Borehole	GoK	8,000,000.00
5	Sero Borehole	GoK	8,000,000.00
6	Jamrodi	GoK	8,000,000.00
7	Maweni	GoK	8,000,000.00
8	Handampia	GoK	8,000,000.00
9	Badaa Water Pan	GoK	10,000,000.00

b) Tana River Project 2021-2022

S/No	Project Name	Funding Programme	Allocated (Kshs)
1	Garsen Town Borehole	GoK	9,426,711.00
2	Kone borehole drilling and equipping	GoK	4,789,541.40
3	Iddi borehole drilling and equipping	GoK	4,898,135.00
4	Onjila borehole drilling and equipping	GoK	4,982,135.04
5	Tullu Water Piping	GoK	2,811,576.00
6	Rehabilitation of water pipes Garsen Town	GoK	1,805,349.00
7	Shauri Moyo borehole and piping	GoK	13,926,368.40
8	Mikinduni Borehole and Piping	GoK	13,657,129.05
9	Construction of Gafuru steel tank 50m ³	GoK	6,717,270.00

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c) Universal Health Care Water Projects 2021-2022

S/No	Project Name	Funding Programme	Allocated (Kshs)
1	Improvement of water supply works to Faza Sub County Hospital in Faza Ward in Lamu County.	GoK	8,500,000.00
2	Hola Hospital Borehole and Piping in Galole Constituency in Tana River County.	GoK	8,000,000.00
3	Ngao Sub County Hospital Borehole In Garsen Constituency in Tana River County	GoK	8,000,000.00
4	Mbuta Health Centre Water Project in Lokini Constituency in Mombasa County.	GoK	7,500,000.00

d) Drought Mitigation Projects 2021-2022

S/No	Project Name	Funding Programme	Amount Allocated (Kshs)
1	Kwale County	GoK	15,400,000.00
2	Kilifi County	GoK	17,300,000.00
3	Taita Taveta County	GoK	7,200,000.00
4	Tana River County	GoK	16,500,000.00
5	Lamu County	GoK	15,300,000.00
6	Supply and delivery of plastic tanks	GoK	9,000,000.00
7	Installation of base and plumbing works	GoK	4,025,000.00

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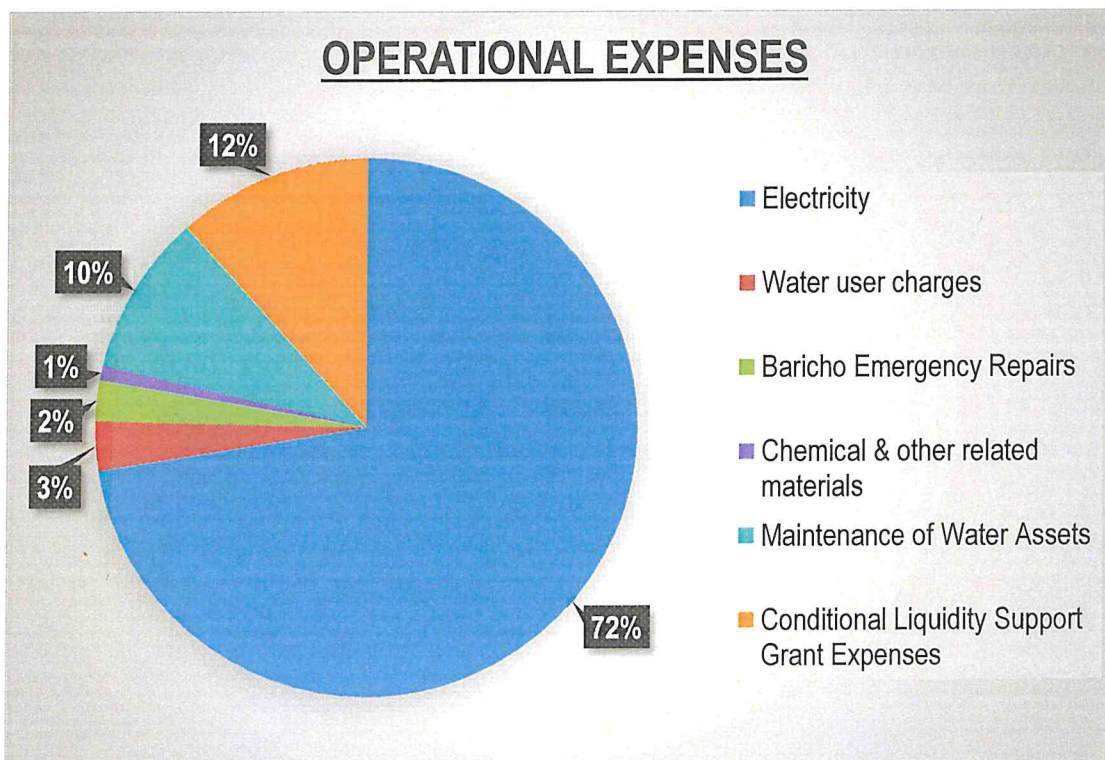
Operational Expenses

This is a major expenditure that the Agency incurred during the financial period with the main expenditure under this category being the electricity for water production in Baricho plant.

These Expenses constitute 40% of the expenses incurred by the organization Out of total amount spent is on Production Electricity that has continued to skyrocket over time. The power is used at Baricho Treatment Works and The Tiwi Borehole stations.

During the year the Agency received Kshs.214M from the Conditional Liquidity Support Grant to pay expenses incurred during the Covid-19 Pandemic Period. During that time Water Service Providers were unable to pay for their Bills and so was Coast Water. Hence the National Government in consultation with the World Bank partnered to clear most pending bills obtained during that time. A total of Kshs.82M was incurred during the financial year

Operational Expenses	Kshs.	%
Electricity	511,878,621	72%
Water user charges	21,122,838	3%
Baricho Emergency Repairs	17,030,000	2%
Chemical & other related materials	6,434,550	1%
Maintenance of Water Assets	67,961,036	10%
Conditional Liquidity Support Grant Expenses	82,431,536	12%
Total	706,937,376	100%

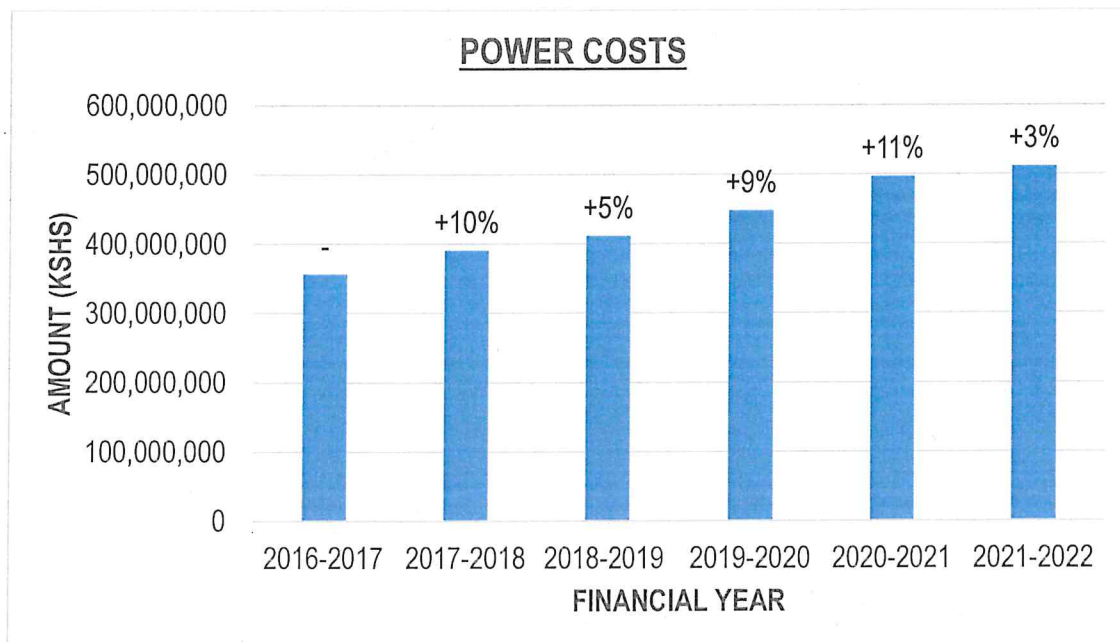


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Table below show the trend of power bill over the last five years which shows progressive increase in the trend with the last six years.

Cost of power bill for the last six years.

Year	Kshs
2016-2017	356,550,190
2017-2018	390,799,466
2018-2019	411,437,358
2019-2020	448,155,747
2020-2021	497,029,745
2021-2022	511,878,621

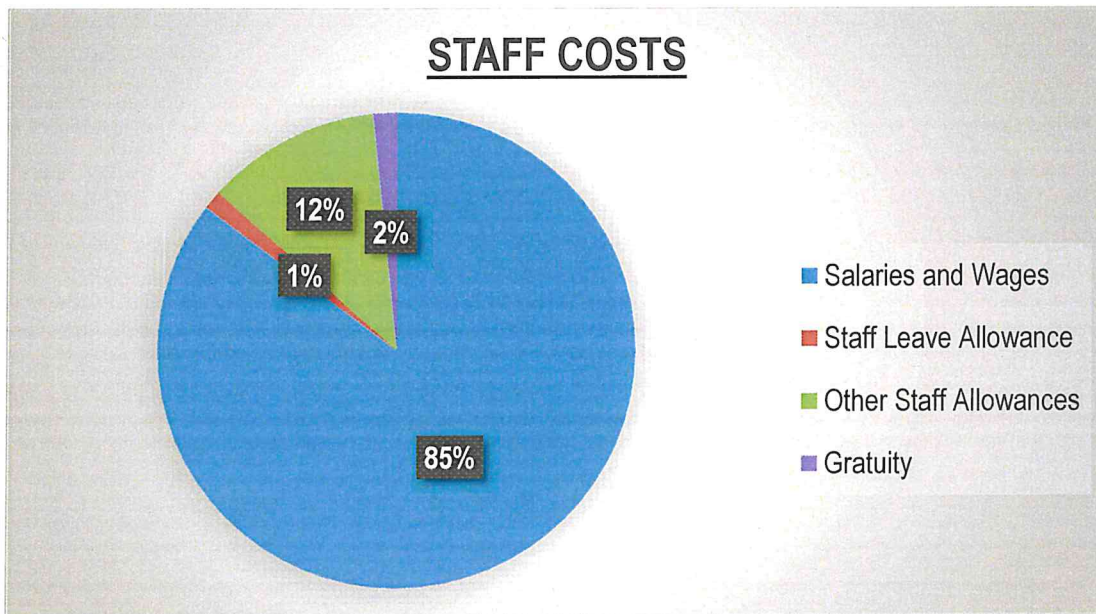


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Staff Costs

The summary of staff expenses is given by table below

	Kshs
Salaries and Wages	193,759,894
Staff Leave Allowance	2,911,749
Other Staff Allowances	26,824,090
Gratuity	3,733,574
Total	232,431,422



Use of Goods and Services

This Category has a total of 31 line items or expenses that the Agency incurs. The expenditures constitute 20% of the total costs that the Agency incurs. Notable among the expenses is a provision of depreciation that consumes 66%. Further this Category covers administrative expenses that cut across all the departments and a myriad of Agency programmes like cross cutting issues training etc.

