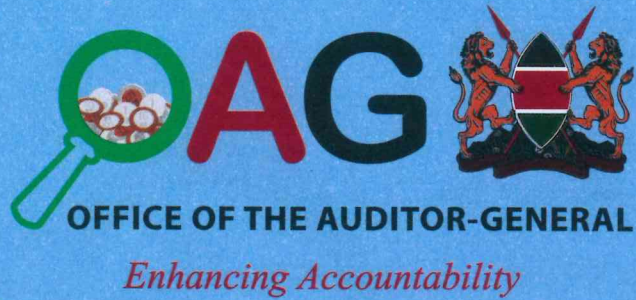


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**COAST WATER WORKS DEVELOPMENT
AGENCY**

**FOR THE YEAR ENDED
30 JUNE, 2023**

Coast Water Works Development Agency
Annual Report and Financial Statements for the Year Ended 30th June 2023

- 1. KEY FACT INFORMATION AND
- 2. THE BOARD OF DIRECTORS
- 3. KEY MANAGEMENT TEAM
- 4. CHAIRMAN'S STATEMENT
- 5. REPORT OF THE CHIEF EXECUTIVE
- 6. STATEMENT OF FINANCIAL RESULTS
- 7. CORPORATE GOVERNANCE STATEMENT
- 8. MANAGEMENT DISCUSSION AND ANALYSIS
- 9. ENVIRONMENTAL AND SOCIAL SUSTAINABILITY REPORTING
- 10. REPORT OF THE CHIEF FINANCIAL OFFICER
- 11. STATEMENT OF DIRECTORS' REMUNERATION
- 12. REPORT OF THE
- 13. STATEMENT OF FINANCIAL RESULTS FOR THE YEAR ENDED ON JUNE 30,
- 14. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2023
- 15. STATEMENT OF ANNUAL REPORT AND FINANCIAL STATEMENTS
- 16. STATEMENT OF COMPARISON OF FINANCIAL PERFORMANCE FOR THE YEAR (2022-2023)
- 17. NOTES TO THE FINANCIAL STATEMENTS
- 18. APPENDIX



COAST WATER WORKS DEVELOPMENT AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2023**

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 2023

Table of Contents	Page No.
1. KEY ENTITY INFORMATION AND MANAGEMENT	iii
2. THE BOARD OF DIRECTORS	viii
3. KEY MANAGEMENT TEAM.....	x
4. CHAIRMAN'S STATEMENT.....	xii
5. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xiv
6. STATEMENT OF PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES FOR FY 2022-2023	xvii
7. CORPORATE GOVERNANCE STATEMENT	xx
8. MANAGEMENT DISCUSSION AND ANALYSIS	xxiv
9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xxxvii
10. REPORT OF THE DIRECTORS	xl
11. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xli
12. REPORT OF THE INDEPENDENT AUDITORS	xlii
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 TH JUNE 2023.....	1
14. STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2023	2
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023	4
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30.6.2023	5
18. NOTES TO THE FINANCIAL STATEMENTS	7
19. APPENDIX.....	24

Coast Water Works Development Agency

Annual Report and Financial Statements for The Year Ended 30th June 2023

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"

Coast Water Works Development Agency

Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Coast Water Works Development Agency

Annual Report and Financial Statements for The Year Ended 30th June 2023

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 July 2023 to June 2028. 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 increase water and sanitation coverage from 56% to 80% and 20% to 25% respectively by 2028
- ii. To automate business process from 51% to 100% by 2028
- iii. To improve revenue collection from 69% to 95% by 2028
- iv. Optimal staffing levels for effective and efficient service delivery
- v. To source for financial support from Government of Kenya and Development partners
- vi. Compliance with legal requirements and promotion of effective communication

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, 2023 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 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Chief Executive Officer	Eng. Martin Tsuma
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

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

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 Four committees:

- i) Finance, Human Resource 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@cwdda.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

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

i) Independent Auditors

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





ii) Principal Legal Advisor

The Attorney General
 State Law Office
 Harambee Avenue
 P. O. Box 40112-00200
 City Square
NAIROBI






Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

2. THE BOARD OF DIRECTORS

The following Directors were in office as at 30th June 2023 when the financial year under review.

NAME	POSITION	QUALIFICATIONS	OPERATIONS
 DR. DANIEL KATAMA MWARINGA	Chairman Effective from 1 st February, 2023	<ul style="list-style-type: none"> • PhD in Communication • MA in Communication Studies • Bachelors Degree in Education (English/Literature) 	Non-Executive
 HAFSWA ABDALLA DELE	Director Effective from 1 st February, 2023	<ul style="list-style-type: none"> • MBA in Operations and Management • Bachelor's Degree in Business Finance and Banking Management 	Non-Executive
 MOHAMED M. MWAHIMA	Director Effective from 1 st February, 2023	<ul style="list-style-type: none"> • Certificate in Information and Communication Technology (ICT) 	Non-Executive
 GEORGE MAINA KARIUKI – REP. PS NATIONAL TREASURY	Director Effective from 5 th July, 2022	<ul style="list-style-type: none"> • BSc Statistical Mathematics & Computer Science 	Non-Executive




Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

<p>JUDITH MWABOSHA MWAMBURI</p> 	<p>Director</p> <p>Effective from 1st February,2023</p>	<ul style="list-style-type: none"> Leaving Certificate of Secondary School 	<p>Non-Executive</p>
<p>FA. WALTER JEREMIAH OSELU - REP. PS MINISTRY OF WATER AND SANITATION</p> 	<p>Director</p> <p>Effective 2. March 2023</p>	<ul style="list-style-type: none"> Master's in Business Administration – (Finance option) Bachelor of Education in Business Studies & Economics Certified Investment and Financial Analyst CIFA Member 	<p>Non-Executive</p>
<p>EDWIN MURIMI - REP. OF INSPECTOR GENERAL OF STATE CORPORATIONS</p> 	<p>Advisor</p> <p>Effective 8.December 2022</p>		<p>Non-Executive</p>
<p>HAMID MBARAK</p> 	<p>Director</p> <p>Effective 9.June 2023</p>	<p>LLB degree in Law Post graduate diploma KSL</p>	<p>Non-Executive</p>
<p>MARTIN TSUMA</p> 	<p>Ag, Chief Executive Officer</p> <p>From 24th March,2021</p>	<ul style="list-style-type: none"> MSC- Electrical & Electronics Engineering Bachelor of Technology (Production Engineering) Registered Eng.- EBK 	<p>Executive</p>




Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

3. KEY MANAGEMENT TEAM

During the 2022 - 2023 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"> • MSC- Electrical & Electronics Engineering • Bachelor of Technology (Production Engineering) • Registered Eng.- EBK
<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 • Practicing Certificate 2020

**Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023**

<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
<p>ENG DAVID KANUI—Ag DEPUTY DIRECTOR TECHINAL SERVICES</p> 	<ul style="list-style-type: none"> • MSC- Civil Engineering • BSc civil Engineering

Coast Water Works Development Agency

Annual Report and Financial Statements for The Year Ended 30th June 2023

4. CHAIRMAN'S STATEMENT

I am delighted to report the performance of CWWDA in the Annual Report and Financial Statements for the year ended 30th June, 2023.

Water assets and infrastructure Development Projects

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 19,858,465,187 in the previous year to Kshs 21,260,216,235 with most projects having not been completed.

As the Water Supply and Sanitation Improvement Projects (WaSSIP) 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 Mombasa Water Distribution Works Tiwi Emergency Works.

Revenue

The year under review also recorded a slight Decrease in total revenue billed amounting to Kshs. 791,658,920 due to implementation of Water Act 2016 where charging of Administrative fees was discontinued. The Agency Collected a total of Kshs. 763,594,430 from the sale of bulk water to the water service providers. This represents a collection efficiency of 76 %. Further disbursements from the Government to subsidize on recurrent and development expenditures amounted to Kshs. 362,477,936 and Kshs. 488,781,094 Respectively. This was low compared to last Financial Year.

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 from its employee salaries 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 180,000 m³/day the gap is evidence and this is a daily concern to us as an Agency with the mandate of ensuring adequate water infrastructure in the region. In consultation with other stakeholders CWWDA also has strategized 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 46,299,748 m³ of water. It was able to bill the Water Service Providers 38,301,544 m³. This indicated a Non. Revenue Water level of 17%.

Coast Water Works Development Agency

Annual Report and Financial Statements for The Year Ended 30th June 2023

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 KATAMA MWARINGA
CHAIRMAN

Coast Water Works Development Agency Annual Report and Financial Statements for The Year Ended 30th June 2023

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 comprises Baricho, Marere, Tiwi and Mzima schemes. Currently the Bulk Unit is semi-autonomous with offices at Mazeras and headed by a Managing Director. The bulk unit is financially 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 over time as shown in Table 1 below.

Table No 1. Production of water by different schemes

	Marere	Mzima	Tiwi	Baricho	Total Prod.(m3)
2022-2023	1,778,430	14,782,000	2,241,122	27,498,196	46,299,748
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.

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

During the financial year 2022-2023 the Agency was able to Supply water to the five water service providers amounting to 46,299,748 m3 There was a 17% loss in terms of Non-Revenue Water. The table below shows how the four water schemes supplied to the Companies.

