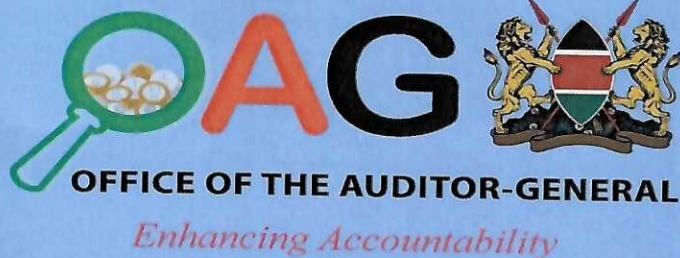


REPUBLIC OF KENYA



**REPORT**

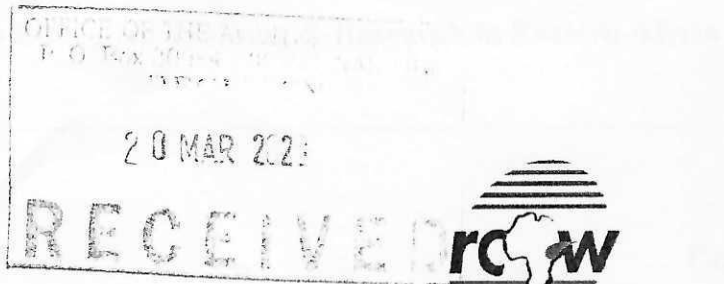
**OF**

**THE AUDITOR-GENERAL**

**ON**

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

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



**Regional Centre on Groundwater  
Resources Education, Training & Research**  
OASIS OF GROUNDWATER KNOWLEDGE

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2022**

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

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
Annual Report and Financial Statements  
for the year ended June 30, 2022.**

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**1. Key Entity Information and Management**

**(a) Background information**

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

**(b) Principal Activities**

The principal activities of the Centre are to carry out research, capacity building and civic education/ public Awareness on groundwater resources occurrence and its status.

**(c) Key Management**

The Regional Centre on Groundwater Resources Education Training and Research's Day to day management is under the following key organs:

1. The Board of Management
2. Chief Executive Officer
3. Senior Management

**(d) Fiduciary Management**

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

No.	Designation	Period	Name
1.	Chief Executive Officer	15/10/2019 to date	Mrs. Agnes W. Mbugua
2.	Head of Technical	14/7/2020 – 1/7/2022	Ms. Mirriam Chebungei
		2/7/2022 to date	Mr Frank Mcharo
3.	Head of Supply Chain Management	1/7/2021 to date	Mr. Brian Letuati
4.	Head of Administration	14/6/2021-31/8/2022	Mr. Edward Nyabiba Mokweri
		01/09/2022 to date	Mr Benson Kimotho
5.	Head of Accounts and Finance	11/09/2018 - 1/2/2023	CPA. John Mbugua
		2/2/2023 to date	CPA Fredrick Njuki
6.	Head of Internal Audit	15/01/2021-1/7/2022	CPA. James Areba
		12/09/2022 to Date	CPA Janiffer Ndibaru

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**(e) Fiduciary Oversight Arrangements**

RCGW's oversight responsibility is vested in the;

- 1) Board of Management which had 8 members.
- 2) Research, Education and Training Committee which had 4 members.
- 3) Finance and Administration Committee which had 3 members.
- 4) Audit and Risk Committee which had 4 members.

**(f) Entity Headquarters**

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

**(g) Entity Contacts**

Tel: 020 8008004  
Cell No.: +254-722606830  
Email: [info@rcgw.go.ke](mailto:info@rcgw.go.ke)  
Website: [www.rcgw.go.ke](http://www.rcgw.go.ke)

**(h) Entity Bankers**

Kenya Commercial Bank of Kenya  
Moi Avenue  
P.O. Box 30081  
GPO 00100  
**NAIROBI, KENYA**

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**



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

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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**2. The Board of Directors**

Ref	Directors	Details
1.	 <p data-bbox="427 911 781 1010">Ms. Rhoda Amimo Murwa <b>Board Chairperson</b></p>	<p data-bbox="911 485 1528 898">Ms. Rhoda Murwa Igosangwa is a project and facilities management and supply chain management professional. She holds MBA from University of Nairobi, B.A Land Economics from University of Nairobi, Pg Dip from Institute of survey of Kenya, International diploma from international trade Centre. She is Board Chairperson, Regional Centre on Groundwater Resources Education Training and Research</p> <p data-bbox="911 911 1520 1066">She has over 20 years of progressive experience in banking, academia, real estate, pensions fund and not for profit organizations among others.</p> <p data-bbox="911 1079 1474 1150">Rhoda is currently working as the Head of Facilities at Mpesa foundation.</p> <p data-bbox="911 1163 1528 1409">Prior to working at the Mpesa Foundation academy, she worked as an Administration Manager - projects, facilities and procurement at Consolidated Bank of Kenya Limited. Before joining Consolidated Bank, she worked at Daystar University in the same capacity.</p> <p data-bbox="911 1421 1536 1619">Overall, she has wide range of skills including training of trainers, project management, budgeting, facilities management, landscaping, real estate brokerage, supply chain management and agribusiness.</p> <p data-bbox="911 1631 1490 1829">Current membership: The Institute of Surveyors of Kenya, Kenya Institute of Supply Chain Management and Women on Boards Network Young Men Christian Association.</p> <p data-bbox="911 1841 1305 1877">She is the Board Chairperson</p>
2.		<p data-bbox="911 1934 1500 2005">Geol. Elema Isacko Fila is a Practicing Geologist with over 31 years' experience in</p>