NOTE 9 Use of Goods and Services

	Kshs
Telephone, Fax, Internet, Courier & Email	3,372,226
Travelling and accommodation- local	34,420,035
Advertising & Publicity	5,004,921
Trade show and Exhibition	650,760

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KRA Tax Assessment	30,391,009
World Water Day	1,253,100
Hire of transport equipment & machinery	31,000
General office supplies	7,263,453
Laboratory expenses	3,030,096
Hospitality	1,128,880
Fuel & Lubricant	8,313,651
Legal fees & related expenses	8,290,608
Bank charges	287,958
Monitoring and Evaluation	12,650,110
Audit fees	2,345,520
Maintenance expenses – vehicles	8,728,865
Maintenance of office furniture & equipment	1,814,959
Maintenance of buildings & stations	5,214,930
Stationery office	863,499
Covid -19 Expense	2,104,330
Depreciation	236,643,630
TOTAL	374,640,284

Assets and liabilities

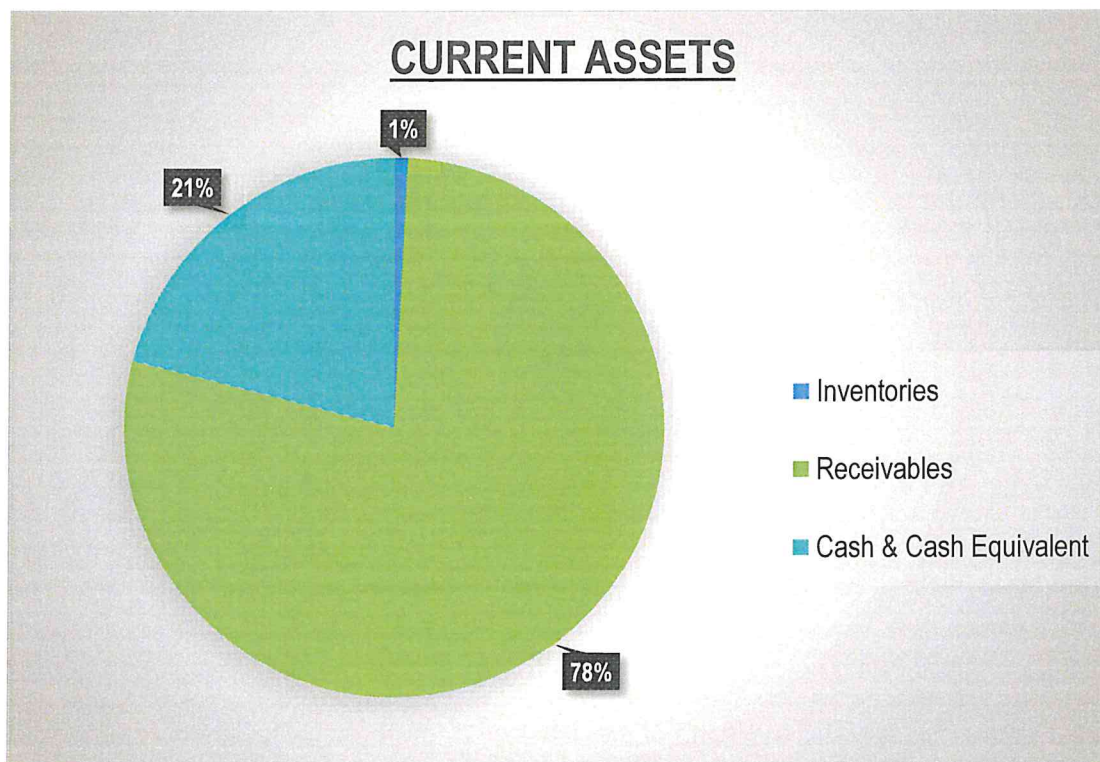
The net balance of CWWDA has continued to grow over the years as CWWDA continue to endeavor to meet the ever rising demand for water. The bulk of the non-current assets constitute the water infrastructure while the receivables constitute the biggest percentage of the current assets.

a) Current assets

Under current assets, the receivables take the highest percentage (93%) of the assets cost as shown by table below. Under inventories machinery, pipes and fittings are held for continuous repair for our assets.

Current Assets	Kshs.	%
Inventories	48,150,200.00	1%
Receivables	4,562,727,078	78%
Cash & Cash Equivalent	1,196,071,272	21%
Total	5,806,948,550	100%

Coast Water Works Development Agency
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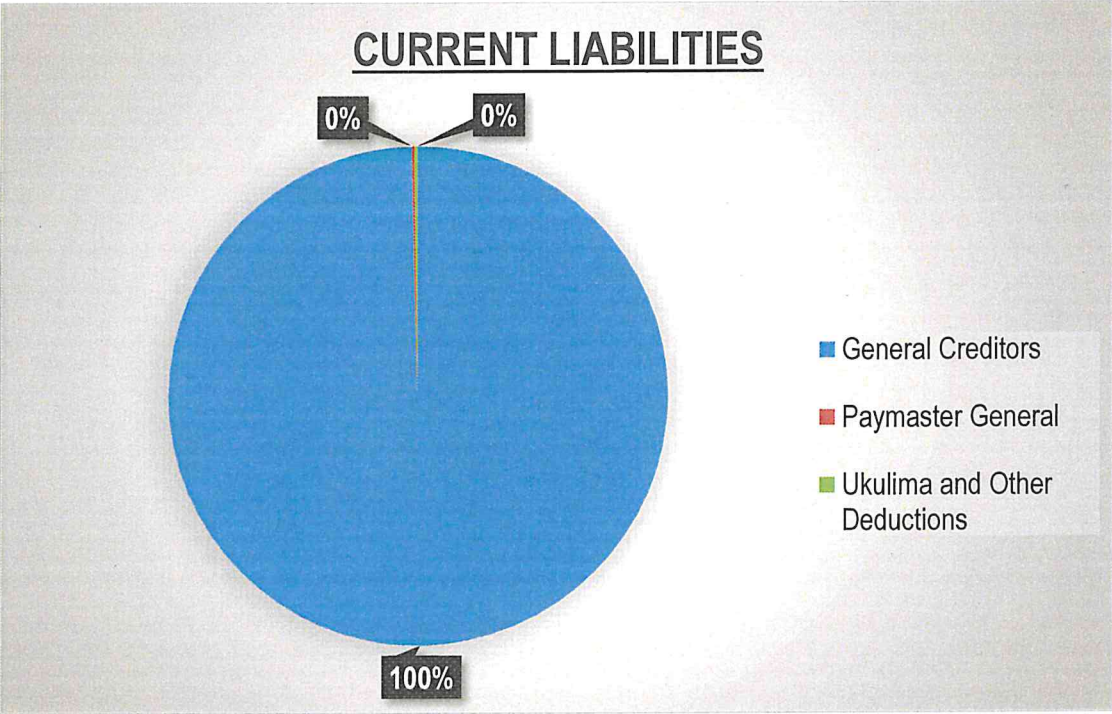
b) Non-current assets

In this category Work In Progress (WIP) takes 42.8% of the total cost and property, plant and equipment taking the balance of 57.2%. The WIP is attributable to various projects that are on-going at different stages. During the year under review three projects were transferred to Fixed Assets having been completed and handed over to the Agency.

c) Current liabilities

Under this category Accumulated loan interest and General Creditors are the main components as at 30th June 2022. CWWDA has not paid any interest for any of its loans. This is attributable to the failure by WSPs to pay for their bulk water bills and administration fees in full. A summary of the current liabilities is given by table below

Current Liabilities	Kshs	%
General Creditors	2,277,338,226	99.6%
Paymaster General	3,117,944	0.2%
Ukulima and Other Deductions	4,406,823	0.2%
TOTAL	2,284,862,993	100%



d) Non -Current liabilities

CWWDA has one major non-current liability, which is the World Bank (WB) loan and AFD Loan, the agency does not have any other long term liabilities.

e) Solvency, going concern and liquidity

As at 30th June 2022, CWWDA had a strong solvency base with assets valued at Kshs 19,752,814,848 and liabilities with value of Kshs. 16,592,389,052 hence a net assets worth of Kshs 3,160,425,796 and this gives a good indication of a going concern status for the agency

The current ratio (3) is equally very strong as current assets cover the current liabilities above the minimum professional requirement of 2. However, in practice, liquidity has been a challenge due to the huge pending bills from WSPs which are not performing.

Quality assurance and value for money

High quality standards are taken very seriously even as CWWDA undertakes its mandate. All effort is made to ensure the projects are designed, implemented and maintained by applying strict standards that are applicable in all aspects. Inspection teams composed of officers with relevant skills and experience are constituted and inspection criteria developed at all stages of the projects. This ensures that there is value for money for the resources that are assigned to different task.

For the bulk unit, laboratory tests are conducted regularly to ensure the water that is released to the consumers is safe. In addition, CWWDA also ensures that chlorine and other chemicals that are required are procured and

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tested within the applicable standards. As an agency, we do also appreciate the fact that not all consumers rely entirely on our water and in this regard, CWWDA offers laboratory services to the members of the public who would wish to check the status of the water they are consuming. CWWDA has a monitoring and evaluation team that regularly visits the WSPs to establish their compliance with the laid down procedures and standards. To maintain the water quality standards, CWWDA also issues chlorine to WSPs to enhance the chlorination process at the consumer level.