Table No.2. Supply of water by different schemes

	Marere	Mzima	Tiwi	Baricho	Total Supply.(m3)
2022-2023	1,778,430	14,782,000	2,241,122	27,498,196	46,299,748
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

Non-Revenue Water:

This is water lost from dilapidated infrastructure 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 have been put in place to reduce the 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)
2022-2023	7,998,204	159,964,080
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

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.

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

Table 3: Revenue collection trend For the Last Five Years


Year	Billed Amount (Kshs)	Collected (Kshs)	Collection Efficiency (%)
2022-2023	790,421,418	605,946,684	77%
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%

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.

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.


ENG. MARTIN TSUMA
Ag. CHIEF EXECUTIVE OFFICER

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

6. STATEMENT OF PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES FOR FY 2022-2023

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 increase water production to 90% and water coverage by 80% by 2023
- ii. To improve ICT infrastructure and services from 40% to 80% by 2023
- iii. To improve water coverage from 56% to 80% by 2023
- iv. To recruit and retain at least 80% highly qualified staff 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 2022/2023 period for its nine strategic pillars, as indicated in the diagram below:

S/n	Performance Criteria/Category	Unit of measure	Weight (%)	Status in Year (FY2022/23)
A	FINANCIAL STEWARDSHIP			
A.1	Absorption of Allocated Funds (GoK)	%	2	95%
A.2	A-in-A	Kshs (M)	2	607
A.3	Absorption of externally Mobilized funds	%	3	43%
A.4	Pending Bills	%	3	1
	Weights Sub Total		10	
B	SERVICE DELIVERY			
B.1	Implementation of Citizens Service Delivery Charter	%	4	100
B.2	Business Process Re-engineering	%	3	98.75
B.3	Resolution of public Complaints	%	3	100
	Weights Sub Total		10	

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

C	Core Mandate			
C.1	Mwache Dam Water Transmission Pipelines Implemented	%	6	50
C.2	Pemba Dam and Water Treatment Plant Constructed	%	6	1.1
C.3	Mombasa Water Distribution Works for North mainland (Short Term Works) Lot 1A Constructed	%	6	32.5
C.4	Mombasa North Mainland (Nyali Area Phase 1) Program for Improvement of Water Services Implemented	%	6	22.9
C.5	Watamu Water Town Distribution Network Lot 2A Constructed	%	7	4.5
C.6	Tiwi Boreholes Rehabilitated and	%	5	22
C.7	Baricho Protection Works Implemented	%	8	50
C.8	Second Baricho Kakuyuni Pipeline Implemented	%	8	29
C.9	Project completion rate	%	2	0
C.10	Mwache Dam Water Treatment Plant (WTP) Implemented	%	6	50
	Weights Sub Total		60	
D	Implementation of Presidential Directives			
D.1	Implementation of Presidential Directives	%	2	100
	Weights Sub Total		2	
E	Access to Government Procurment Opportunities			
E.1	Access to Government Procurment Opportunities	Kshs (M)	3	51
	Weights Sub Total		3	
F	Promotion of local content			
F1	Promotion of local content	Kshs (M)	2	227
	Weights Sub Total		2	

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

G	Cross - Cutting			
G.1	Asset Management	%	1	98
G.2	Youth Internships/Industrial attachments/Apprenticeships	No.	1	121
G.3	Compentency Development	%	2	98
G.4	Disability Mainstreaming	%	1	75
G.5	Gender Mainstreaming	%	1	100
G.6	Prevention of Alcohol and Drug Abuse	%	1	82.5
G.7	Prevention of HIV/AIDS infections	%	1	92.5
G.8	National Values	%	2	100
G.9	Road Safety	%	1	92.78
G.10	Corruption Prevention	%	2	94
	Weights Sub Total		13	
	Total Weight		100	

**Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023**

7. CORPORATE GOVERNANCE STATEMENT

Introduction

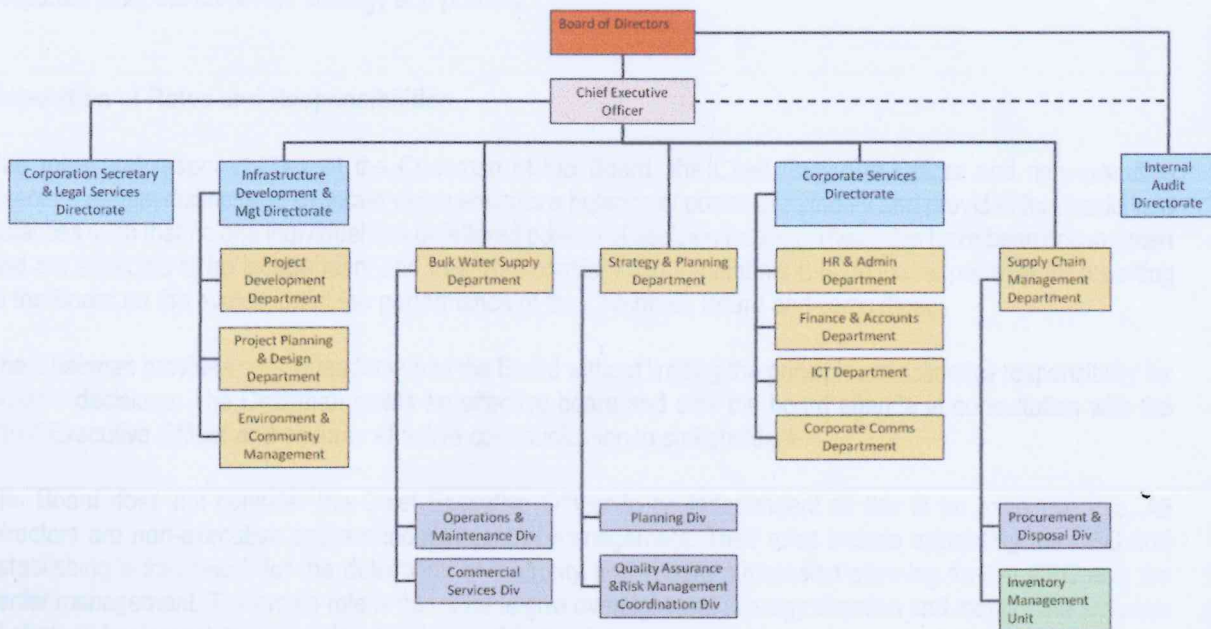
The agency is committed to maximizing business performance, generating appropriate levels of stakeholder's value and financial returns, and sustaining the growth and success of CWWDA.

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.

Organization structure



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

Coast Water Works Development Agency Annual Report and Financial Statements for The Year Ended 30th June 2023

water and sanitation are represented in the Board by their duly 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

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.

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.

Coast Water Works Development Agency

Annual Report and Financial Statements for The Year Ended 30th June 2023

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.

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

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

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.

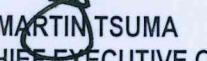
The Board values the importance of complete, timely, transparent and effective communication with its stakeholders for building and maintaining their trust and confidence by providing regular information on its performance, activities and addressing their concerns while taking into consideration legal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

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.


ENG. MARTIN TSUMA
Ag. CHIEF EXECUTIVE OFFICER

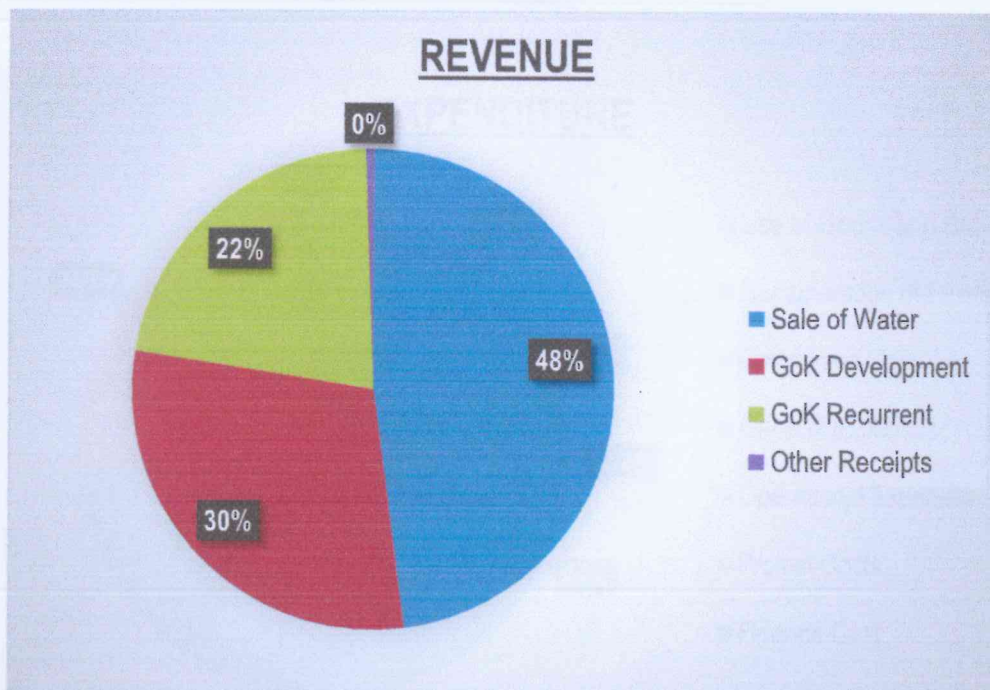
Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

8. MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

During the financial year ending 30th June 2023, CWWDA generated total revenue amounting to Kshs. 1,652,107,714 against an expenditure of Kshs. 1,863,034,226.