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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	 <p style="text-align: center;"><b>Geol. Elema Isacko Fila Independent Board Member Chair Audit and Risk Committee of the Board</b></p>	<p>Groundwater matters. He holds BSc. (Combined Hons) in applied and Environmental Geology from University of Plymouth (UK) and Diploma in Water Technology from KEWI.</p> <p>He has worked in the northern Kenya and Turkana for the Ministry of Water and Irrigation being the Lead Expert in Groundwater exploration and drilling and community water supply.</p> <p>For over 10 Years, he has worked as the water advisor of Catholic Diocese under MISEREOR a Germany funded water project.</p> <p>Mr Isacko also has experience in Oil and Gas exploration having served as stakeholder engagement manager for Tullow Oil Exploration company in Marsabit and Turkana.</p> <p>He is an Independent Board Member</p>
3.	 <p style="text-align: center;"><b>Eng. Wambutura Justus Gitobu Independent Board Member Chair Finance and Administration Committee of the Board</b></p>	<p>Engineer Gitobu was born in 1<sup>st</sup> July 1955 and holds of B.Sc. Electrical Engineering from University of Nairobi, M. B.A Strategic Management from University of Nairobi and a member of IEEE.</p> <p>He has Over 44 years' experience in Private and public sector.</p> <p>Having served in the Board of Kenya Maritime Authority, Turkana University Council gives him vast experience in Board governance.</p> <p>He is a Member of Trustee Street families' rehabilitation fund (SFRTF)</p> <p>He is an Independent Board Member</p>

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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<p>4.</p>	 <p><b>Mr. Kungu Waweru Independent Board Member Chair Audit and Risk Committee of the Board</b></p>	<p>Mr. Kungu Waweru was born on 28<sup>th</sup> April 1952 and a holder of B.Sc. (General) from University of Nairobi. He has over 40 years' experience in public and Private sector in which; For 7 years he worked at Kenya Power and Lighting Company Limited as Computer programmer/system analyst, 4 years in Madison insurance Company as the Computer Manager, 4 years Sterling Winthrop as Management information Manager and finally has been self-employed for over 25 years. He is an Independent Board Member</p>
<p>5.</p>	 <p><b>Vainadu Titus Zakayo Ingana Board Member Representing the PS University Education and Research</b></p>	<p>Vainadu Titus Zakayo Ingana was born in 1966. He is a holder of both Bachelors and Masters Degrees from the University of Nairobi is a former United Nations Advisor to the Prime Minister of Timor Leste-Indonesia under UNDP. He is currently serving as Head of Research, Science and technology (RST) in the Ministry of Education. He is the Kenyan Focal Point Officer on Science, Technology and Development (ST&amp;D) to the Commission for Science, Technology and Development (CSTD), UNCTAD, Geneva. His task is to spearhead the development of Kenya's Issues Papers on various themes as requested for annually by CSTD/UNCTAD. Mr. Ingana also consults in amongst others; leadership and management training, Human resource management and development. He has authored twenty (29) Books in various fields and is also the founder of Firmword Church worldwide. This is 5-fold ministry Church that is headquartered in Kenya. He is the Alternate of the PS University Education and Research.</p>