Non-revenue water

Non –Revenue water emanates from physical and commercial losses and is of big magnitude that demands attention all the time. A lot of water is lost from the four schemes due to their levels of dilapidation. The table below show the level of NRW per scheme as at 30.6.2022.

	Schemes				Total
	Tiwi	Mzima	Marere	Baricho	
Production(m3)	2,257,654	14,609,000	2,534,000	27,359,364	46,760,018
Sales(m3)	1,738,394	11,979,380	2,103,220	23,809,737	39,630,731
NRW(m3)	519,260	2,629,620	430,780	3,557,777	7,137,437
NRW(%)	23%	18%	17%	13%	16%

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Pictures bursts repairs that happen along our various water assets

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Compliance with statutory requirements

During the financial year under review CWWDA complied with all the statutory requirements that as applicable. This includes deducting and submitting all taxes to Kenya Revenue Authority (KRA), NSSF deductions, NHIF and pension deductions among others. In addition, CWWDA prepared and submitted the quarterly financial statements to the relevance agencies as provided for in the guidelines.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Introduction

Sustainable development is all about ensuring a better quality of life for everyone, now and for generations to come. This can be achieved through the three strands of social equity which recognizes the needs of everyone, maintenance of stable levels of economic growth and employment, and using natural resources prudently, whilst protecting, and if possible enhancing, the environment. Sustainable or ecological development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with the future as well as present needs.

Sustainability requires continuous technological, economical the social progress of continuous improvement that respects the limits of the Earth's ecosystems, and meets the needs and aspirations of everyone for a better quality of life, now and for future generations to come.

As an agency, CWWDA is committed to meeting our stakeholder's present and future requirements through a collaborative culture which provides the capability to provide services and knowledge allowing systematic change to take place whilst reinforcing mutually desired social, economic and environmental outcomes. CWWDA recognizes the importance of conducting operations in a manner that meets existing needs without compromising the ability of the future generation to meet their needs; therefore, it carries out its operations in a manner that ensures the economic life of the community in which it operates. It remains the policy of the agency to ensure that activities meet and exceed the social, economic and environmental expectations of stakeholders.

The agency considers key aspects to be able to achieve its goal on the above. This is

- (a) Our people, values and processes;
- (b) Stakeholder engagement;
- (c) Protecting the environment; and
- (d) Corporate Social Responsibility and Investment.

Our People, Values and Processes

The staff of CWWDA are the primary asset of the agency. CWWDA therefore recruits, retains and invests in the best talent in the market and also gives opportunity for new comers through internships and attachments.

Diversity and Equal Opportunity

The agency endeavors to preserve gender and cultural diversity in our employee mix and takes pride as an equal opportunity employer for all qualified persons.

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Our Culture and Values

Our vision of "To be a world class water and sanitation infrastructure development agency.

This describes who we are, what we stand for and what makes our culture distinctive. The staff and Directors are committed in upholding our core values in the discharge of our mandate.

Employee Welfare

The agency takes every effort to ensure that employees' well-being is considered as this affects them both at home and at work.

The Board has continued to ensure that all cross cutting issues have been addressed; in particular, the policies and work plans for HIV/AIDs, Persons with Disability and Gender have been developed and are being implemented.

Staff Training and Development

To ensure that CWWDA not only attracts but also retains the best talent, the agency aims to nurture people's careers by making relevant opportunities accessible and helping them to develop skills, knowledge and experience in different functions or specialism. Staff training and development are a prerequisite for employees' growth. In FY 2021/2022, training continued to focus on departmental technical competencies and people management skills at all levels.

The Board also provides opportunities for groups of existing and future senior leaders to benchmark with best practices on management. Capacity building will remain a key objective for the agency.

Occupational Health and Safety

Good health and safety standards are ideal and remain an individual and corporate responsibility for the staff and the agency. The agency is committed to proactively managing all health and safety risks associated with its mandates.

The Board has a comprehensive medical scheme for its staff and directors. The policies are reviewed annually to ensure that the CWWDA maintains a healthy workforce and safe environment.

Zero Tolerance to Corruption

CWWDA has a zero tolerance policy towards corruption. During the year the agency carried out corruption risk assessment and mitigation measures. In order to enhance integrity in public procurement, CWDA posted all advertisements and awards to the public notice board at the gate of the head quart officers. Advertised open tenders in the papers for everybody to participate.

Corporate Social Responsibility and Investment

Through stakeholder engagement, we have listened to and talked with our employees, customers, investors, regulators, suppliers, Non-governmental Organizations (NGOs) and community representatives, who have helped us to develop our water master plan.

Towards this, the Board continues to pay school fees for best performing student at Baricho primary school.

Environmental Sustainability Report

Environmental Sustainability refers to concerted efforts to mitigate against environmental degradation. It is the maintenance of the factors and practices that contribute to the quality of environment on a long term basis. It involves making decisions and taking action that are in the interests of protecting the natural world, with

Coast Water Works Development Agency
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particular emphasis on preserving the capability of the environment to support human life. CWWDA is cognizance of the possible impacts (both positive and negative) resulting from interaction of the organization's activities with both physical and social environments.

The objective of the CWWDA in environmental sustainability is therefore to promote sustainable development within our area of jurisdiction by ensuring environmental protection, social equity, and economic development.

Approach

CWWDA environmental sustainability is guided by the Environmental Management and Coordination (Amendment) Act of 2015 which is the principal legislation governing the conduct of environmental management in Kenya; and the Constitution of Kenya, 2010. Other legislation related to natural resources such as Water Act, forest Act, Land planning Act and guidelines by National Environment Management Authority (NEMA). During the year under review CWWDA undertook the following activities in compliance with the guidelines:

Environmental sustainability planning

CWWDA developed an integrated workplace environment health and safety policy statement which states the organization's commitment to protect the environment, preserve the health and safety of CWWDA employees and communities, and ensure safe development of water and sanitation infrastructure.

This policy statement provides a framework for developing environmental objectives, targets and programs. The organizational service charter also include the environmental considerations such as the enforcement of water quality monitoring

Some of the environmental and social impact assessment reports licensed by NEMA are for the following projects among others:

Rehabilitation of Mzima pipeline, rehabilitation of Marere pipeline, rehabilitation of Baricho Wellfields and rehabilitation of Tiwi Boreholes

CWWDA subjects all the new water and sanitation infrastructure projects to environmental and social impact assessment process in line with the Environmental Management and Coordination Act, (EMCA), 1999 in order to identify both potential positive and negative impacts. This process allows for provision of enhancement, mitigation, restoration and compensation measures to ensure that the projects are environmentally and socially sustainable. The reports are submitted to NEMA for review and licensing and also to funding agencies (where applicable) for approval based on international standards.

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10. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2022 which show the state of CWWDA

Principal activities

The principal activity of the Board is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in its area of jurisdiction.

The main functions of CWWDA

- i) Ownership and holding of water and sewerage assets/Infrastructure on behalf of the National Government in the Coast Region.
- ii) Planning, development and expansion of water and sewerage services Infrastructure on behalf of the National Government in the Coast Region.
- iii) Provision of Bulk water services in the Coast region.

Results

The results of the entity for the year ended 30th June, 2022 are set out on page 1 – 5.

Auditors

The Auditor General is responsible for the statutory audit of Coast Water Works Development Agency in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

For and on its behalf


Mary Okioma
Corporation Secretary

Date 17/2/2023

Coast Water Works Development Agency
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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of Coast Water Development Agency (CWWDA), which give a true and fair view of the state of affairs of the CWWDA at the end of the financial year and the operating results of CWWDA for the year. The Directors are also required to ensure that CWWDA keeps proper accounting records which disclose with reasonable accuracy the financial position of the agency. The Directors are also responsible for safeguarding the assets of the agency.

The Directors are responsible for the preparation and presentation of the CWWDA's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the agency; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the agency (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for CWWDA's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act, CAP 446. The Directors are of the opinion that CWWDA's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2021, and of the Agency's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the internal control systems.

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

Approval of the financial statements

The agency's financial statements were approved by the Board on 29th August 2022 and signed on its behalf by:



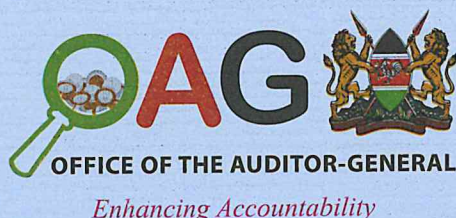
DR. DANIEL K MWARINGA
CHAIRMAN



MR. MARTIN TSUMA
Ag. CHIEF EXECUTIVE OFFICER

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON COAST WATER WORKS DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Coast Water Works Development Agency set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

Report of the Auditor-General on Coast Water Works Development Agency for the year ended 30 June, 2022

of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Coast Water Works Development Agency as at 30 June, 2022, 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 Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

1.1 Unsupported Land Balance

The statement of financial position and Note 19 to the financial statements reflect property, plant and equipment balance of Kshs.7,988,414,073 which includes an amount of Kshs.150,000 for land. However, as previously reported, according to land categorization report in preparation for a comprehensive transfer plan for assets and liabilities from National Water Conservation and Pipeline Corporation and Ministry of Water and Irrigation to Coast Water Works Development Agency dated 3 July, 2021, the Agency is in possession of sixty-one (61) parcels of land with buildings in the Counties of Kilifi, Mombasa, Malindi, Kwale and Taita Taveta, all registered under National Water Conservation and Pipeline Corporation and Government of Kenya. The assets register provided for audit review did not give details of the land with net book value of Kshs.150,000 and the terms on which it was held or area address of the parcels of land and buildings contained in the report.

In addition, the Land Categorization Report as at 1 September, 2022, category A3 indicated that the Agency had lost possession of fourteen (14) pieces of land in various counties in coast region, and which were previously registered under National Water Conservation and Pipeline Corporation and Government of Kenya. Some of the parcels of land have been sub-divided and title deeds issued to private developers. The Agency has placed caveats and restrictions on some pieces of grabbed land in Mombasa County. The National Land Commission and Ethics and Anti-Corruption Commission has also been engaged to undertake investigations into these properties with a view to recovering the same.