Detail	Kshs	%
Sale of Water	791,658,920	48%
GoK Development	488,781,094	30%
GoK Recurrent	362,477,936	22%
Other Receipts	9,189,763	1%
Total	1,652,107,714	100%

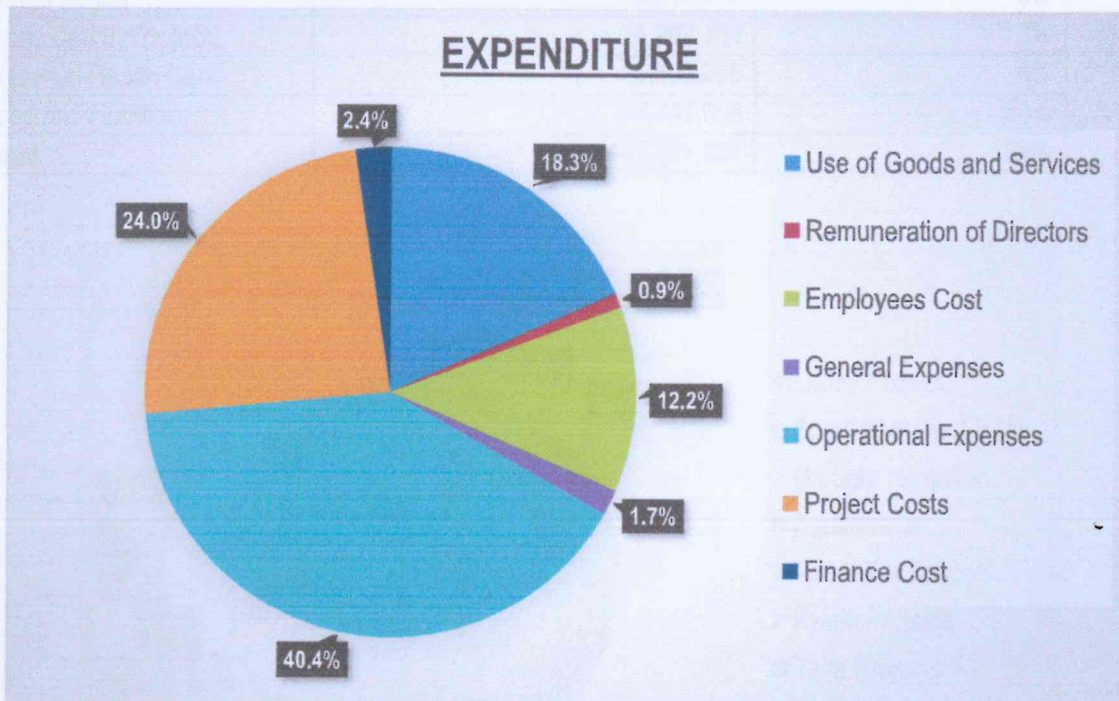


Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

Expenditure

The total expenditure for year under review was Kshs. 1,857,885,656 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	340,754,982	18%
Remuneration of Directors	17,114,320	1%
Employees Cost	231,923,912	12%
General Expenses	30,708,944	2%
Operational Expenses	751,230,285	40%
Project Costs	446,771,321	24%
Finance Cost	44,530,462	2%
Total	1,863,034,226	100%



Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

Detailed Utilization of Revenue

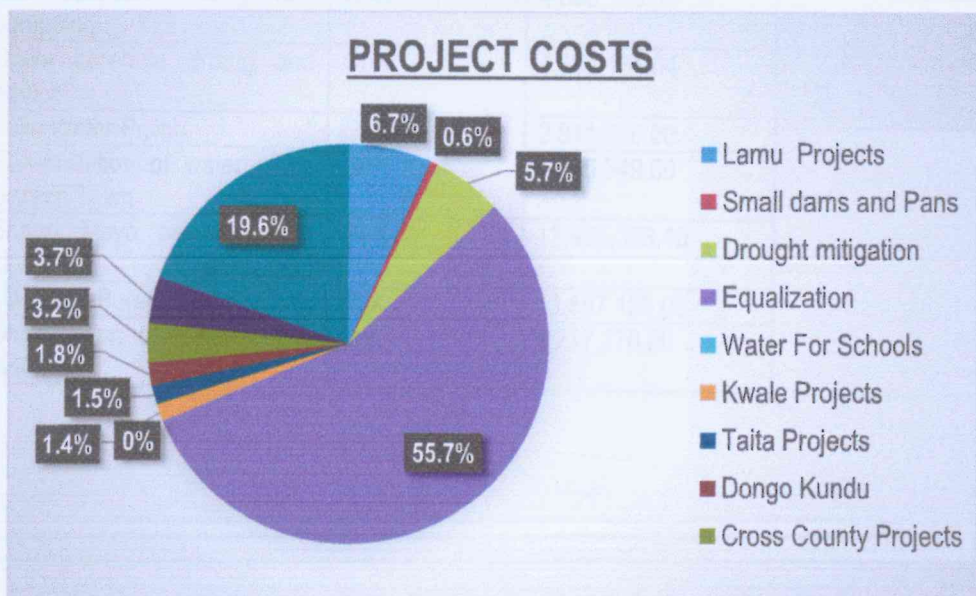
a) Projects expenses

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	29,848,364	7%
Small dams and Pans	2,741,709	1%
Drought mitigation	25,334,749	6%
Equalization	248,837,778	56%
Kwale Projects	6,389,202	1%
Taita Projects	6,654,137	1%
Dongo Kundu	8,247,278	2%
Cross County Projects	14,282,180	3%
Universal Health Care	16,698,866	4%
Food and Nutrition	87,737,058	20%
Total	446,771,321	100%



Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

a) Cross County Projects 2022 - 2023

The Agency Implemented Several Projects in Lamu County during the financial year which have all been completed

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 2022 – 2023

All the projects have been completed

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

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

c) Universal Health Care Water Projects 2022 – 2023

This projects were completed during the year.

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 2022 – 2023

This projects have now been completed by close of the year and all rotations cleared

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

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

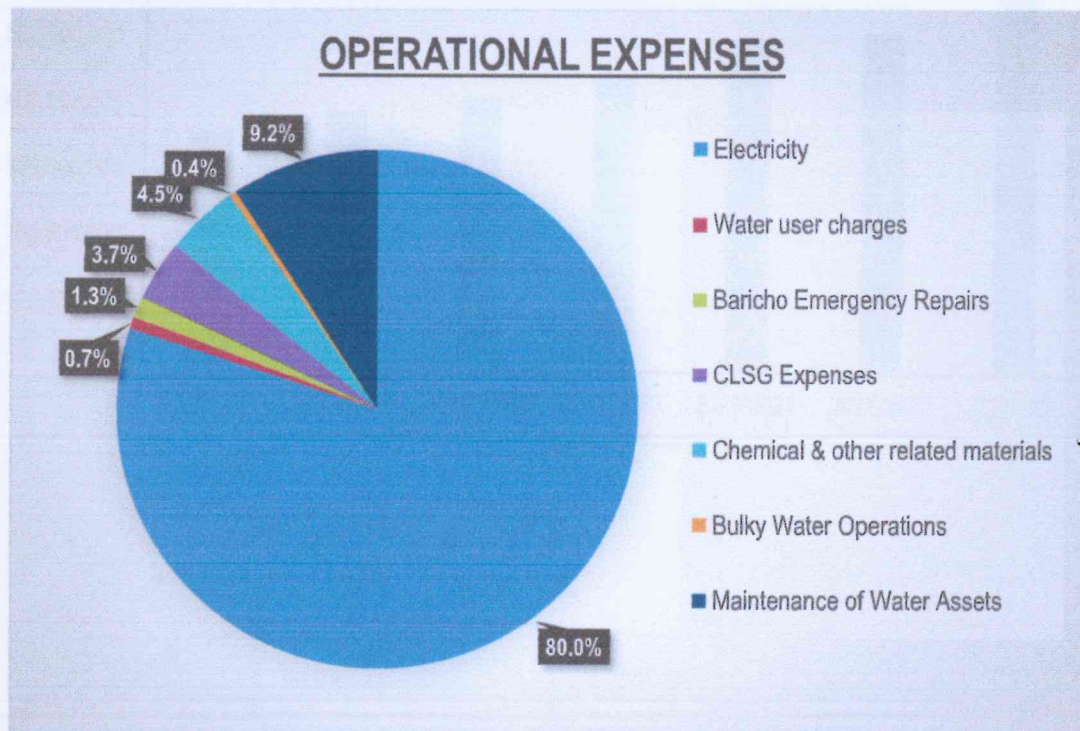
Operational Expenses

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 80% 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	601,049,741	80%
Water user charges	5,560,710	1%
Baricho Emergency Repairs	9,978,846	1%
CLSG Expenses	27,938,177	4%
Chemical & other related materials	34,023,415	5%
Bulky Water Operations	3,300,896	0%
Maintenance of Water Assets	69,378,501	9%
Total	751,230,285	100%