**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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<p>6.</p>	 <p style="text-align: center;">Mr. Feisal Mohammed <b>Board Member Representing the CS, National Treasury</b></p>	<p>Mr. Feisal Mohammed is a Public Finance management specialist at the National Treasury, with an interest in public policy and public finance with over 10 years' experience in the area. He is a holder of MSc. Political Economy, Merit, London school of Economics and BSc. (Hons) Financial Mathematics 1<sup>st</sup> Class.</p> <p>Currently, he's assistant director financial and sectoral affairs at the National Treasury where he is the deputy head Global fund unit. Prior to this, was senior fiscal Analyst at the Office of Controller of Budget.</p> <p>Mr Feisal has been a Research assistant at Strathmore University Governance Centre and London School of Economics, Centre for Economic Performance.</p> <p>He is a Member of Institute Certified Investment and Financial Analysts (ICIFA)</p> <p>He is the Alternate of the CS, National Treasury.</p>
<p>7.</p>	 <p style="text-align: center;">Geol. Gichangi Wotuku <b>Board Member Representing the PS, Ministry of Water, Sanitation and Irrigation</b></p>	<p>Geol. Gichangi Wotuku was born in 12<sup>th</sup> DECEMBER 1964 and a hold of B.Sc. Geology from the University of Nairobi.</p> <p>Currently, he is the Deputy Director, Groundwater Resources Division in the Department of National Water Resources, Ministry of Water and Sanitation &amp; Irrigation and also the Project Co-ordinator, Horn of Africa Groundwater for Resilience Project.</p> <p>He has over 26 years' experience Water and Sanitation &amp; Irrigation and working as a Geologist in the Public Sector with extensive knowledge in Policy formulation on Water Resources Management, Groundwater Data Management, Hydrogeological Surveys, Drilling &amp; Equipping of boreholes and Borehole water infrastructure development.</p> <p>He is the Alternate of the Principal Secretary, Ministry of Water and Sanitation &amp; Irrigation.</p>

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8.



**CS. James Musee Nduna  
Corporate Secretary**

James Musee Nduna is an Advocate of the High Court of Kenya admitted to the Bar 28 years ago. He is certified Secretary of 27 years standing since 1996. He holds an LLB from the University of Nairobi and an MBA from USIU-A. among other academic and professional qualifications James is a career civil servant of over 20 years' experience in the public sector having served as a Magistrate, Corporation Secretary and Deputy Registrar of companies. He is currently a Chief State Counsel in the State Law Office deployed to the Ministry of water as the Director Legal Services.

10.






**Geol. Agnes W. Mbugua  
Chief Executive officer, Regional  
Centre on Groundwater Resources  
Education Training and Research**



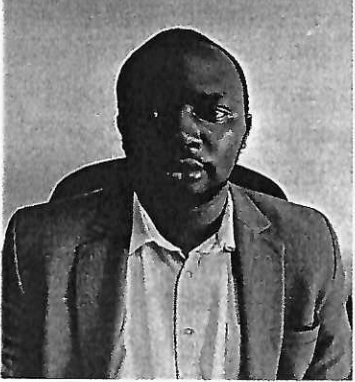
Geol. Agnes Mbugua holds an MSc.in Hydrogeology and Groundwater Management and BSc.in Geology from UON. She is a member of Geological Society of Kenya, Geological Registration Board and Licensed Qualified Water Resource Professional (Hydrogeologist). She is the Chief Executive officer, Regional Centre on Groundwater Resources Education Training and Research having worked in the Water sector in the last 25 years in various capacities. Previously headed the Research and Data Division as a Chief Water Research Officer, coordinated several groundwater mapping/research programmes both at National and Regional level including assessment of groundwater potential, borehole site investigations in various locations in the country. Held the position of the UNESCO desk officer at the Ministry of Water, Technical contact person at the office of UNESCO Special Envoy for Water in Africa (The 3<sup>rd</sup> President of Republic of Kenya), Task Force Member in

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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**3. Management Team**

	<b>Management</b>	<b>Details</b>
1.	 <p><b>Geol. Agnes W. Mbugua</b> <b>Chief Executive officer</b></p>	<p>Geol. Agnes W. Mbugua holds an MSc.in Hydrogeology and Groundwater Management and BSc.in Geology from UON. She is a member of Geological Society of Kenya, Geological Registration Board and Licensed Qualified Water Resource Professional (Hydrogeologist). She is the Chief Executive officer, Regional Centre on Groundwater Resources Education Training and Research having worked in the Water sector in the last 24 years in various capacities.</p>
2.	 <p><b>Mr. James Musee Nduna</b> <b>LLB and MBA</b></p>	<p>Ag. Corporate Secretary</p>
3.	 <p><b>CPA Fredrick Njuki</b> <b>MBA Finance, BSc. H&amp;I Management, CPA-K and an active member of ICPAK</b></p>	<p>CPA Fredrick Njuki Masters in Business Management, MBA Finance, BSc. H&amp;I Management, CPA-K and an active member of Institute of Certified Public Accountants of Kenya ICPAK.</p> <p>He is in charge of Finance Department having over 20 years' experience in the field</p>

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<p>4.</p>	 <p>Frank Mcharo BSc. Earth Science, with IT</p>	<p>Mr Frank Mcharo BSc. Earth Science, with IT. He is in charge of the technical department. He is in charge of n charge of Core Mandate, Deployed from the Ministry of Water &amp; Sanitation and Irrigation</p>
<p>5.</p>	 <p>CPA Janiffer G. Ndibaru MSc Finance Ongoing, Bachelor of commerce Finance, CPA-K and an active member of Institute of Certified Public Accountants of Kenya ICPAK and IIAK</p>	<p>CPA Janiffer G. Ndibaru is currently pursuing MSc Finance. She holds Bachelors of commerce in Finance, CPA-K and an active member of Institute of Certified Public Accountants of Kenya ICPAK and Institute of Internal Auditors of Kenya IIAK She is in charge of Internal Audit Department having over 15 years' experience in the field</p>
<p>7.</p>	 <p>Mr. Brian Letuati Kasura In Charge of Supply Chain Management</p>	<p>Mr. Brian Letuati Kasura holds a Bachelors of Business Administration major in Procurement, Supply chain and Logistics Management, Diploma in Business Management, CIPS and an active member of Chartered Institute of Procurement and Supply (MCIPS-UK) He is in charge of Procurement and Supply chain management operations having experience in the field.</p>

8.