In the circumstances, the ownership of the land, and the accuracy, validity and completeness of the land balance of Kshs.150,000 as at 30 June, 2022 could not be confirmed.

1.2 Unsupported Additions to Property, Plant and Equipment

As disclosed in Note 19 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.7,988,414,073. However, assets

register in support of this balance was not provided for audit review. Further, included in the balance are additions of Kshs.753,237,216 during the year under review which had no supporting schedules and payment vouchers.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.7,988,414,073 as at 30 June, 2022 could not be confirmed.

2.0 Unreconciled Variance in Trade and Other Receivables

The statement of financial position and Note 17 to the financial statements reflect trade and other receivables balance of Kshs.4,562,727,078 which includes an amount of Kshs.4,554,155,875 due from seven (7) Water Service Providers (WSP). However, the balance reflected in the financial statements differs with Water Service Providers' account balances of Kshs.4,170,398,973 by Kshs.383,756,902 as detailed below:

Water Service Provider (WSP)	Reported Balance (Kshs.)	Balance as per Bill Forwarded to WSP (Kshs.)	Variance (Kshs.)
Mombasa Water and Sewerage company	1,615,500,114	1,639,471,278	(23,971,164)
Malindi Water and Sewerage Company	510,377,647	583,404,045	(73,026,398)
Kilifi-Mariakani Water and Sewerage Company	912,748,862	767,894,945	144,853,917
Kwale Water and Sewerage company	788,632,266	724,565,508	64,066,757
Taita/Taveta Water and Sewerage Company	708,109,182	455,063,196	253,045,986
Lamu Water and Sewerage Company	15,763,804	-	15,763,804
Tana River Water and Sewerage Company	3,024,000	-	3,024,000
Total	4,554,155,875	4,170,398,973	383,756,902

The resultant variances were not reconciled nor explained. Further, debtors' ageing analysis was not provided for audit review.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.4,562,727,078 and any bad debts provisions that would be applicable could not be confirmed as at 30 June, 2022.

3.0 Unsupported World Bank Loan

As disclosed in Note 22 to the financial statements, the statement of financial position reflects a World Bank loan balance of Kshs.14,413,176,398. Documents maintained by the Agency indicated that the loan relates to two Agreements between the Agency and the Bank. However, Management did not provide a breakdown of the loans received to date and outstanding balances to support Kshs.14,413,176,398 reflected in the financial statements.

Further, the status of the World Bank Credit No.IDA-4376-KE totalling Kshs.4,570,199,584 was not provided for audit review nor was the same included in the loan balance as at 30 June, 2022.

In the circumstances, the accuracy, completeness and fair presentation of the World Bank loan balance of Kshs.14,413,176,398 as at 30 June, 2022 could not be confirmed.

4.0 Unconfirmed World Bank Financed Infrastructure

As disclosed in Note 20 to the financial statements, the Work in Progress of Kshs.6,063,102,561 as at 30 June, 2022 is net of transfers of Kshs.746,582,974 to property, plant and equipment. However, details of the World Bank contracts that were complete, work in progress and transferred to water infrastructure were not provided for audit review.

In the circumstances, the accuracy and completeness of the Work in Progress of Kshs.6,063,102,561 as at 30 June, 2022 could not be confirmed.

5.0 Unsupported Expenditure on Legal Fees & Related Expenses

The statement of financial performance and Note 9 to the financial statements reflect use of goods and services balance of Kshs.374,640,284 which includes legal fees & related expenses of Kshs.8,290,608. However, the following anomalies were noted:

- i. The legal fees included Kshs.1,083,208 incurred on arbitration and legal charges for a Court case between a contractor and Coast Water Works Development Agency regarding payment of Kshs.24,156,731 for work done under procurement No: CWSB/TT-EQ/W/08/2016-2017. The legal advice from the Office of Attorney-General vide letter Ref: AG/ARB/CIV106/2020 of 11 January, 2022 was that the Agency was to brief the Equalization Fund Administration Board of all the pending bills relating to projects financed under the Equalization Fund to avoid the costs of arbitration.

It is therefore not clear why the Agency enlisted the services of a lawyer to arbitrate on a payment that is owed by the Equalization Fund considering that, as per the projects' status report provided for audit review, a total of Kshs.587,163,029 was owed to contractors for incomplete projects under the Equalization Fund.

- ii. The amount of Kshs.8,290,608 also includes Kshs.6,736,000 paid during the year under review to a law firm hired by the Agency to represent it in various Court cases which have been running since the year 2007. However, the amount was not reflected as accounts payable in the previous year's financial statements and no records were provided as evidence that the Attorney-General was notified before the law firm was hired as provided under Section 20 of the Office of the Attorney-General's Act, 2012.

In addition, it was not possible to confirm that the amount paid was as per the advocates remuneration order as no invoices were provided for audit.

In the circumstances, the regularity, accuracy and completeness of the legal fees and related expenses of Kshs.8,290,608 for the year ended 30 June, 2022 could not be confirmed.

6.0 Irregular Payment of Travelling and Accommodation Allowances - Local

As disclosed in Note 9 to the financial statements, the statement of financial performance reflects use of goods and services of Kshs.374,640,284 which includes Kshs.34,420,035 spent on travelling and accommodation allowances - local. Review of imprests register and supporting surrender documents revealed that officers who were not employees of the Agency were paid daily subsistence allowances amounting to Kshs.903,200 and daily subsistence allowances of Kshs.420,860 and Kshs.783,000 in respect of Mwache Project and Water and Sanitation Development Project respectively both financed by the World Bank. However, it was not explained how the Agency incurred expenditure on behalf of other accounting entities from its voted funds.

In the circumstances, the accuracy and completeness of the daily subsistence allowances of Kshs.2,107,060 for the year ended 30 June, 2022 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budget and Budgetary Control

During the year under review, the Agency had an actual revenue of Kshs.2,586,293,049 out of a budgeted amount of Kshs.3,050,250,000, resulting in underfunding of Kshs.463,956,951 or 15% of the budget. Similarly, expenditure totalling Kshs.1,687,594,787 was incurred during the year against an approved budget of Kshs.1,798,281,149, resulting in under expenditure of Kshs.110,686,362 or 6% of the budget.

The underfunding and under expenditure may have curtailed realization of planned project activities and service delivery to residents of coast region.

2. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2022. Although Management has indicated that the issues are being acted upon, no evidence was provided to support the assertion.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Undelivered Project Works

The statement of financial position reflects work-in-progress balance of Kshs.6,063,102,561, out of which expenditure of Kshs.28,487,228 relates to construction works on Improvement of Water Supply to Dongo Kundu EPZ, Phase II, procured vide Tender Ref: CWWDA/T/W/02/2020-2021 on 21 December, 2020 at a contract sum of Kshs.226,359,227 and expected completion period of one year (or 365 days). The records indicate that an advance payment of Kshs.45,271,845, being 20% of the contract price was made on 19 January, 2021. Examination of support schedules and payment voucher number 1485/21-22 revealed payment on account of Interim Payment Certificate No. 2 of Kshs.28,487,228, being 12.5% of the contract amount. However, at the time of site verification on 17 October, 2022, only approximately seven hundred (700) meters of the pipeline had been laid instead of the specified 2.8 Km.

In the circumstances, the value for money may not be realized on a total of Kshs.73,759,073 spent on construction works for Improvement of Water Supply to Dongo Kundu EPZ, Phase II.

2. Emergency Works for Likoni Water Supply

The work in progress balance of Kshs.6,063,102,561 shown in the statement of financial position and Note 20 to financial statements includes an expenditure for Sureca, Long Term Technical Assistance (LTTA) Mwache Dam of Kshs.71,737,170 which consists of Kshs.38,130,757 for construction of civil works. Review of the payment records revealed an advance payment of Kshs.39,848,359 (VAT inclusive) was made to a construction company following procurement of Emergency Works for Increasing Water Availability in Likoni under the contract signed on 18 August, 2021 and site handed over to the contractor on 27 August, 2021.

Review of the consultancy monthly progress report of August, 2022 revealed that works on site completed was 9.46% after 12 months of construction, with the key impediment to the work progress cited as slow mobilization of staff and equipment.

Further, review of the scope of works during audit inspection conducted on 30 September, 2022 revealed the following anomalies;

- i. The scope of works required the contractor to drill two new ground water boreholes, A and 9. However, borehole A had not been drilled and borehole 9,

although drilled, was not functional after being rejected as the contractor developed it contrary to the Engineer's instructions on the quality of gravel to be used as reported in the consultant's monthly progress report of August, 2022.

- ii. The works on Lines 1-1, 1-2 and 1 connecting boreholes 8, C and A to the main line had not yet commenced.
- iii. Installations of electro-mechanical works and pipe works at fifteen (15) borehole sites, extension flow division chamber (Marere Pipeline), construction of DN250-200 HDPE PN 25 parallel Marere Pipeline of 6,368m and chlorine dosing units at Kaya Bombo and Magodzoni were yet to commence with only foundation excavations of the two chlorination units done.
- iv. There was no water supply in Likoni as the combined hydraulic - chemical well rehabilitation of eight (8) boreholes were yet to be done and only five (5) boreholes (6.1, 6.2, D2, 8.1 & C) had been cleaned and rehabilitated.

In the circumstances, value for money has not been realized on the contract for Emergency Works for Increasing Water Availability in Likoni costing Kshs.71,737,170 for the year ended 30 June, 2022.

3. Staff Serving in Acting Capacities Beyond the Allowed Time Limit

As disclosed in Note 11 to the financial statements, the statement of financial performance reflects employees costs of Kshs.232,431,422 which includes salary and wages of Kshs.193,759,894. Audit review of the expenditure revealed payment of acting allowances totaling Kshs.687,540 to the Director-Project Development & Management who acted as the CEO and Senior Inspector-Electrical who acted as the In-Charge, Baricho for periods exceeding six (6) months, contrary to Section 5.6.3 of the Agency's Human Resource Policies and Procedures Manual, 2020.