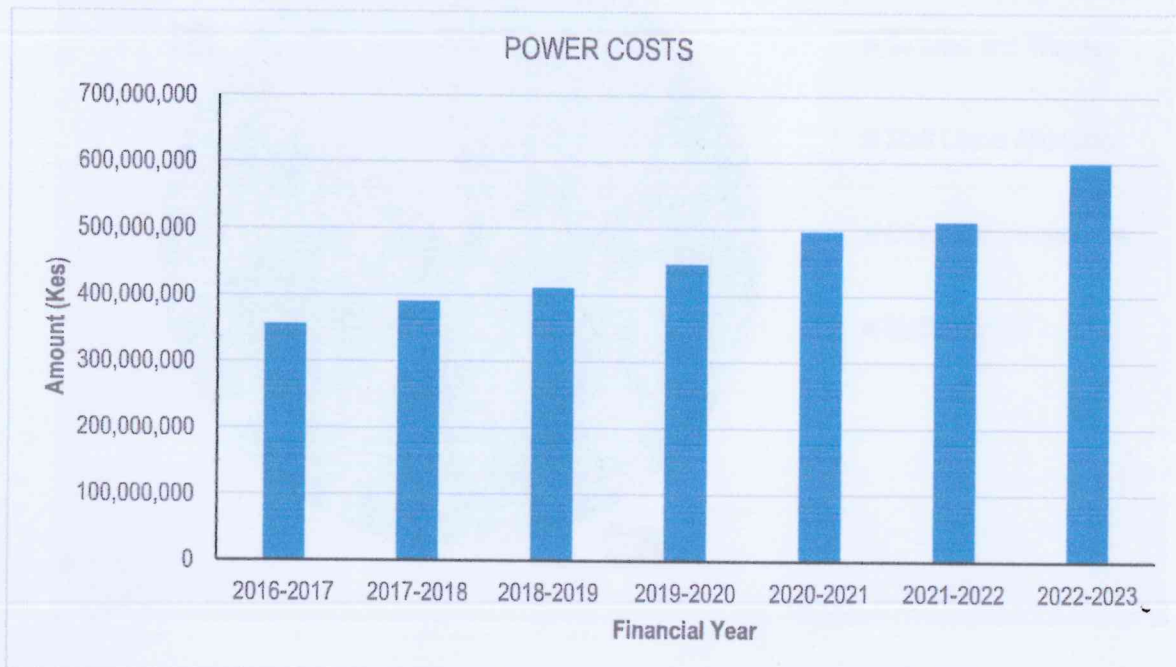


Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

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
2022-2023	601,049,741

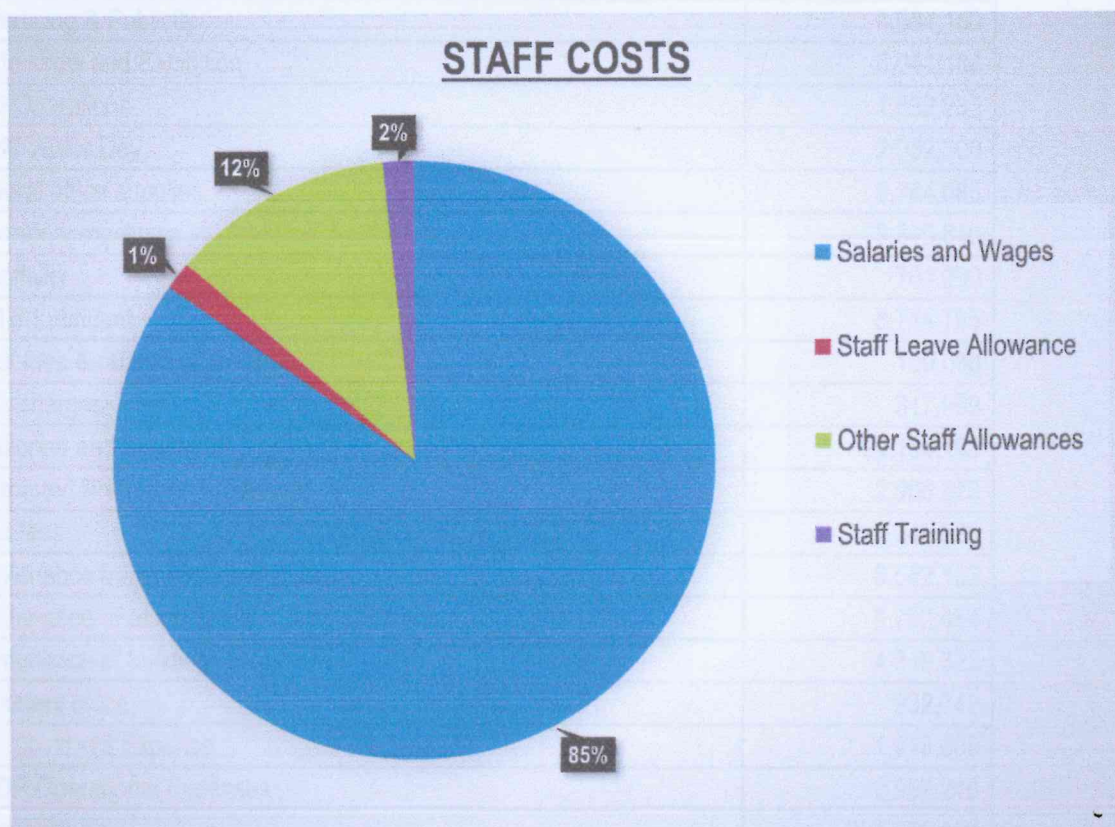


Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

Staff Costs

The summary of staff expenses is given by table below

	Kshs
Salaries and Wages	192,478,540
Staff Leave Allowance	3,426,071
Other Staff Allowances	27,125,673
Staff Training	3,745,058
Total	231,923,912



Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

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	4,677,401
Travelling and accommodation- local	25,712,436
Advertising & Publicity	3,681,150
Trade show and Exhibition	5,041,188
AFD Operations	1,632,232
World Water Day	2,032,300
General office supplies	5,784,085
Laboratory expenses	3,345,840
Hospitality	701,290
Fuel & Lubricant	8,714,785
Legal fees & related expenses	109,080
Bank charges	317,999
Monitoring and Evaluation	24,154,193
Contracted Professional Services	2,968,873
Audit fees	2,345,520
Maintenance expenses – vehicles	6,542,163
Maintenance of office furniture & equipment	1,792,454
Maintenance of buildings & stations	4,310,323
Stationery office	932,742
Post Covid -19 Expense	1,916,000
WSDP Operational Expenses	2,957,240
Depreciation	231,085,689
TOTAL	340,754,982

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

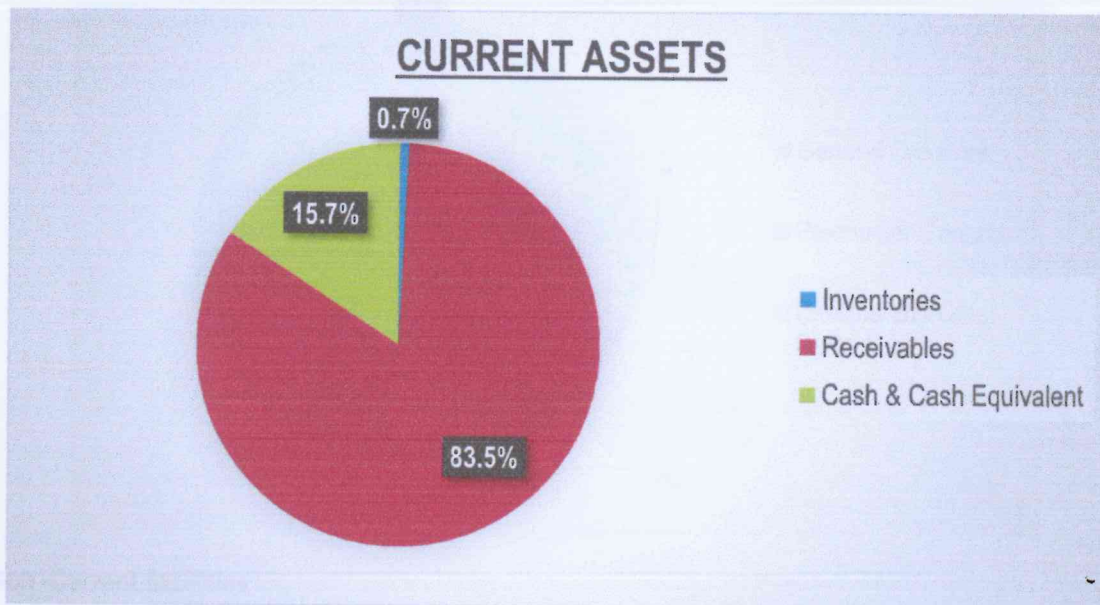
Assets and liabilities

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 (84%) 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	42,144,379	1%
Receivables	4,805,961,783	84%
Cash & Cash Equivalent	907,281,610	16%
Total	5,755,387,772	100%



b) Non-current assets

In this category Work In Progress (WIP) takes 49% of the total cost while property, plant and equipment take the balance of 51%.