**Mr. Benson Kimotho Wanjiku  
Master of Public Policy, BSc  
Environmental Planning and  
Management, NEMA Lead  
Expert and a Member of  
Environmental Institute of  
Kenya**

Mr. Benson Kimotho Wanjiku holds Master of Public Policy, BSc Environmental Planning and Management option. NEMA Lead Expert and a Member of Environmental Institute of Kenya. He is in charge of administration having over 10 years' experience in the field.

In Charge of Corporate Services

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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**4. Chairperson's Statement**

It gives me great pleasure to present Centre's Financial Report and Financial Statement for the year ending 30<sup>th</sup> June 2022. The Centre had a good performance for an organization that is about five years old. We made a milestone despite having a limited budget and the COVID 19 Global Pandemic challenges.

**The Board and its organs**

The board of Management was fully constituted with its 3 (three) Board Committees as follows:

- Research, Education and Training Committee
- Finance and Administration Committee
- Audit and Risk Committee

**Corporate Performance**

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

- a) The Centre maintained the banks account for Recurrent and Development Expenditure opened with authority from the National Treasury. This afforded the Centre a level of autonomy since it manages its own expenditure albeit with a bit of support from the ministry.
- b) The Centre had a Budget of Ksh 74 Million initially but only 34Million Recurrent Budget and 20Million development Budget was disbursed by the Ministry. Additionally, 9 Million was disbursed under special request thus the Ministry transferred a total of Ksh 62.9 million to the Centre. The same was eventually released to the Centre in monthly tranches. With this support the Centre was able to achieve some of its targets.
- c) Participation in Mid Term Expenditure Framework Planning meetings organized by the Ministry of Finance to prepare for the fourth Medium Term Plan (MTP). This was to ensure the Centre was captured in the Government Financial Planning Cycle for 2022/2023 financial year.
- d) Engagement of temporary staff on an interim basis awaiting recruitment of permanent staff as the budget grows.
- e) Mentorship of deployed interns from Public Service (PSC) in keeping with the Government policy of exposing youths to practical work experience.
- f) The Centre implemented its fourth Performance Contract successfully by adhering to the set PC guideline under cycle 18.

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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**Acknowledgement**

I would like to extend my appreciation to the Cabinet Secretary and Principal Secretary from the parent Ministry for their guidance and support. I would also want to commend the Board of Directors, CEO and the Centre's staff for their dedicated service which enabled the Centre to operate despite of many challenges.



**Ms. Rhoda Amimo Murwa**

**Chairperson, Board of Management**

**Date: ..13/3/2023.....**

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
Annual Report and Financial Statements  
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**5. Report of the Chief Executive Officer**

I present the Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa Report and Financial Statements for the FY 2021/2022. During this period, the Centre fared reasonably well as disbursements from the Government was received although sometimes, late. The biggest challenge that was faced by the Centre was Budgetary constrain triggered by development budget cut and low staffing levels. I am pleased to report that the Centre Management handled these challenges well through strict planning and prudent utilization of the available resources namely, Human, Systems, Financial and Physical Facilities; this was supported by financial and technical backstopping of the Parent Ministry.

**Financial Results**

The Centre during the reporting period experienced not limited to below challenges:

- **Inadequate funding:**

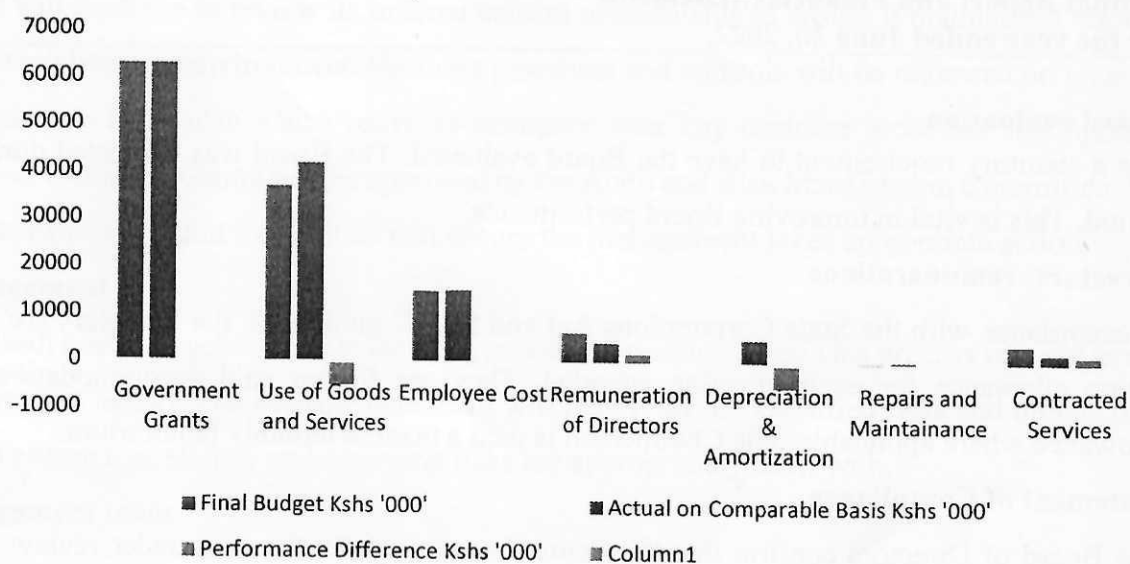
During the reporting year, the Centre received 33.9 million recurrent ,20.0 million Development and 9.0 million under special request from the Ministry amounting to 62.9 million against a final revised Budget of Kshs 83.0 million. With this disbursement, the Centre utilized Kshs 67.5 million and due to non-disbursement of total development budget, we were unable to fully implement its core mandate programmes. An illustration of Centre's performance has been shown in **Table 1.0**

The Centre needs enough space and resources to operationalize its research, training and public awareness. Facilities such as geophysical equipment, drilling rigs, test pumping units, field vehicles, GIS and Remote Sensing Laboratory, Data Base Equipment, Isotope Hydrology and Hydro-chemical laboratories. This is hampered by lack of funds.



**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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**Chart showing Comparison of Budget and Actual Amounts for the year ended 30 June 2022**



**Table 1.0**

**• Inadequate staffing:**

Currently the CEO and 4 permanent and pensionable staff are the only substantive staff working with 10 staff deployed from the Parent Ministry, 4 interns and 4 contracted staff. The Centre has planned for recruitment of more staff in the Financial Year 2022-23. This will enable the Centre to become fully operational and minimize some of the shortcomings noted in the management level.

**Future Outlook**

In the short time that the Centre has been in the existence, we take cognizant of the progressive allocation of recurrent budget and development budget during the FY 2021/2022. Moving forward, this

progressive allocation will enhance human resources capacity and enhance the initiated capital projects. However, allocation for implementation of programmes and development/improvement of research which is crucial for effective fulfilment of the Centre's mandate was not addressed as expected.

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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**Board evaluation**

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

**Directors' remunerations**

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

**Statement of Compliance**

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

**Internal control and risk management**

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

**Organization structure**

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

**Strategic Plan**

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

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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**Internal control framework**

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

**Risk Management**

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

**The Management team**

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

**8. Management Discussion and Analysis**

The Centre has relied on grants from the Government to support its activities together with in-kind support from International Atomic Energy Agency (IAEA). The Regional Centre's mandate is to spearhead research, training, and education (Public Awareness) on groundwater resources in the region. During the period under review, the Board guided the Centre in carrying out programmes geared towards implementing the Centre's FY 2021-2022 Performance Contract (PC) activities drawn from Strategic Plan (2018-2022). Some of the key achievements includes:

**a) A Comprehensive Water Sector Assessment towards the Sustainable Management of Water Resources Implemented**

- In the year under review, the Centre finalized the National Hydrological plan which include the approach to implement the Hydrological gaps identified through a needs assessment carried out involving key water sector stakeholders. The gaps to be implemented are: Data and Hydrological Information; human capacity; and technology and infrastructural gaps
- The Centre also developed 2 (two) Isotope Hydrology Modules for professionals. These modules will be used as procedures/manuals to train professionals on application of Nuclear Science applications in groundwater resources assessments by use of Isotope Hydrology Techniques.

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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**b) Groundwater Assessed & Developed and Water Quality Determined**

- The Centre conducted two (2) hydrological hydrogeological, hydro chemical and environmental assessments in Athi catchment area (Dandora, Ruai, Oloitoktok). These exercises involved data analysis and processing to identify Groundwater Potential Recharge Zones (GWPZs). The Groundwater Potential Recharge Zones were identified, a map was produced and a technical report developed.
- Policy briefs on MAR pilot project in Athi Basin was developed

**c) Capacity on Managed Aquifer Recharge Built**

- The Centre conducted both National and Regional training on application of GIS and Remote sensing on identification of MAR zones.
- The National training was a 5 days' workshop held in Naivasha where the Centre partnered with Water Cap and invited other stakeholders from national and County government and representative in various relevant technical professional.
- The Regional training was conducted through a virtual platform by a resource person from United States Geological Survey (USGS) and about 100 groundwater professionals from the African states attended the training.