The Management was therefore in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Liquidity Risk

Note 21 to the financial statements for the year ended 30 June, 2022 reflects amount payable to general creditors of Kshs.2,277,338,226. However, trend analysis for the last four financial years points to increasing creditor balances as follows: 2019(Kshs.1,334,654,408); 2020(Kshs.1,487,587,719); 2021(Kshs.1,854,798,746) and 2022(Kshs.2,277,338,226), which is an increase of Kshs.942,683,818 or about 71% from 2019 to 2022.

The upward trend in creditor balances points to liquidity risk facing the Agency and inability to meet its obligations as and when they fall due.

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 processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

The 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Agency's 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 Management.
- Conclude on the appropriateness of 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 Agency'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 Agency to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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

27 April, 2023

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2022

Description	Notes	2022	2021
		Kshs.	Kshs.
Revenue from Non-Exchange Transactions			
Grants	7	1,782,327,999	744,983,335
		1,782,327,999	744,983,335
Revenue from Exchange Transactions			
Operational Income	6	787,320,840	784,271,797
Other Incomes	8	16,644,210	95,393,070
TOTAL REVENUE		2,586,293,049	1,624,648,201

EXPENDITURE			
Use of Goods and Services	9	374,640,284	382,474,549
Remuneration of Directors	10	11,207,809	18,633,255
Employees costs	11	232,431,421	202,358,722
General Expenses	12	31,316,800	19,844,689
Operational Expenses	13	706,937,376	616,879,264
Project Costs	14	280,811,774	287,538,421
Finance Costs	15	50,249,323	55,870,724
TOTAL EXPENDITURE		1,687,594,788	1,583,599,625
Surplus/(Loss)before Tax		898,698,260	41,048,577

CHIEF EXECUTIVE OFFICER
MR. MARTIN TSUMA

SIGN.....
Date... 17/2/2023

HEAD OF FINANCE
STEPHEN M. KIVUVA
ICPAK.NO.13560

SIGN.....
Date... 17/2/2023

CHAIRMAN OF THE BOARD
DR. DANIEL MWARINGA

SIGN.....
Date... 17/2/2023

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

ASSETS	Note	2022	2021
		Kshs	Kshs
CURRENT ASSETS			
Inventories	16	48,150,200	32,173,270
Trade and Other Receivables	17	4,562,727,076	4,506,840,899
Cash and Bank Balances	18	1,196,071,272	315,939,291
TOTAL CURRENT ASSETS		5,806,948,552	4,854,953,460
NON CURRENT ASSETS			
Property, Plant and Equipment	19	7,988,414,073	7,471,811,487
Work in Progress	20	6,063,102,561	4,996,849,936
TOTAL NON CURRENT ASSETS		14,051,516,635	12,468,661,423
TOTAL ASSETS		19,858,465,186	17,323,614,883
CURRENT LIABILITIES			
Trade and other Payables	21	2,284,862,992	1,859,900,549
TOTAL CURRENT LIABILITIES		2,284,862,992	1,859,900,549
NON-CURRENT LIABILITIES			
Bank Loans	22	14,413,176,398	13,201,986,800
TOTAL NON CURRENT LIABILITIES		14,413,176,398	13,201,986,800
TOTAL LIABILITIES		16,698,039,390	15,061,887,349
NET ASSETS		3,160,425,796	2,261,727,534
ACCUMULATED SURPLUS		3,160,425,796	2,261,727,534
TOTAL NET ASSETS LESS LIABILITIES		3,160,425,796	2,261,727,534

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

CHIEF EXECUTIVE OFFICER
MR. MARTIN TSUMA

SIGN.....
Date: 17/2/2023

HEAD OF FINANCE
STEPHEN M. KIVUVA
ICPAK.NO.13560

SIGN.....
Date: 17/2/2023

CHAIRMAN OF THE BOARD
DR. DANIEL K MWARINGA

SIGN.....
Date: 17/2/2023

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

Attributable to the owners of the controlling entity

	Notes	Accumulated surplus	Reserves Total
		Kshs	Kshs
Balance as at 30.6.2021		2,220,678,958	2,220,678,958
Surplus for the period		41,048,576	41,048,576
Balance as at 1.7.2022		2,261,727,534	2,261,727,534
Surplus for the period		898,698,260	898,698,260
Balance as at 30.6.2022		3,160,425,796	3,160,425,796

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	2021-2022	2020-2021
	Kshs	Kshs
Cash flows from operating activities		
Receipts		
Operational Income	733,052,834	379,034,490
Grants	1,782,327,999	744,983,335
Other Incomes	16,644,210	95,393,070
Total Receipts	2,532,025,043	1,219,410,895
Payments		
Employees Costs	232,431,421	202,313,688
Goods and services	136,615,238	140,787,002
Remuneration of Directors	11,207,809	18,633,255
General Expenses	31,316,800	19,739,788
Operational Expenses	351,209,776	310,077,459
Project Costs	280,811,774	287,538,421
Finance Costs	0	0
Total Payments	1,043,592,818	979,089,613
Net cash flows from operating activities	1,488,432,225	240,321,282
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(753,237,216)	((3,402,431,123))
Proceeds from sale of property, plant and Equipment's		
Decrease in non-current receivables		
Increase in investments	(1,066,252,626)	2,543,041,013
Net cash flows used in investing activities	(1,819,489,842)	(859,390,110)
Cash flows from financing activities		
Proceeds from borrowings	1,211,189,598	574,555,700
Repayment of borrowings		
Net cash flows used in financing activities	1,211,189,598	574,555,700
Net increase/(decrease) in cash and cash equivalents	880,131,981	(63,031,100)
Cash and cash equivalents at 1 JULY 2021	315,939,291	378,970,392
Cash and cash equivalents at 30 JUNE 2022	1,196,071,272	315,939,291

CHIEF EXECUTIVE OFFICER
MR. MARTIN TSUMA

SIGN.....


Date... 17/2/2023

HEAD OF FINANCE
STEPHEN M. KIVUVA
ICPAK.NO.13560

SIGN.....


Date... 17/2/2023

CHAIRMAN OF THE BOARD
DR. DANIEL K. MWARINGA

SIGN.....


Date... 17/2/2023

Coast Water Works Development Agency
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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30.6.2022

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Surplus/Deficit	Percentage Utilization
FY	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Government grants and subsidies	2,113,000,000	190,000,000	2,303,000,000	1,792,327,999	510,672,001	78%
Rendering of services	739,000,000	0	739,000,000	787,320,840	-48,320,840	106%
Gains on disposal, rental income and agency fees	8,250,000	0	8,250,000	6,644,210	1,605,790	81%
TOTAL	2,860,250,000	190,000,000	3,050,250,000	2,586,293,049	463,956,951	
Expenses						
Use of Goods and Services	388,300,000	2,300,000	390,000,000	374,640,284	15,359,716	96%
Remuneration of Directors	30,000,000	0	30,000,000	11,207,809	18,792,191	37%
Employees Costs	248,000,000	2,600,000	250,600,000	232,431,422	18,168,578	93%
General Expenses	34,170,000	2,700,000	36,870,000	31,316,800	5,553,200	85%
Operational Expenses	631,649,375	135,270,000	766,919,375	706,937,375	59,982,000	92%
Project Costs	280,811,774	0	280,811,774	280,811,774	0	100%
Finance Costs	43,080,000	0	43,080,000	50,249,323	-7,169,323	116%
TOTAL	1,656,011,149	142,870,000	1,798,281,149	1,687,594,787	110,686,362	

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NOTES

The 73% on Grants is an indication that the Agency did not receive all the grants as were budgeted. This is attributed to Donor grants for AFD projects. Revenue from water sales was at 106 % meaning the performance was above the targeted billing.

Use of Goods and Services

The 96% on use of goods and services indication that the costs were within the budget for the year under review. And thus there were no expenditure overruns

Remuneration of Directors

Remuneration to the Board was Kshs. 11,207,809 including honoraria to the Chairman and this was within the approved budget of Kshs. 30 million. The low absorption is attributed to departure of Directors after expiry of their term within the year under review

Employees Costs

Employees cost was within the set budget of the year under review

General Expenses

This caters for operational cost of running the offices and includes office electricity among others and the expenditure was within the set budget for the year under review

Operations Expenses

This caters for production costs of water and mainly covers power cost. The cost was within the budget expect for Baricho pumping station which was on increasing trend as per the report.

Project Costs

This covers Gok funded projects and was fully funded in the year under review. Most of the Projects are still ongoing

Coast Water Works Development Agency
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18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CWWDA was initially established under water Act 2002 and registered as Coast Water Services Board. Following the adoption of the water Act 2016 in the water sector, CWWDA changed its name to CWWDA as per the guidelines. CWWDA is wholly owned by the Government of Kenya and is domiciled in Kenya. CWWDA's principal activity is to ensure efficient, effective and sustainable provision of quality and affordable water services (defined to include sewerage) in its area of jurisdiction - Mombasa County, Taita Taveta County, Kilifi County, Kwale County, Lamu County and Tana River County.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Coast Water Services Board's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of CWWDA.

The financial statements have been prepared on the basis of historical cost. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	CWWDA adopted IPSAS in the year ended 30.6.2014 and therefore provision of first time adoption of accrual basis does not apply
IPSAS;34 Separate Financial statement	The Agency does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
IPSAS:35 Consolidate Financial Statements	The Agency does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
IPSAS:36 Investment in Associates and Joint Ventures	The Agency does not have investments in associates or joint ventures
IPSAS:37 Joint Arrangements	The Agency does not have an interest in a joint arrangement and therefore the standard does not apply
IPSAS:38 Disclosure of interest in other Entities	The Agency does not have interest in other entities and therefore the standard does not apply

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Annual Report and Financial Statements For The Year Ended 30th June 2022

ii) New Standards and Interpretation in use issue but not yet effective in Year Ended 30 June 2022

Standard	Effective date and impact
IPSAS 39: Employee Benefits	Applicable ;1 January 2018 IPSAS 39 was to create convergence to changes in IAS 19. Employees benefits. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefits scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable 1 January 2019 Covers public combinations arising from exchange transactions in case they are treated similarly with IFRS 3 Business combinations and combinations arising from non – exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii) **Early adoption of standards**

Coast Water Works Development Agency did not adopt any new or amended standards in year 2021.