The WIP is attributable to various projects that are on-going at different stages of implementation funded by Government and Donors

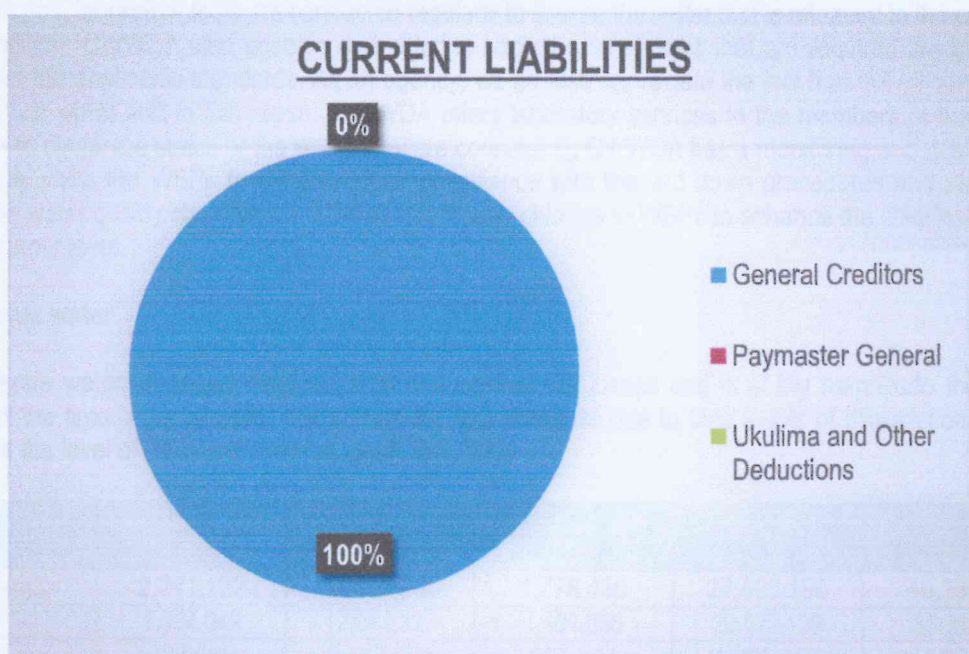
**Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023**

c) Current liabilities

Under this category Accumulated loan interest and General Creditors are the main components as at 30th June 2023.

CWWDA has not paid any interest for the Loans and 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	1,965,735,862	100%
Paymaster General	0	0%
Ukulima and Other Deductions	0	0%
TOTAL	1,965,735,862	100%



d) Non -Current liabilities

CWWDA has two major non-current liabilities, the World Bank (WB) loan and AFD Loan, the Agency does not have any other long term liabilities.

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

e) Solvency, going concern and liquidity

As at 30th June 2023, CWWDA had a strong solvency base with assets valued at Kshs 21,276,449,849 and liabilities with value of Kshs. 18,321,801,996 hence a net assets worth of Kshs 2,954,647,853 and this gives a good indication of a going concern status for the Agency

The current assets cover the current liabilities at which is above the minimum professional requirement of 2. Which is a positive Financial position. However, liquidity has been a challenge due to the huge pending bills from WSPs.

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 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 30.6.2023.

	Schemes				Total
	Tiwi	Mzima	Marere	Baricho	
Production(m3)	2,241,122	14,782,000	1,778,430	27,498,196	46,299,748
Sales(m3)	1,964,042	12,064,327	1,401,036	22,872,139	38,301,544
NRW(m3)	277,080	2,717,673	377,394	4,626,057	7,998,204
NRW(%)	12%	18%	21%	17%	17%

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.

**Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023**



Pictures of bursts repairs that happen along our various water assets.

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.

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.

Coast Water Works Development Agency

Annual Report and Financial Statements for The Year Ended 30th June 2023

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 2022/2023, 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

Coast Water Works Development Agency

Annual Report and Financial Statements for The Year Ended 30th June 2023

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 particular emphasis on preserving the capability of the environment to support human life. CWWDA is cognizant 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.

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2023 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, 2023 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..... 6/2/2024

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

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.

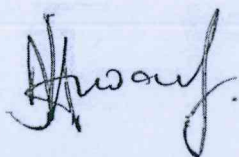
The Directors are responsible for the preparation and presentation of the CWWDA's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial 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, 2023, 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 2023 and signed on its behalf by:



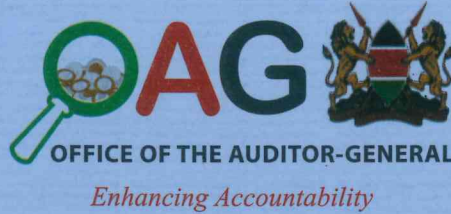
DR. DANIEL KATAMA
CHAIRPERSON



ENG. MARTIN SUMA
Ag. CHIEF EXECUTIVE OFFICER

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON COAST WATER WORKS DEVELOPMENT AGENCY OR THE YEAR ENDED 30 JUNE, 2023

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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and 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 24, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant

Report of the Auditor-General on Coast Water Works Development Agency for the year ended 30 June, 2023

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, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Water Act, 2016.

Basis for Qualified Opinion

1. Unsupported Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.1,975,984,289 and as disclosed in Note 21 to the financial statements. However, the general creditors schedule provided by Management indicating the name and description of the creditor was not supported with details of delivery dates, opening balances, payables aging analysis and debt management policy indicating measures put in place to manage the outstanding payables as they fall due to align the settlements of debt to the projected cash flows.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.1,975,984,289 could not be confirmed.

2. Unsupported World Bank Loan

The statement of financial position and Note 22 to the financial statements reflects World Bank loan balance of Kshs.16,356,066,134. Documents provided for audit review indicated that the loan relates to two agreements between the Agency and the World Bank. However, the Agency Management did not provide a breakdown of the loans received to date and the outstanding balances to support the amount reflected in the financial statements. Further, the status of the World Bank Credit No.IDA-4376-KE amounting to Kshs.4,570,199,584, with a closing date of 31 December, 2012 was not provided for audit review and the same was not included in the loan balance as at 30 June, 2023.

In the circumstances, the accuracy, completeness and fair presentation of the World Bank loan balance of Kshs.16,356,066,134 could not be confirmed.

3. Unsupported Property, Plant and Equipment

The statement of financial position and Note 19 to the financial statements reflects property, plant and equipment balance of Kshs.7,782,742,512. However, the assets register in support of this balance had a total of Kshs.7,817,818,074 resulting to a variance of Kshs.35,075,562 which had not been explained or reconciled.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.7,782,742,512 could not be confirmed.

4. Trade and Other Receivables

The statement of financial position and Note 17 to the financial statements reflect trade and other receivables balance of Kshs.4,805,961,783 which includes Kshs.4,793,593,575 due from six (6) Water Service Providers (WSPs). However, review of the provided schedule reflected a balance of Kshs.2,845,578,082 as owed by the WSPs resulting to a variance of Kshs.1,948,015,493 which had not been explained. In addition, Management explained that the difference was being reconciled with the WSPs. However, the outcome of the reconciliation was not provided for audit review.

In the circumstances, the accuracy and completeness of the receivables balance of Kshs.4,805,961,783 could not be confirmed.

5. Untransferred Completed Project

The statement of financial position and Note 20 to the financial statements reflects Work In Progress (WIP) of Kshs.7,743,419,423 which includes an amount of Kshs.21,337,275 in respect of World Bank Baricho 3BHS (three replacement boreholes) project. Review of the project's documents revealed that the project was declared substantially complete on 24 March, 2021 as per joint inspection between the contractor and the consultant and on 7 April, 2021 with the Ad hoc Inspection and Acceptance Committee. The defects liability period of 365 days was to commence on 1 April, 2021 and end on 31 March, 2022. However, the project had not been transferred to the water infrastructure. Management explanation that failure to transfer the project was due to incomplete consultancy works. However, the supporting documents for the said incomplete consultancy works were not provided for audit review.

In the circumstances, the accuracy and completeness of WIP balance of Kshs.21,337,275 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Coast Water Works Development Agency Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.2,208,324,800 and Kshs.1,683,553,388 respectively, resulting to underfunding of Kshs.524,771,412 or 24% of the budget. Similarly, the Agency incurred a total expenditure of Kshs.1,863,034,226 against an approved budget of Kshs.2,148,354,168, resulting to an under expenditure of Kshs.285,319,942 or 13% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

4. Trade and Other Receivables

The statement of financial position and Note 17 to the financial statements reflect trade and other receivables balance of Kshs.4,805,961,783 which includes Kshs.4,793,593,575 due from six (6) Water Service Providers (WSPs). However, review of the provided schedule reflected a balance of Kshs.2,845,578,082 as owed by the WSPs resulting to a variance of Kshs.1,948,015,493 which had not been explained. In addition, Management explained that the difference was being reconciled with the WSPs. However, the outcome of the reconciliation was not provided for audit review.

In the circumstances, the accuracy and completeness of the receivables balance of Kshs.4,805,961,783 could not be confirmed.

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The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Coast Water Works Development Agency Management in accordance with ISSAI 130 on the 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.