**d) Groundwater Database and Knowledge Management System Established**

- One database desk computer has been installed with required software, and uploaded with raw and processed data and information from the different groundwater research projects

**e) Trainers of Trainers Trained**

- The Centre conducted one (1) groundwater survey equipment ie PQWT on equipment operation, data analysis and interpretation. Six (6) groundwater professionals were trained as ToTs

**f) Resource Mobilization Strategy Developed**

The has developed a final Resource mobilization document through a stakeholder's engagement process.

**g) Science, Technology and Innovation (STI) Mainstreamed**

- The Centre undertook research in various catchment (Rift valley and Athi). Four (4) technical staff were involved in training on use of GWENS system (innovated by USGS) and disseminated research findings/recommendations in various platforms that include; USGS, USAID and RCGW seminars, first IAEA webinar featuring Careers for Women in Isotope Hydrology as well as during public awareness campaigns in both Lake Victoria North and South basins.

**h) Research Proposals/Concept Papers for Partnership and Resource Mobilization Developed**

- The Centre developed its project proposals' components in the four (4) key projects under the guidance of the Parent Ministry namely:
  - i. Kenya Towns Sustainable Water Supply and Sanitation Project (KTSWSSP)
  - ii. Water and Sanitation Project in Selected North Eastern Counties and Coastal Region (WSDP)
  - iii. Horn of Africa Groundwater for Resilience Project to be funded by World Bank.
  - iv. Gender Equality and Climate Resilience under the Africa Climate Change Fund (ACCF) which was submitted to AfDB.

**Major risks facing the Centre**

Operational risk: - staff shortage

Finance risk: - limited resources and inadequate funding from the government and partners

**9. Environmental and Sustainability Reporting**

The Regional Centre on Groundwater Resources Education Training and Research exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant services, and improving operational excellence. Below is an outline of the Centre's policies and activities that promote sustainability.

**i) Sustainability strategy and profile**

The Centre is regional in its scope of coverage and it is one of its kind. The top management is keen in ensuring that sustainable strategies are put in place to edge against unfavorable Social-political and macroeconomic volatility that may have negative impact to Centre's operation and also existence. Sustainable priorities, reference to international best practices is observed.

**ii) Environmental performance**

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

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**iii) Employee welfare**

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

**iv) Market place practices-**

The Centre has made efforts to:

**a) Responsible competition practice.**

The Centre gives fair chance to all their Suppliers regardless of their race, ethnicity or Disability. Market surveys are always done before settling on Suppliers.

**b) Responsible Supply chain and supplier relations**

The Centre maintains a cordial relationship with its suppliers through fair competition in awarding of jobs as stipulated in Public Procurement and Disposal Acts and other relevant regulations. Prompt payment is made upon invoicing.

**c) Responsible marketing and advertisement**

Through the Centers social Media pages, some research knowledge has been disseminated to the public thus creating awareness.

**d) Product stewardship**

Clients research information is ethically and properly kept; Information is only shared to third party upon authorization.

**v) Corporate Social Responsibility / Community Engagements**

In the year under review, the Centre engaged with communities through public awareness forums in the Lake Victoria North and South Catchment Areas. The objective was to create awareness on surface water and groundwater interaction as well as obtain the groundwater challenges in the region. The Centre also participated in World Water Day celebrations in Kitui and Turkana where the Centre also engaged in tree planting activities and exhibitions aimed at highlighting the role of the organization in sustainable management of groundwater resources in the Country.

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**10. Report of The Directors**

The Directors submitted their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Centre's affairs.

**i) Principal activities**

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

**ii) Results**

The results of the Centre for the year ended June 30, 2022 are set out on page 1.

**iii) Directors**

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

S/N	Name	Organization	Appointment Date	Designation
1	Ms. Rhoda Amimo Murwa	Independent	06/10/2021	Chairperson
2	Mr. Cyrus Mwaniki	Independent	03/05/2019 - 02/05/2022	Member
3	Eng. Wambutura Justus Gitobu	Independent	05/07/2022	Member
4	Dr. Susan M. Musyoka	Independent	03/05/2019 - 02/05/2022	Member
5	Mr. Kungu Waweru	Independent	05/07/2022	Member
6	Dr Peter Waweru Kamaku	Independent	03/05/2019 - 02/05/2022	Member
	Geol. Elema Isacko Fila	Independent	14/04/2022	Member
7	Dr. Salome Guchu	Ministry of Education	29/03/2016 - 05/07/2022	Member
8	Vainadu Titus Zakayo I.		3/10/2022	Member
9	Mr. Moses Kanagi	National Treasury	29/03/2016	Member
10	Mr. Feisal Mohammed		30/09/2022	Member
11	Mr. Gichangi Wotuku	MWS&I	12/7/2019	Member
12	Ms. Doris Mwangi	NWH&SA	30/11/2019 - 01/07/2022	Secretary to the Board
13	Mr. James Musee Nduna	MWS&I	01/10/2022	Secretary to the Board

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**iv) Surplus remission**

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Centre did not make any surplus during the year (FY 2021-22 Ksh Nil) and hence no remittance to the Consolidated Fund.