4. SIGNIFICANT ACCOUNTING POLICIES

a) **Revenue recognition**

Revenues from lease fees and miscellaneous income have been recognized as exchange transactions. Grants for the donors and Government of Kenya have been recognized as non-exchange transactions. Lease fees Income is recognized in the year in which it is due. A grant from the Government of Kenya and other donors for specific expenses is recognized as income in the period it is received and it is not accrued.

b) **Budget information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. 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.

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

c) Property, plant and equipment

Property, Plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on the reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life as follows;

Equipment	12.5%
Furniture, Fittings	12.5%
Computers	33.3%
Water Infrastructure	2.5%
Motor Vehicles and Cycles	25%

d) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by First in first out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary course of business less the selling expense. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

e) Provisions

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

f) Contingent liabilities

The Entity 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.

Under the current year in review there is a contingency liability of kshs 587,163,124 under Equalization funds projects with has been pending for years. But since the Act has been passed it likely that the same will be paid next year as fund will be Disbursed

g) Contingent assets

The Entity 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 the Entity 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.

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

h) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

i) Changes in accounting policies and estimates

The Agency recognizes the effects of changes in accounting policy prospectively.

j) Foreign currency transactions

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

k) Borrowing costs

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

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) Taxation

Coast Water Works Development Agency is a non-commercial state corporation in the provision of essential services. No provision for taxation has not been made.

5. Critical Accounting Estimates, Judgments and Assumptions

In the process of applying the Board's accounting policies, the directors have made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

(a) **Critical Judgments in applying the agency's Accounting Policies**

In the process of applying the agency's accounting policies, judgments have been made in determining: -

- Whether the assets are impaired;
- The classification of financial assets;
- The going concern.

(b) **Critical Accounting Estimates and Assumptions**

The key areas of judgments and sources of uncertainty in estimation are as set out below:

(i) **Useful lives of property and Equipment**

The directors make estimates in determining depreciation rates for property and equipment. The rates are set out in the accounting policy (g) above for property and equipment.

The agency reviews the estimated useful lives of plant and equipment at the end of each reporting period. During the financial year, no changes to the useful lives were identified by the board of directors.

(ii) **Provision for Doubtful Debts**

The agency reviews its current assets portfolio to assess the likelihood of impairment. Provision for impairment of receivables is established when there is objective evidence that the agency will not be able to collect all amounts due. Where necessary an estimation of the amounts irrecoverable is made in that year. Provision for impairment shall be recognized upon approval by the Board of Directors. No provision of bad debts were made in respect to the year under review.

NOTE 6 Operational Income

The Agency's major sources of revenues are the water sales which are earned from the sale of bulk water to the WSPs and administrative fees that is earned from the lease of its assets to them.

During the year, revenue was earned as follows:

	2022	2021
	Kshs.	Kshs.
Bulky Water Sales	787,320,840	784,271,797
Administrative Fees	0	0
Total	787,320,840	784,271,797

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Month	Mombasa	Malindi	Kilifi	Kwale	Tavevo	TOTAL
Jul-21	23,004,000	10,650,720	19,167,100	7,483,220	5,891,060	66,196,100
Aug-21	22,761,300	10,642,980	20,090,320	8,688,900	7,231,580	69,415,080
Sep-21	21,094,100	11,110,260	20,462,760	7,476,920	6,857,540	67,001,580
Oct-21	20,258,700	10,889,640	18,376,120	7,614,000	7,280,840	64,419,300
Nov-21	19,720,040	11,416,320	19,209,760	8,110,860	9,102,420	67,559,400
Dec-21	19,134,100	11,472,220	18,386,780	7,166,800	6,577,400	62,737,300
Jan-22	20,261,520	11,896,540	22,265,220	7,034,940	6,380,180	67,838,400
Feb-22	22,878,080	11,303,240	21,032,880	7,761,840	7,321,300	70,297,340
Mar-22	18,228,300	11,495,100	20,345,440	9,127,940	5,969,540	65,166,320
Apr-22	18,172,140	11,285,240	18,737,020	7,666,180	6,177,320	62,037,900
May-22	17,533,180	11,302,180	17,245,720	6,134,200	6,977,360	59,192,640
Jun-22	18,056,780	11,429,240	18,380,840	10,140,920	7,451,700	65,459,480
TOTAL	241,102,240	134,893,680	233,699,960	94,406,720	83,218,240	787,320,840

NOTE 7 Grants

Grants are recognized in the books when they are actually received and they are not accrued. During the Financial year, grants were received as follows.

Grant	AMOUNT	
	2022	2021
GOK Recurrent	445,552,703	388,483,335
GOK Development	1,121,825,749	356,500,000
CLSG	214,949,547	0
Total	1,782,327,999	744,983,335

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

NOTE 8

Other Income

The agency earned other income from various sources as summarized below. The main source of other income was the sale of water by bowser (69%) followed by rent from various sources at 10%.

DETAILS	AMOUNT	AMOUNT
	2022	2021
Tender sales	2,000	0
Rent Received	1,327,200	268,500
Miscellaneous income	10,833,000	92,025,270
Sale of water to CBOs	3,992,010	2,758,300
laboratory charges	490,000	341,000
Total other income	16,644,210	95,393,070

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

NOTE 9

Use of Goods and Services	2022	2021
	Kshs	Kshs
Telephone, Fax, Internet, Courier & Email	3,372,226	2,198,629
Travelling and accommodation- local	34,420,035	36,348,968
Travelling & accommodation foreign	0	14,400
Advertising & Publicity	5,004,921	6,321,725
Trade show and Exhibition	650,760	663,701
KRA tax assessments	30,391,009	0
World Water Day	1,051,500	250,062
Hire of transport equipment & machinery	31,000	0
General office supplies	7,263,453	10,224,819
Laboratory expenses	3,030,096	2,901,048
Hospitality	1,128,880	928,536
Fuel & Lubricant	8,313,651	7,127,014
Legal fees & related expenses	8,290,608	13,051,745
Bank charges	287,958	460,431
Contracted professional services	0	8,659,988
Monitoring and Evaluation	12,650,110	26,231,763
Audit fees	2,345,520	0
Maintenance expenses – vehicles	8,728,865	12,552,951
Maintenance of office furniture & equipment	1,814,959	903,090
Maintenance of buildings & stations	5,214,930	8,122,447
Stationery office	863,499	1,325,100
Covid -19 Expense	2,104,330	6,222,460
Depreciation	236,643,630	237,965,672
TOTAL	374,640,284	382,474,549

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Annual Report and Financial Statements For The Year Ended 30th June 2022

NOTE 10

Remuneration of Directors	2022	2021
	Kshs	Kshs
Board Allowances	10,477,009	18,063,405
Honoraria	730,800	569,850
TOTAL	11,207,809	18,633,255

NOTE 11

Employees Costs	2022	2021
	Kshs	Kshs
Salaries and Wages	193,759,894	165,594,457
Staff Leave Allowance	2,911,749	2,395,496
Other Staff Allowances	26,864,090	26,455,396
Staff Training	5,162,114	5,119,942
Gratuity	3,733,574	2,793,431
Total	232,431,422	202,358,722

NOTE 12

General Expenses	2022	2021
	Kshs	Kshs
Office Electricity	1,960,862	960,294
Motor Vehicles Insurance	1,340,744	1,733,084
Resettlement compensation	10,341,469	387,711
Security Expense	17,639,726	16,763,600
Total	31,316,800	19,844,689

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

NOTE 13

Operating Expenses	2022	2021
	Kshs	Kshs
Electricity – Operations	511,878,621	497,029,745
Water Use Charges	21,122,838	21,122,838
Electricity Nguu Tatu	78,793	0
Baricho Emergency Repairs	17,030,000	20,607,897
CLSG Expenses	82,431,536	0
Cost of Specialized Materials	6,434,550	15,808,268
Bulky Water Operations	2,742,635	0
Maintenance of Water Assets	65,218,403	62,310,515
Total	706,937,376	616,879,264

NOTE 14

Project Costs	2022	2021
	Kshs	Kshs
Lamu Projects	90,608,178	85,249,365
Small dams and Pans	4,632,632	28,657,678
Drought mitigation	67,396,880	11,898,249
Equalization	3,369,409	22,545,513
Water For Schools	994,034	20,162,470
Taita Projects	34,243,294	3,824,792
Priority Projects	0	2,599,155
Kwale Projects	0	28,771,080
Dongo Kundu	30,502,545	41,683,822
Cross County Projects	39,958,243	42,146,297
Universal Health Care	9,106,559	0
Total	280,811,774	287,538,421

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

NOTE 15

Finance Cost	2022	2021
	Kshs	Kshs
Financing cost	50,249,323	55,870,724

NOTE 16

	2022	2021
	Kshs	Kshs.
Inventories		
Machinery, Pipes and Fittings	38,835,504	30,732,000
Chemicals	4,123,800	0
Stationery	1,443,937	1,441,270
Water Inventory	3,746,959	0
Total	48,150,200	32,173,270

NOTE 17

	2022	2021
	Kshs	Kshs
Trade and Other Receivables		
Mombasa Water and Sewerage Company Ltd	1,615,500,114	1,571,123,390
Malindi Water and Sewerage Company Ltd	510,377,647	563,873,206
Kilifi Mariakani Water and Sewerage Ltd	912,748,862	1,014,768,981
Kwale Water and Sewerage Company Ltd	788,632,266	695,725,546
Taveta Water and Sewerage Company Ltd	708,109,182	635,608,942
Lamu Water and Sewerage Company Ltd	15,763,804	15,763,804
Tana Water and Sewerage Company	3,024,000	3,024,000
Salary Advances	1,908,021	1,743,266
Prepaid Medical Cover	3,977,461	708,662
Prepaid Motor Insurance	391,113	657,622
Staff Imprest	2,294,608	3,843,480
TOTAL	4,562,727,078	4,506,840,899

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NOTE 18

Cash and Cash Equivalent	2022 Kshs	2021 Kshs
Development	221,437,345	213,355,276
Loan repayment	237,351	238,416
Projects	616,276,351	68,698,410
Drought Mitigation	28,675,130	4,361,596
Administration Fees	548,034	442,163
World Bank – AF	77,398	78,583
Bulk	46,535,236	2,491,995
Equalization	80,760	22,346,632
World Bank WSDP	38,516,986	3,712,288
AFD	243,680,606	206,791
KCB KISSIP	6,076	7,141
Total	1,196,071,272	315,939,291