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The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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

Unresolved Prior Year Matters

The prior year audit issues remained unresolved as at 30 June, 2023. Although Management has indicated that the issues are being acted upon, no evidence was provided to support this 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. Employees Earning Less than a Third of Basic Salaries

The statement of financial performance and Note 11 to the financial statements reflects employee costs of Kshs.231,923,912 which include salaries and wages of Kshs.192,478,541. However, twenty one (21) employees earned less than a third (1/3) of their basic salaries contrary to Section 19(3) of the Employment Act, 2007, which states that without prejudice to any right of recovery of any debt due, the total amount of all deductions which, may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

In the circumstances, Management was in breach of the law.

2. Lack of Gender Balance and Ethnic Distribution

During the year under review, the Agency had a total of one hundred and seventy-two (172) employees out of which one hundred and two (102) or 60% were from one ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provide that no public establishment shall have more than one third of its staff from the same ethnic community. Similarly, out of one hundred and seventy-two (172) employees, one hundred and forty-one (141) or 82% were male and 31 or 18% were female contrary to Paragraph B.22(2) of the Human Resource Policies and Procedures Manual for Public Service of May, 2016 which stipulates that the Government will endeavor to have a gender balanced civil service by ensuring that not more than two-thirds (2/3) of positions in its establishment are filled by either gender.

In the circumstances, Management was in breach of the law.

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 controls, 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.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 March, 2024

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2023

Description	Notes	2023	2022
		Kshs.	Kshs.
Revenue from Non-Exchange Transactions			
Grants	7	851,259,030	1,782,327,999
		851,259,030	1,782,327,999
Revenue from Exchange Transactions			
Operational Income	6	791,658,920	787,320,840
Other Incomes	8	9,189,763	16,644,210
TOTAL REVENUE		1,652,107,714	2,586,293,049

EXPENDITURE			
Use of Goods and Services	9	340,754,982	374,640,284
Remuneration of Directors	10	17,114,320	11,207,809
Employees costs	11	231,923,912	232,431,421
General Expenses	12	30,708,944	31,316,800
Operational Expenses	13	751,230,285	706,937,376
Project Costs	14	446,771,321	280,811,774
Finance Costs	15	44,530,462	50,249,323
TOTAL EXPENDITURE		1,863,034,226	1,687,594,788
Surplus/(Loss)before Tax		(210,926,513)	898,698,260

Ag. CHIEF EXECUTIVE OFFICE
 ENG. MARTIN TSUMA

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

CHAIRMAN OF THE BOARD
 DR. DANIEL KATAMA

SIGN.....

Date..... 6/2/2024

SIGN.....

Date..... 6/2/2024

SIGN.....

Date..... 6/2/2024

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

ASSETS	Note	2023	2022
		Kshs	Kshs
CURRENT ASSETS			
Inventories	16	42,144,379	48,150,200
Trade and Other Receivables	17	4,805,961,783	4,562,727,073
Cash and Bank Balances	18	907,281,610	1,196,071,272
TOTAL CURRENT ASSETS		5,755,387,772	5,806,948,550
NON CURRENT ASSETS			
Property, Plant and Equipment	19	7,782,742,512	7,988,414,074
Work in Progress	20	7,743,419,423	6,063,102,561
TOTAL NON CURRENT ASSETS		15,526,161,935	14,051,516,635
TOTAL ASSETS		21,281,549,707	19,858,465,185
CURRENT LIABILITIES			
Trade and other Payables	21	1,975,984,289	2,284,862,992
TOTAL CURRENT LIABILITIES		1,975,984,289	2,284,862,992
NON-CURRENT LIABILITIES			
Bank Loans	22	16,356,066,134	14,709,140,486
TOTAL NON CURRENT LIABILITIES		16,356,066,134	14,413,176,398
TOTAL LIABILITIES		18,332,050,424	16,698,039,390
NET ASSETS		2,949,499,284	3,160,425,796
ACCUMULATED SURPLUS		2,949,499,284	3,160,425,796
TOTAL NET ASSETS LESS LIABILITIES		2,949,499,284	3,160,425,796

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

Ag. CHIEF EXECUTIVE OFFICE
 ENG. MARTIN TSUMA

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

CHAIRMAN OF THE BOARD
 DR. DANIEL KATAMA

SIGN.....
 Date..... 6/2/2024

SIGN.....
 Date..... 6/2/2024

SIGN.....
 Date..... 6/2/2024

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

Attributable to the owners of the controlling entity

	Notes	Accumulated surplus	Reserves Total
		Kshs	Kshs
Balance as at 30.6.2022		2,261,727,534	2,261,727,534
Surplus for the period		898,698,260	898,698,260
Balance as at 1.7.2023		3,160,425,796	3,160,425,796
Surplus/Deficit for the period		(210,926,513)	(210,926,513)
Balance as at 30.6.2023		2,949,499,283	2,949,499,283

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	2022-2023	2021-2022
	Kshs	Kshs
Cash flows from operating activities		
Receipts		
Operational Income	549,198,220	733,052,834
Grants	651,259,030	1,782,327,999
Other Incomes	9,189,763	16,644,210
Total Receipts	1,409,647,013	2,532,025,043
Payments		
Employees Costs	231,923,912	232,431,421
Goods and services	110,978,033	136,615,238
Remuneration of Directors	17,114,320	11,207,809
General Expenses	30,708,944	31,316,800
Operational Expenses	1,098,098,894	351,209,776
Project Costs	446,771,321	280,811,774
Finance Costs	0	0
Total Payments	1,935,595,424	1,043,592,818
Net cash flows from operating activities	(525,948,411)	1,488,432,225
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(25,414,127)	((3,402,431,123))
Proceeds from sale of property, plant and Equipment		
Decrease in non-current receivables		
Increase in investments	(1,680,316,862)	(1,066,252,626)
Net cash flows used in investing activities	(1,705,730,989)	(1,819,489,842)
Cash flows from financing activities		
Proceeds from borrowings	1,942,889,736	1,211,189,598
Repayment of borrowings		
Increase in deposits		
Net cash flows used in financing activities		1,211,189,598
Net increase/(decrease) in cash and cash equivalents	(288,789,662)	(63,031,100)
Cash and cash equivalents at 1 JULY 2022	1,196,071,272	1,196,071,272
Cash and cash equivalents at 30 JUNE 2023	907,281,609	1,196,071,272

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED
30.6.2023**

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Percentage Utilization
	2022 - 2023	2022 - 2023	2022 - 2023	2022 - 2023	2022 - 2023
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Operation Income	739,000,000.00	51,000,000.00	790,000,000.00	791,658,920.00	100%
Recurrent GoK	413,000,000.00	(50,522,064.00)	362,477,936.00	362,477,936.00	100%
Grants GoK	495,000,000.00	(157,500,000.00)	337,500,000.00	488,781,094.00	143%
Donor AfD	1,532,000,000.00	(821,903,136.00)	710,096,864.00	31,445,675.00	-96%
Other Income	8,250,000.00	-	8,250,000.00	9,189,763.35	111%
Total Revenue	3,187,250,000.00	(978,925,200.00)	2,208,324,800.00	1,683,553,388.35	75%
Expenditure					
Use of Goods And Services	400,450,064.00	(38,697,679.00)	361,752,385.00	340,754,982.00	94%
Board Expenses	30,000,000.00	-	30,000,000.00	17,114,320.00	57%
Employee Costs	244,000,000.00	-	244,000,000.00	231,923,912.00	93%
General Expenses	39,000,000.00	600,000.00	39,600,000.00	30,708,944.30	78%
Operational Expenses	406,700,000.00	375,000,000.00	981,700,000.00	751,230,284.70	77%
Project Costs	446,771,321.40	-	446,771,321.40	446,771,321.40	100%
Finance Costs	44,530,462.00	-	44,530,462.00	44,530,462.00	100%
Total	1,611,451,847.40	336,902,321.00	2,148,354,168.40	1,863,034,226.40	86%

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

NOTES

Operations Income

The approved level for bulk water billing was achieved at 100% as indicated in the report with actual billing amounting to Kshs. 791,658,920

Recurrent budget support was reduced by kshs.50,522,064 under supplementary budget II and all the funds were received by close of the year.

GoK Grants of 252% received were as a result of Equalization funds received during the year which were not in the original budget and there was more under other income as a result arrears payment during the year under reference

No funds were received under AFD loan during the year although a budget of Kshs. 710,096,864 was approved under supplementary ii budget

Use of Goods and Services and staff costs

Expenditure under use of Goods and services and staff costs reflects 94%and 93% respectively which is a clear indication that the expenses were within approved budget for the year under review

Remuneration of Directors

Directors Remuneration to the Board was Kshs. 17,114,320 inclusive of Honoraria for the chairman which was all within the approved budget of Kshs. 30 million.

General Expenses

This mainly operational cost of running the main office and includes office electricity among others. There was increased office electricity due to cost inflation of power which was covered under supplementary ii budget and the overall expenditure was within the set budget.

Operations Expenses

The expense mainly caters f for production costs power, Chemicals, and pipeline operational costs of water. Under supplementary I, the Budget for Electricity and Chemicals were adjusted up wards to cater for the abnormal increase in both. The overall cost at close of the year was within the budget.

Project Costs

This covers GoK funded projects and was fully funded in the year under review. Most of the Projects were under Equalization paid during the year under review.

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

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 2023

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.