**v) Auditors**

The Auditor General is responsible for the statutory audit of the Regional Centre on Groundwater Resources Education, Training and Research in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2022.

By Order of the Board



**CS. James Musee Nduna**

**Ag. Corporate Secretary**

**Regional Centre on Groundwater  
Resources Education Training and Research**

Date: 13/03/2023



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**11. Statement of Directors' Responsibilities**

Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements which give a true and fair view of the state of affairs of the Centre at the end of the financial year/period and the operating results for that year/period. The Directors are also required to ensure that the Organization keeps proper accounting records which disclose with reasonable accuracy the financial position of the Entity. The Directors are also responsible for safeguarding the assets of the Centre.

The Directors are responsible for the preparation and presentation of the Centre's financial statements, which give a true and fair view of the state of affairs of the Centre for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Entity; (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 Centre; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Centre's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Centre's financial statements give a true and fair view of the state of Centre's transactions during the financial year ended June 30, 2022, and of the Centre's financial position as at that date.

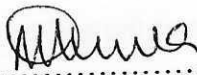
The Directors further confirms the completeness of the accounting records maintained for the Centre, which have been relied upon in the preparation of the Centre's financial statements as well as the adequacy of the systems of internal financial control.


Nothing has come to the attention of the Directors to indicate that the Regional Centre on Groundwater Resources will not remain a going concern for at least the next twelve months from the date of this statement

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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**Approval of the financial statements**  
The Centre's financial statements were approved by the Board on 20/09/ 2022 and signed  
on its behalf by:

  
.....  
**Ms. Rhoda Amimo Murwa**  
**Chairperson, Board of Management**

  
.....  
**Geol. Agnes W. Mbugua**  
**CEO RCGW**

18 December, 2015 which established the Centre. The under-staffing may hinder effective delivery of services .

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

## **2. Unauthorized Expenditure**

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.63,000,000 and Kshs.69,759,902 respectively resulting in an over-expenditure of Kshs.6,759,902 or 11% of the budgeted amount. Management did not provide evidence of the Board's approval for the excess expenditure. In addition, no supplementary approval was provided for audit review for the over expenditure contrary to Section 40(5) of the Public Finance Management (National Government) Regulations, 2015 which states that Accounting Officers may seek supplementary budget if the expenditure cannot be met by budget reallocation under Section 43 of the Act.

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

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Lack of Information and Communication Technology (ICT) Policy**

Review of the Centre's information technology systems revealed that the Centre did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in the development of ICT policy framework to enable the Centre to realize long-term ICT strategic goals. Lack of an approved IT policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Centre's ICT assets.

Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, existence of effective ICT controls could not be confirmed.

## **2. Lack of Risk Management Policy and Strategy**

The Centre Management had not put in place risk management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. This is contrary to the provisions of Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of National Government entity to develop risk management strategies which include fraud prevention mechanisms and a system of risk management and internal control that build robust business operations.

In the circumstances, existence of effective risk management measures could not be confirmed.

## **3. Failure to Maintain a Fuel Register**

During the year under review, the Centre did not maintain a fuel register on fuel drawn. The Centre also has one motor vehicle but sometimes, the Management borrow vehicles from the parent Ministry or other Government entities to carry out their duties.

In the circumstances, it was not possible to confirm controls in place on fuel drawn by different vehicles used by the Centre during the financial year under review.

## **4. Lack of Board Evaluation**

During the year under review, the Board did not conduct an annual evaluation to appraise its performance. This is contrary to guiding principle Number.17 of the Mwongozo: Code of Governance which states that "the Board will conduct an annual evaluation to appraise its performance. Further it states that, this evaluation will be carried out in accordance with the Board evaluation tool. The Board evaluation is intended to provide an opportunity for Board members to identify strengths, collective skills gaps and individual areas of improvement. The Board will also review the performance of each committee against the agreed terms of reference. It also requires that the Board evaluates the performance of the CEO and the Corporation Secretary.

In addition, Governance Practice No.1.12(4 & 6) of the Mwongozo: Code of Governance stipulates that the annual evaluation should result in a report with recommendations for implementation and that the re-appointment for a subsequent term for any Board Member or CEO shall be based on a favorable evaluation as spelt out in the evaluation tool.