Coast Water Works Development Agency
Annual Report and Financial Statements For The Year Ended 30th June 2022

NOTE 19
Property, Plant and Equipment

	Motor Vehicles	Computers	Office Equipment	Furniture and Fittings	Water Equipment	Water Infrastructure	Land	Total
As at 30.6.2019	262,030,492	41,191,290	38,989,527	18,251,693	450,115,231	2,704,853,149	150,000	3,515,581,382
Additions		11,641,811	197,580	315,000		1,888,668.89		1,900,823,278
As at 30.6.2020	262,030,492	52,833,101	39,187,107	18,566,693	450,115,231	4,593,522,036	150,000	5,416,404,660
Additions		400,400	1,437,833	821,046		3,399,771,843		3,402,431,122
As at 30.6.2021	262,030,492	53,233,501	40,624,940	19,387,739	450,115,231	7,993,293,879	150,000	8,818,835,782
Additions		3,515,620	2,858,622	280,000		746,582,974		753,237,216
As at 30.6.2022	262,030,492	56,749,121	43,483,562	19,667,739	450,115,231	8,739,876,853	150,000	9,572,072,998
Depreciation								
Net book Value	262,030,492	40,092,756	29,812,321	12,101,918	349,813,372	256,872,593		950,723,452
Charge for year 2020	0	4,305,197	4,147,014	763,553	34,281,356	114,838,051		158,335,171
Net book Value	262,030,492	44,397,953	33,959,335	12,865,471	384,094,728	371,710,644		1,109,058,623
Charge for year 2021		4,073,930	4,326,743	866,184	28,866,468	199,832,347		237,965,672
Net book Value	262,030,492	48,471,883	38,286,078	13,731,655	412,961,196	571,542,991		1,347,024,295
Charge for year 2022	0	5,245,804	3,515,385	901,184	8,484,336	218,496,921		236,643,630
Net book Value	262,030,492	53,717,687	41,801,463	14,632,839	421,436,532	790,039,912		1,583,658,925
As at 30.6.2019		1,101,534	9,177,205	6,149,775	100,298,860	2,447,980,556	150,000	2,564,857,929
As at 30.6.2020	-	8,435,148	5,227,772	5,701,222	66,020,503	4,221,811,392	150,000	4,307,346,037
As at 30.6.2021	0	4,761,618	2,338,862	5,656,084	37,154,035	7,421,750,888	150,000	7,471,811,487
As at 30.6.2022	0	3,031,434	1,682,099	5,034,900	28,678,699	7,949,836,941	150,000	7,988,414,073

Coast Water Works Development Agency
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NOTE 20

	2022	2021
Work In Progress	Kshs.	Kshs.
Balance b/f	4,996,849,934	7,539,890,948
World Bank Baricho 3BHS	106,892,066	487,558,711
Makamini Dam	184,856,063	117,382,928
Mwache Dam Treatment Plant	17,659,608	12,705,868
Mwache Dam pipeline	33,347,274	19,202,950
Northmainland Msa	226,671,459	46,885,425
Phase 1 Nyali	145,883,131	103,288,665
Protection Works Baricho	418,930,628	16,749,682
Baricho 2 Pipeline	503,352,931	7,684,756
Dongo Kundu Phase 2	28,487,228	45,271,845
Sureca LTTA Mwache Dam	71,737,170	0
GKW STTA Mwache Dam	67,541,843	0
Office Block	7,476,200	0
Transfer to Water Infrastructure	(746,582,974)	(3,399,771,844)
Total	6,063,102,561	4,996,849,934

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NOTE 21

Trade and Other Payables	2022	2021
	Kshs.	Kshs
General Creditors	2,277,338,226	1,854,798,746
Paymaster General (June 2022)	3,117,944	0
Ukulima and Other Deductions	4,406,823	5,101,802
TOTAL	2,284,862,993	1,859,900,549

NOTE 22

	2022	2021
	Kshs.	Kshs
World Bank Loan		
Balance B/F	13,201,986,800	12,627,431,099
Disbursements	844,165,744	574,555,701
AFD Loan	243,657,000	0
AFD Loan Direct	123,366,854	
TOTAL	14,413,176,398	13,201,986,800

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Financial Risk Management

Financial Risk Management Objectives and Policies

CWWDA considers risk management to be an integral part of good management practices and a significant aspect of corporate governance. Effective management of risk will contribute towards achievement of the agency's objectives.

The Agency's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement, monitoring and reporting. The risk management policies and systems are reviewed regularly to ensure they are in tandem with the micro and macro environment, regulatory guidelines, industry practice, market conditions as well as the services offered.

This risk management framework captures the following among other things: -

- The Agency's risk appetite and parameters;
- The Agency's risk matrix that highlights the rating of risks;

The structure of managing risks and accountabilities;

- The processes, procedures and reports that manage risks;
- The mitigating factors, prevention, contingency plans and controls.

The Agency's core business involves major engagements with financial transactions and processes which pose certain risks. Three types of risks are reported as part of the risk profile namely operational, strategic and business continuity risks.

i) Operational risks are events, hazards, variances or opportunities which could influence the achievement of the Agency's compliance and operational objectives.

ii) Strategic risk is a significant unexpected or unpredictable change or outcome beyond what was factored into the organization's strategy and business model which could have an impact on the entity's performance.

iii) Business continuity risks are those events, hazards, variances and opportunities which could influence the continuity of the entity.

One of the key risks the agency has identified in both the operational and strategic areas is the sustainability of the administrative fee receivable in the provisions of the Water Act 2016 Financial risk as defined in IPSAS 15 and the management thereof, form part of this risk area.

The financial management objectives and policies are as outlined below:-

(a) Liquidity Risk

Liquidity risk is the risk that the Agency will not have sufficient financial resources to meet its obligations when they fall due or will have to do so at excessive costs. This risk can arise from mismatches in the timing of cash flows from revenue and capital/operational outflows, assets and liabilities according to their maturity profiles and can occur where cash flow streams have been discontinued, etc.

The objective of the liquidity and funding management is to ensure that all foreseeable operational, capital

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and loan commitment expenditure can be met under both normal and stressed conditions and the mismatch is controlled in line with allowable risk levels. The agency has adopted an overall balance sheet approach which consolidates all sources and utilization of liquidity, with the aim of maintaining a balance between liquidity, cash flows and interest rate considerations.

The agency's liquidity and funding management process includes:-

- Projecting cash flows and considering the cash required and optimizing the short term requirements as well as the long term funding,
- Maintaining balance sheet liquidity ratios,
- Maintaining/soliciting for a diverse range of funding sources with adequate back up facilities,
- Managing the concentration and profile of debt maturities, where applicable,
- Maintaining liquidity and funding contingency plans.

(b) Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, prices and interest rates. The objective of market risk management policy is to protect and enhance the Statements of Financial Position and performance by managing and controlling market risk exposures within acceptable parameters, and to optimize the funding of business operations and facilitate capital expansion. CWWDA is exposed to the following market risks:-

(i) Currency Risk

The currency risk is minimal as most of cash and cash equivalents held with banks are dominated in Kenya Shillings.

(ii) Price Risk

The revenue source for CWWDA is the administrative levy which is denominated in Kenya Shillings. The exposure arises where the contract prices are denominated in foreign currencies for the development funded projects. This is mitigated by enforcing direct payments so as to reduce the exposure. Price risk is therefore rated as minimal.

(iii) Interest Rate Risk

The Agency's financial condition may be adversely affected as a result of changes in interest rate levels. The interest rate risk is minimal as the Agency does not have any borrowings.

(c) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Agency's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as legal and regulatory requirements and generally acceptable standards of corporate behavior. The agency will endeavor to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor and report such risks.

Related Party Balances

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. Being a public entity CWWDA has related parties in this regard and operates under the national Government and Board of Directors.

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19. APPENDIX

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR GENERAL RECOMMENDATIONS

CWWDA has been audited up to 30th June 2021. However certificates for the last two years have not been received. The following audit issues were outstanding as at this date. The main challenge in dealing with most of the issues is that they are expected to be addressed by other Government agencies and not entirely by CWWDA.

Ref No	Reference no. on the external audit report	Issue/observation from the auditor	Management comments	Action point	Status as at 30 th June 2021	Expected completion date
1	Property plant & equipment	Assets without ownership documents	These are assets were transferred to the entity without transfer/ownership documents	CWWDA & Parent Ministry	CWWDA has formed a task force that is working with the parent ministry to resolve the matter.	30 th June 2023
1	Property plant & equipment	Assets not recorded in the books	The assets being referred to are community assets (land)	CWWDA & Respective county governments	A task force by CWWDA was dealing with the matter.	30 th June 2023
2	World bank loan	The balances were not reconciling with the figures at the National Treasury records.	CWWDA has already initiated reconciliations.	CWWDA- Finance Manger	The matter was still pending	30 th June 2023
3	Trade and other receivables	Receivables that have been outstanding for long period	CWWDA has already initiated reconciliations and also contracted a debt collector to assist the debts.	CWWDA CEO Finance Manager & legal officer	The matter was still pending with consultations going on.	30 th June 2023
3	Trade and other receivables	Balances that are not in agreement with the records of the WSPs	Teams from both parties have been formed to reconcile the balances.	CWWDA- CEO & Finance Manger	The matter was still pending with consultations going on.	30 th June 2023
4	Non-revenue water	The level of non-revenue water was too high as compared to the international standards.	The high incidences of vandalism of water assets has contribute to this status	CWWDA CEO, Technical and Bulk unit managers.	This requires continuous attention and is therefore on going.	2023

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APPENDIX II: PROJECTS IMPLEMENTED BY THE AGENCY

During the period under review, the agency implemented projects as follows.