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.

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.

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

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 and handed over to the beneficiary. 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.

(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;

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

- 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:

	2023	2022
	Kshs.	Kshs.
Bulky Water Sales	791,658,920	787,320,840
Total	791,658,920	787,320,840

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

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	AMOUNT
	2023	2022
GOK Recurrent	362,477,936	445,552,703
GOK Development	488,781,094	1,121,825,749
CLSG	0	214,949,547
Total	851,259,030	1,782,327,999

Bulky Water Sales 2022-2023						
	Mombasa	Malindi	Kilifi	Kwale	Tavevo	TOTAL
Jul-22	18,058,920.00	10,500,840.00	16,981,780.00	10,219,780.00	5,909,400.00	61,670,720.00
Aug-22	16,902,840.00	11,562,260.00	18,339,820.00	12,025,520.00	7,039,100.00	65,869,540.00
Sep-22	17,145,840.00	11,687,800.00	19,369,020.00	8,412,020.00	9,063,140.00	65,677,820.00
Oct-22	19,954,620.00	11,154,580.00	19,990,400.00	10,840,360.00	8,489,060.00	70,429,020.00
Nov-22	20,503,980.00	11,595,200.00	18,500,000.00	11,406,520.00	8,671,800.00	70,677,500.00
Dec-22	20,175,920.00	11,376,960.00	16,909,480.00	11,717,820.00	8,256,580.00	68,436,760.00
Jan-23	19,497,540.00	11,655,100.00	18,485,440.00	10,608,240.00	9,277,820.00	69,524,140.00
Feb-23	16,610,460.00	7,074,100.00	16,463,340.00	13,060,120.00	9,228,800.00	62,436,820.00
Mar-23	16,286,620.00	11,478,800.00	17,316,040.00	12,512,900.00	8,033,560.00	65,627,920.00
Apr-23	16,206,180.00	11,353,240.00	14,675,040.00	6,483,640.00	9,079,900.00	57,798,000.00
May-23	21,819,260.00	11,433,720.00	17,009,000.00	8,779,080.00	8,524,480.00	67,565,540.00
Jun-23	22,876,600.00	11,980,040.00	14,054,860.00	7,989,560.00	9,044,080.00	65,945,140.00
TOTAL	226,038,780.00	132,852,640.00	208,094,220.00	124,055,560.00	100,617,720.00	791,658,920.00

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

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
	2023	2022
Tender sales	0	2,000
Rent Received	1,409,501	1,327,200
Miscellaneous income	0	10,833,000
Sale of water to CBOs	4,790,560	3,992,010
laboratory charges	453,000	490,000
Water Tanker sales	2,536,703	0
Total other income	9,189,764	16,644,210

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

NOTE 9

Use of Goods and Services	2023	2022
	Kshs	Kshs
Telephone, Fax, Internet, Courier & Email	4,677,401	3,372,226
Travelling and accommodation- local	25,712,436	34,420,035
Travelling & accommodation foreign	-	0
Advertising & Publicity	3,681,150	5,004,921
Trade show and Exhibition	5,041,188	650,760
KRA tax assessments	-	30,391,009
World Water Day	2,032,300	1,051,500
Hire of transport equipment & machinery	-	31,000
AfD Operations expenses	1,632,232	0
General office supplies	5,784,085	7,263,453
Laboratory expenses	3,345,840	3,030,096
Hospitality	701,290	1,128,880
Fuel & Lubricant	8,714,785	8,313,651
Legal fees & related expenses	109,080	8,290,608
Bank charges	317,999	287,958
Contracted professional services	2,968,873	0
Monitoring and Evaluation	24,154,193	12,650,110
Audit fees	2,345,520	2,345,520
Maintenance expenses – vehicles	6,542,163	8,728,865
Maintenance of office furniture & equipment	1,792,454	1,814,959
Maintenance of buildings & stations	4,310,323	5,214,930
WSDP Operations expenses	2,957,240	0
Stationery office	932,742	863,499
Covid -19 Expense	1,916,000	2,104,330
Depreciation	231,085,689	236,643,630
TOTAL	340,754,982	374,640,284

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

NOTE 10

Remuneration of Directors	2023	2022
	Kshs	Kshs
Board Allowances	16,383,520	10,477,009
Honoraria	730,800	730,800
TOTAL	17,114,320	11,207,809

NOTE 11

Employees Costs	2023	2022
	Kshs	Kshs
Salaries and Wages	192,478,541	193,759,894
Staff Leave Allowance	3,426,071	2,911,749
Other Staff Allowances	32,274,243	26,824,090
Staff Training	3,745,058	5,093,114
Gratuity	0	3,733,574
Total	231,923,912	232,431,422

NOTE 12

General Expenses	2023	2022
	Kshs	Kshs
Office Electricity	1,863,947.00	1,960,862
Motor Vehicles Insurance	1,889,423.20	1,340,744
Resettlement compensation	5,962,948.00	10,341,469
Security Expense	19,795,750.10	17,639,726
WIBA	1,196,876.00	0
Total	30,708,944.30	31,316,800

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

NOTE 13

Operating Expenses	2023	2022
	Kshs	Kshs
Electricity – Operations	601,049,741	511,878,621
Water Use Charges	5,560,710	21,122,838
Electricity Nguu Tatu	0	78,793
Baricho Emergency Repairs	9,978,846	17,030,000
CLSG Expenses	27,938,177	82,431,536
Cost of Specialized Materials	34,023,415	6,434,550
Bulky Water Operations	3,300,896	2,742,635
Maintenance of Water Assets	69,378,501	65,218,403
Total	751,230,285	706,937,376

NOTE 14

Project Costs	2023	2022
	Kshs	Kshs
Lamu Projects	29,848,365	96,692,298
Small dams and Pans	2,741,709	4,632,632
Drought mitigation	25,334,749	67,396,880
Equalization	248,837,778	3,369,409
Water For Schools	0	994,034
Taita Projects	6,654,137	34,243,294
Kwale Projects	6,389,202	0
Dongo Kundu	8,247,279	30,502,545
Cross County Projects	14,282,180	33,874,124
Universal Health Care	16,698,866	9,106,559
Food and Nutrition Projects	87,737,058	0
Total	446,771,321	280,811,774

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

NOTE 15

Finance Cost	2023	2022
	Kshs	Kshs
Financing cost	44,530,462	50,249,323

NOTE 16

	2023	2022
Inventories	Kshs	Kshs.
Machinery, Pipes and Fittings	37,757,798	38,835,504
Chemicals	0	4,123,800
Stationery	1,735,560	1,443,937
Water Inventory	2,651,021	3,746,959
Total	42,144,379	48,150,200

NOTE 17

	2023	2022
	Kshs	Kshs
Trade and Other Receivables		
Mombasa Water and Sewerage Company Ltd	1,638,664,903	1,615,500,114
Malindi Water and Sewerage Company Ltd	506,375,138	510,377,647
Kilifi Mariakani Water and Sewerage Ltd	947,973,999	912,748,862
Kwale Water and Sewerage Company Ltd	908,587,827	788,632,266
Taveta Water and Sewerage Company Ltd	776,226,904	708,109,182
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	2,098,843	1,908,021
Prepaid Medical Cover	5,148,570	3,977,461
Prepaid Motor Insurance	1,309,195	391,113
Staff Imprest	788,600	2,294,608
TOTAL	4,805,961,783	4,562,727,078

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

NOTE 18

Cash and Cash Equivalent	2023 Kshs	2022 Kshs
Development	211,267,751	221,437,345
Loan repayment	236,286	237,351
Projects	425,544,470	616,276,351
Drought Mitigation	663,992	28,675,130
Administration Fees	311,927	548,034
World Bank – AF	76,333	77,398
Bulk	19,433,571	46,535,236
Equalization	26,337,296	80,760
World Bank WSDP	219,343,564	38,516,986
AFD	4,061,408	243,680,606
KCB KISSIP	5,011	6,076
Total	907,281,609	1,196,071,272

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

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
Additions	0	1,800,680	486,447	9,000	23,118,000			25,414,127
As at 30.6.2023	262,030,492	58,549,801	43,970,009	19,676,739	473,233,231	8,739,876,853	150,000	9,597,487,125
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	8,475,336	218,496,921		236,634,630
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
Charge for year 2023	0	1,905,567	430,331	254,535	9,998,335	218,496,921		231,085,689
Net book Value	262,030,492	55,623,254	42,231,794	14,887,374	431,434,867	1,008,536,833		1,814,744,614
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
As at 30.6.2023	-	2,926,547	1,738,215	4,789,365	41,795,364	7,731,340,020	150,000	7,782,742,512

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

NOTE 20

	2023	2022
Work In Progress	Kshs.	Kshs.
Balance b/f	6,063,102,562	4,996,849,934
World Bank Baricho 3BHS	21,337,275	106,892,066
Makamini Dam	161,462,598	184,856,063
Mwache Dam Treatment Plant	37,897,572	17,659,608
Mwache Dam pipeline	35,126,558	33,347,274
North mainland Msa	155,061,232	226,671,459
Phase 1 Nyali	110,489,881	145,883,132
Protection Works Baricho	485,189,379	418,930,628
Baricho 2 Pipeline	545,837,243	503,353,931
Dongo Kundu Phase 2	-	28,487,228
Sureca LTTA Mwache Dam	51,567,329	71,737,170
GKW STTA Mwache Dam	73,499,992	67,541,843
Office Block	-	7,476,200
WIP EMC Mwache Distribution	2,847,800	-
Transfer to Water Infrastructure	-	(746,582,974)
Total	7,743,419,423	6,063,102,561

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

NOTE 21

Trade and Other Payables	2023	2022
	Kshs.	Kshs
General Creditors	1,975,984,289	2,277,338,226
Paymaster General (June 2023)	0	3,117,944
Ukufima and Other Deductions	0	4,406,823
TOTAL	1,975,984,289	2,284,862,993

NOTE 22

	2023	2022
	Kshs.	Kshs
World Bank Loan		
Balance B/F	14,413,176,398	13,201,986,800
Disbursements	1,911,444,062	844,165,744
AFD Loan	0	243,657,000
AFD Loan Direct	31,445,675	123,366,854
TOTAL	16,356,066,135	14,413,176,398

Coast Water Works Development Agency

Annual Report and Financial Statements for The Year Ended 30th June 2023

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.