Project Name	Period	Funding Level- Kes	Financier	No of Contracts	Status
Water and Sanitation Development Project. (WSDP)	5 Years (2018-2022)	4.0 Bn	World Bank	Twelve (12) Contracts. - 6 Works Contracts. - 5 Consultancies - 1 Goods	✓ Works for Drilling and equipping of three replacement boreholes-Three Boreholes equipped, tested, and commissioned. Localized protection works for the borehole chambers completed.
	✓ Works for second Baricho Kakuyuni Pipeline on going ✓ Consultancy services for the design and construction of second Baricho Kakuyuni Pipeline – Phase I (design) completed. ✓ Works on going ✓ Works for Construction of Mombasa Water Distribution Works for North Mainland (Short Term Works) Lot 1A - Contract signed and works ongoing at 5%				
Improvement of Drinking Water and Sanitation Systems in Mombasa - The Mwache Project	5 Years	14.8 Bn	French Development Bank (AFD)	Eleven Contracts	Key Milestones
	(2019-2024)				✓ Consultancy Services for Preparation of Detailed Designs, Tender Documents, Safeguards (ESIA and RAP) Reports and Construction Supervision of Mwache Dam Transmission Pipelines and Associated Terminal Reservoirs - Design work ongoing.

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				<ul style="list-style-type: none"> - Six (6) Consultancies - Four (4) works contracts. - One (1) goods contract 	<ul style="list-style-type: none"> ✓ Consultancy Services for the preparation of preliminary design, Tender Documents, Safeguards and Construction supervision of Mwache Water Treatment Plant - Design work ongoing. ✓ Consultancy services for Long Term Technical Assistance - Contract signed and Consultancy Services ongoing. ✓ Works for Construction of Likoni Emergency Works - Contract signed and works ongoing. ✓ Consultancy services for Likoni Emergency Works – Phase I (design) completed. Phase II (supervision) ongoing ✓ Works for Construction of South Mainland and West Mainland Water Distribution and Sanitation Works - Design reviews ongoing. ✓ Consultancy services for South Mainland and West Mainland Water Distribution and Sanitation Works – Contract signed and supervision ongoing
Mzima II Pipeline Project	2019-2024	33.5Bn	China EXIM Bank	One (1) Works Contract	<ul style="list-style-type: none"> ✓ Financing Agreement Ready (EPC+F procurement completed). Awaiting Cabinet approval but the National Treasury has recommended the use of Public Private Partnerships Framework of contracting the project as opposed to the Engineering Procurement Construction and Financing Framework.
Proposed Re-Use of KPC Oil Pipeline	2021-2022	2.4Bn	KPC/GoK	One (1) Works Contract	<ul style="list-style-type: none"> ✓ Works currently on going
Small Towns Water and Sanitation Improvement Project	2018-2023	Approximately 1Bn.	African Development Bank (AfDB)	<ul style="list-style-type: none"> Four (4) Contracts -Three Works Contracts - One Consultancy 	<ul style="list-style-type: none"> ✓ Works for Changamwe Repooling -Works have stalled due to contractor non-performance ✓ Works for Rehabilitation of Pemba Dam - contractor on site, implementation of the works being fast tracked. The physical progress is at 83%

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					<ul style="list-style-type: none"> ✓ Works for Watamu Water Distribution Network Lot 2A - Approval of the Master List granted on March 1 2021. Contractor on site and has fast-tracked the project implementation currently at 50%
					<ul style="list-style-type: none"> ✓ Consultancy Services for design review and supervision of Changamwe Repooling Sewerage Scheme, Rehabilitation of Pemba Dam and Watamu Water Distribution Network Lot 2A – contract signed and Works on going
National Water Harvesting and Ground Water Exploitation Program	2019/2020; 2020/2022.	170M	Government of Kenya (GoK)	13 Works Contracts	<p>Physical Progress of works at 95%</p> <p>This project has attracted a pending bill of Kes 55,000,000 due to budget cuts.</p>
Makamini Dam (Dam, Treatment Plant and Pipeline Construction	2021/2022	1.283B	Government of Kenya (GoK)	One (1) Works Contract (Design - Build)	<ul style="list-style-type: none"> ✓ Works Contract for design and build of the Dam and Water Treatment Plant signed. Designs projected to be completed by November 2021. Construction works to commence in December 2021. ✓ Consultancy Services for design review and supervision of Makamini dam works was signed and supervision services ongoing.
Improvement of Drinking Water at Dongo Kundu Special Economic Zone (SEZ)	2019/2022	500M	Government of Kenya (GoK)	Two (2) in One (1) Works Contracts	<ul style="list-style-type: none"> ✓ Phase I - Construction works completed ✓ Phase II - Construction works for 2.5km of pipeline ongoing and physical progress at 25%.
Cross County Water Distribution Projects	2019/2022	50M	Government of Kenya (GoK)	Three (3) Works Contracts	The three (3) projects are substantially complete. A balance of Ksh. 25 million which was a pending has been disbursed by the National Treasury.
i) County Based, ii) Drought Mitigation, iii) Constituency Programs- Equalization Fund, Small Dams and Pans	Annually	Over Ksh 200 m annually	Government of Kenya (GoK)	Equalization Fund-67 Works Contracts.	<p>Continuous.</p> <p>Equalization Fund Projects are stalled at approximately 81%. Kes. 646.8M disbursed against Kes. 919.1 M certified. Kes. 711.6M required to complete the contracts. One contractor (Mngiwa Contractors Ltd) went for arbitration due to the delayed payment.</p>

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& Water for Schools.				Small Dams, Pans and Boreholes – 26 Works Contract. Cross County Projects-3 Works Contracts	✓ Small dams' pans and boreholes-CWWDA received only Kes 44m out of the required Kes 175m. Projects have stalled. ✓ Water for schools successfully completed. ✓ Cross County Water Projects- works on going
Universal Health Coverage (UHC)		Ksh. 32M	Government of Kenya (GoK)	Four (4) Works Contracts	Procurement Process Completed. No disbursement and works ongoing

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APPENDIX III: INTER-ENTITY TRANSFERS

Break down of Transfers from the State Department of Water and Sanitation			
FY 2021/2022			
A. RECURRENT FUNDS			
	Bank Statement Date	Amount (Ksh)	FY to which to the amounts relate
Recurrent Funds	6 th July, 2021	32,552,700	FY 20/21
Recurrent Funds	11 th Aug, 2021	34,416,667	FY 21/22
Recurrent Funds	7 th Sept, 2021	34,416,667	FY 21/22
Recurrent Funds	29 th Sept, 2021	34,416,666	FY 21/22
Recurrent Funds	4 th Nov, 2021	34,416,667	FY 21/22
Recurrent Funds	2 nd Dec, 2021	34,416,667	FY 21/22
Recurrent Funds	10 th Jan, 2022	34,416,667	FY 21/22
Recurrent Funds	7 th Feb, 2022	34,416,667	FY 21/22
Recurrent Funds	2 nd March, 2022	34,416,667	FY 21/22
Recurrent Funds	4 th April, 2022	34,416,667	FY 21/22
Recurrent Funds	9 th May, 2022	34,416,667	FY 21/22
Recurrent Funds	7 th June, 2022	34,416,667	FY 21/22
Recurrent Funds	30 th June, 2022	34,416,667	FY 21/22
	TOTAL	445,552,703	

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B. DEVELOPMENT GRANTS

Description	Bank Statement Date	Amount (Kshs)	Total (Kshs)	FY to which the amounts relate
Cross County Bulk Water and Sanitation Services Improvement Programme	9 th July, 2021		25,000,000	20-21
Dongo Kundu Water Supply Project – Big Four		65,000,000		
Improvement of Drinking Water & Sanitation Systems in Mombasa		225,000,000		
Mwache Water Pipeline Extension		25,000,000		
Water & Sanitation Services Improvement Project		30,000,000		
Tana Delta Flood Control – Tana River		10,000,000		
Tana River Water Projects CWWDA	9 th July, 2021	17,500,000	372,500,000	20-21
Improvement of Drinking Water & Sanitation Systems in Mombasa		75,000,000		
Mwache Water Pipeline Extension		25,000,000		
Water & Sanitation Services Improvement Project	26 th Aug, 2021	25,000,000	125,000,000	21-22
Cross County Bulk Water and Sanitation Services Improvement Programme	29 th Oct, 2021		37,000,000	21-22
Improvement of Drinking Water & Sanitation Systems in Mombasa		75,000,000		
Mwache Water Pipeline Extension		25,000,000		
Water & Sanitation Services Improvement Project	1 st Nov, 2021	25,000,000	125,000,000	21-22
Drought Mitigation fund for Lamu East (Kisauni Water Pan)	15 th Nov, 2021		20,000,000	21-22
Drought Mitigation funds	19 th Nov, 2021		85,000,000	21-22
Development of Blue Economy Initiative – Connection of		37,500,000		

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Potable Water to Fish landing sites at the Coast				
Connection of Potable Water to two Fish Market at the Coast at Malindi and Likoni		15,000,000		
Supply Water to Livestock Holding Grounds	25 th Nov, 2021	47,500,000	100,000,000	21-22
Universal Health Care	25 th Nov, 2021		16,000,000	21-22
Development of Blue Economy Initiative – Connection of Potable Water to Fish landing sites at the Coast		37,500,000		
Connection of Potable Water to two Fish Market at the Coast at Malindi and Likoni		15,000,000		
Supply Water to Livestock Holding Grounds	20 th April, 2022	47,500,000	100,000,000	21-22
Cross County Bulk Water and Sanitation Services Improvement Programme	9 th May, 2022		37,000,000	21-22
Improvement of Drinking Water & Sanitation Systems in Mombasa		75,000,000		
Mwache Water Pipeline Extension	16 th May, 2022	15,000,000	90,000,000	21-22
Universal Health Care	23 rd June, 2022		4,510,000	21-22
Total			1,137,010,000	

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C. DONOR RECEIPTS

Description	Bank Statement Date	Amount (Kes)	FY to which the amounts relate to
WSDP	8 th July, 2021	103,552,318.20	
WSDP - RAP implementation funding	9 th July, 2021	39,815,748.50	21-22
WSDP - RAP implementation funding	9 th July, 2021	15,000,000	21-22
WSDP	3 rd Feb, 2022	105,256,864	21-22
WSDP	2 nd March, 2022	100,000,000	21-22
WSDP	3 rd March, 2022	10,000,000	21-22
WSDP	6 th May, 2022	197,627,903	21-22
WSDP - RAP implementation funding	8 th June, 2022	30,000,000	21-22
AfD	28 th June, 2022	243,657,000	21-22
TOTAL		844,909,833.70	

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