Coast Water Works Development Agency

Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

19. APPENDIX

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR GENERAL RECOMMENDATIONS

CWWDA has been audited up to 30th June 2022. AND Final audit reports submitted. The following audit issues were outstanding as at the date of the report. 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.

No	Reference no. on the external audit report	Issue/observation from the auditor	Management comments	Action point	Status as at 30 th June 2023	Expected completion date
1.1	Property plant & equipment (Unsupported Land balance)	Assets without ownership documents	These are assets were transferred to the entity without transfer/ownership documents	CWWDA & Parent Ministry	Report submitted to Ministry and no action yet	30 th June 2024
1.2	Unsupported additions to property ,Plant and Equipment	No asset register and schedule for Additions	Asset register in place and schedule for additions provided	CWWDA Finance Manger	Register and schedule provided	30 th June 2023
2	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 reconciliation is ongoing. Once concluded report will be vailed	30 th June 2024
3	Unsupported 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 Agency is working with Treasury to resolve the matter.	30 th June 2024
4	Unconfirmed World bank Financed Infrastructure	Details not provided for review	All contracts are available and schedule in support of transferred Assets provided	CWWDA- Finance Manger	Records in place	30 th June 2023
5	Legal Fees	Not supported	CWWDA has already initiated reconciliations	CWWDA CEO and Legal	Case still active	30 th June 2023
6	Traveling and accommodation payments	Irregular payment to ministry Staff	Approval for payment were provided from the parent ministry	CWWDA-CEO & Finance Manger	Payments supported	30 th June 2023

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

APPENDIX II: PROJECTS IMPLEMENTED BY THE AGENCY

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

S/No	Project/Contract Name	Partner	Project Amount	Completion Date	Status
1	Design and Building of Makamini Dam	GoK	Kshs. 1,200 million	Nov 2023	Ongoing 25% complete
2	Dongo Kundu SEZ water project	GoK	Kshs. 500 Million	Dec 2022	Ongoing 70% complete
3	Fish Landing Sites , Markets & Livestock holding Grounds	GoK	Kshs. 295 Million	Jun 2023	Ongoing 40% complete
4	Baricho Protection Works (WSDP)	World Bank	Kshs. 791 Million	Apr 2023	Under DLP
5	Baricho/Kakuyuni Second Pipeline (WSDP)	World Bank	Kshs. 1.9 Billion	Oct 2023	Ongoing 59% complete
6	Mombasa North Mainland Lot 1A (WSDP)	World Bank	Kshs 781 Million	Oct 2023	Ongoing 60% Complete
7	Mombasa North Mainland (Nyali) phase 1 (WSDP)	World Bank	Kshs 516 Million	Oct 2023	Ongoing 70% complete
8	Baricho Replacement B/Hs (WSDP)	World Bank	Kshs 414 Million	Mar 2021	Completed
9	Mwache Water Treatment Plant (CKE1103)	AFD	Kshs. 7.0 Billion	N/A	Design & Tender Doc Complete
10	Mwache/South Mainland Pipeline(CKE1103)	AFD	Kshs. 5.5 Billion	N/A	Design & Tender Doc Complete
11	Likoni Emergency Works (Tiwi) (CKE1103)	AFD	Kshs. 319 Million	Jan 2024	Ongoing 25% complete
12	Pemba Dam Rehabilitation	ADB	Kshs. 286 Million	May 2023	Under DLP
13	Watamu Water Distribution Works Lot 2A	ADB	Kshs. 218 Million	Oct 2023	Ongoing 88% Complete
14	Equalization Project	GoK	Kshs. 1.2 Billion	N/A	Ongoing
15	Other Small Water Projects	GoK	Kshs. 500 Million	N/A	Continuous

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

APPENDIX III: INTER-ENTITY TRANSFERS

Break down of Transfers from the State Department of Water and Sanitation			
FY 2022/2023			
A. RECURRENT FUNDS			
	Bank Statement Date	Amount (Ksh)	FY to which to the amounts relate
Recurrent Funds	4 th Aug 2022	34,416,667	FY 22/23
Recurrent Funds	9 th Sept 2022	34,416,667	FY 22/23
Recurrent Funds	5 th Oct 2022	34,416,666	FY 22/23
Recurrent Funds	15 th Nov 2022	34,416,667	FY 22/23
Recurrent Funds	13 th Dec 2022	34,416,667	FY 22/23
Recurrent Funds	5 th Jan 2023	34,416,666	FY 22/23
Recurrent Funds	2 nd Feb 2023	34,416,667	FY 22/23
Recurrent Funds	23 rd Mar 2023	18,311,269	FY 22/23
Recurrent Funds	31 st Mar 2023	16,105,398	FY 22/23
Recurrent Funds	14 th April 2023	34,416,667	FY 22/23
Recurrent Funds	6 th Jun 2023	17,575,979	FY 22/23
Recurrent Funds	23 rd Jun 2023	17,575,979	FY 22/23
Recurrent Funds	30 th Jun 2023	17,575,977	FY 22/23
TOTAL		362,477,936	

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

B. DEVELOPMENT GRANTS

Description	Bank Statement Date	Amount (Kshs)	Total (Kshs)	FY to which to the amounts relate
Improvement of Drinking Water & Sanitation Systems in Mombasa	6 th Jul 2022	75,000,000		
Mwache Water Pipeline Extension	6 th Jul 2022	15,000,000	90,000,000	21-22
Improvement of Drinking Water & Sanitation Systems in Mombasa	29 th Sept 2022	62,500,000		
Mwache Water Pipeline Extension	29 th Sept 2022	25,000,000		
Water & Sanitation Services Improvement Project	29 th Sept 2022	25,000,000	112,500,000	22-23
Cross County	29 th Sept 2022	2,500,000		
National Water Harvesting	29 th Sept 2022	9,000,000	11,500,000	22-23
Equalization Funds	2 nd Feb 2023		252,603,507	22-23
Equalization Funds	9 th Feb 2023		4,120,378	22-23
Equalization Funds	27 th Feb 2023		10,397,202	22-23
Min of Water	2 nd Mar 2023		137,460	22-23
Equalization Funds	22 nd Mar 2023		4,379,081	22-23
Equalization Funds	5 th Apr 2023		3,143,466	22-23
Total			488,781,094	

C. DONOR RECEIPTS

Description	Bank Statement Date	Amount (Kes)	FY to which the amounts relate to
WSDP	31 st Aug 2022	188,191,109	22-23
WSDP	31 st Dec 2022	196,604,824	22-23
WSDP	28 th Feb 2023	384,271,853	22-23
WSDP	31 st Mar 2023	169,383,806	22-23
TOTAL		938,451,592	

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023

D. WORLD BANK LOAN WSDP DIRECT PAYMENTS

Description	Bank Statement Date	Amount (Kes)	FY to which the amounts relate to
China International water IPC 1	6 th Jun 2022	342,098,690	22-23
China Railway No. 10 IPC 5	9 th Sept 2022	60,417,412	22-23
China Railway No. 10 IPC 6	12 th Sept 2022	50,964,239	22-23
China International Water & Electric IPC 2	14 th Nov 2022	55,760,889	22-23
China Railway No. 10 IPC 8	14 th Dec 2022	74,612,791	22-23
China Railway No. 10 IPC 9	2 nd Feb 2023	36,746,539	22-23
China International Water & Electric IPC 4	2 nd Feb 2023	119,530,044	22-23
China International Water & Electric IPC 5	27 th Mar 2023	23,934,330	22-23
China International Water & Electric IPC 6	6 th Jun 2023	208,927,536	22-23
TOTAL		972,992,470	

E. AFD LOAN DIRECT

Description	Bank Statement Date	Amount (Kes)	FY to which the amounts relate to
Seureca Consulting Engineers IPC 7	10 th May 2023	13,789,143	22-23
Seureca Consulting Engineers IPC 3	5 th May 2023	8,036,491	22-23
Seureca Consulting Engineers IPC 4	7 th May 2023	9,620,040	22-23
TOTAL		31,445,674	

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

Coast Water Works Development Agency
Annual Report and Financial Statements for The Year Ended 30th June 2023