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

## 5. Non-Execution of the Governance Audit

During the year under review, the Management did not subject the Organization to an annual governance audit, contrary to Governance Practice 1.13(1) of the Mwongozo: Code of Governance which states that the Board in consultation with the Oversight Office, should ensure that it subjects the Organization to an annual governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose.

Further, guiding principle No.19 of the Mwongozo: Code of Governance prescribes that the Board should ensure that a governance audit of the Organization is undertaken on an annual basis. The purpose of the governance audit is to ensure that the Organization conforms to the highest standards of good governance. The governance audit should cover the following areas: leadership and strategic management, transparency and disclosure, compliance with laws and regulations, communication with stakeholders, Board independence and governance, Board system and procedures, consistent shareholder and stakeholders' value enhancement; and corporate social responsibility and investment.

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

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 the 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 control, risk management and overall governance.

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

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

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

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Centre'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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls 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 Centre'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 the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Centre to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Centre to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**


**19 April, 2023**

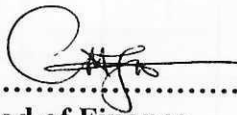
**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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**13. Statement of Financial Performance for the year ended 30 June 2022**

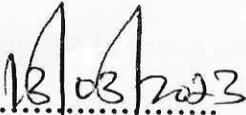
	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from Ministries, Departments and Agencies	6	62,999,996	51,499,996
<b>Total revenue</b>		<b>62,999,996</b>	<b>51,499,996</b>
<b>Expenses</b>			
Use of goods and services	7	42,344,881	31,929,574
Employee costs	8	15,184,539	10,152,402
Remuneration of Directors	9	4,370,447	5,164,912
Depreciation and amortization expense	10	5,053,771	2,671,193
Repairs and maintenance	11	533,175	30,000
Contracted services	12	2,273,089	3,181,959
<b>Total expenses</b>		<b>69,759,902</b>	<b>53,130,040</b>
<b>Surplus (Deficit) for the Year</b>		<b>(6,759,906)</b>	<b>(1,630,044)</b>

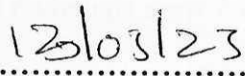
The notes set out on pages 6 to 27 form an integral part of these Financial Statements

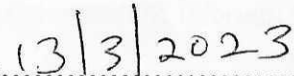
  
.....  
Chief Executive Officer  
Geol. Agnes W. Mbugua

  
.....  
Head of Finance  
CPA Fredrick Njuki  
ICPAK Member No.11894

  
.....  
Chair, Board of Management  
Ms. Rhoda Amimo Murwa

Date...  .....

Date...  .....

Date...  .....





**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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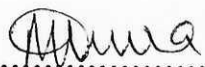
**14. Statement of Financial Position as at 30 June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	7,354,439	9,233,326
Trade and other receivables	14	1,507,781	
<b>Total Current Assets</b>		<b>8,862,220</b>	<b>9,233,326</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	18,160,166	20,598,640
<b>Total Non- Current Assets</b>		<b>18,160,166</b>	<b>20,598,640</b>
<b>Total assets</b>		<b>27,022,386</b>	<b>29,831,966</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	16	4,566,975	616,649
<b>Non-Current liabilities</b>			
Deferred Income	17	3,968,451	3,968,451
<b>Total liabilities</b>		<b>8,535,426</b>	<b>4,585,100</b>
<b>Net assets</b>			
Revenue reserves		18,486,960	25,246,866
<b>Total net assets</b>		<b>18,834,960</b>	<b>25,246,866</b>
<b>Total net assets and liabilities</b>		<b>27,022,386</b>	<b>29,831,966</b>

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

  
.....  
Chief Executive Officer  
Geol. Agnes W. Mbugua

  
.....  
Head of Finance  
CPA Fredrick Njuki  
ICPAK Member No.11894

  
.....  
Chair, Board of Management  
Ms. Rhoda Amimo Murwa

Date.....13/03/2022

Date.....13/03/23

Date.....13/3/2022

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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**15. Statement of Changes in Net Assets for the year ended 30 June 2022**

	Note	Revenue Reserves	Total
		Kshs	Kshs
<b>At June 30, 2020</b>		<b>11,876,910</b>	<b>11,876,910</b>
<b>At July 1, 2020</b>		<b>11,876,910</b>	<b>11,876,910</b>
Addition for the period		-	-
Surplus/(deficit) for the period		(1,630,044)	(1,630,044)
Audit fee adjustment		-	-
<b>As at June 30, 2021</b>		<b>25,246,866</b>	<b>25,246,866</b>
<b>Balance as at July 1/ 2021</b>		<b>25,246,866</b>	<b>25,246,866</b>
Surplus(deficit) for the period		(6,759,906)	(6,759,906)
<b>As at June 30, 2022</b>		<b>18,486,960</b>	<b>18,486,960</b>

**Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa  
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**16. Statement of Cash Flows for the year ended 30 June 2022**

		2021-2022	2020-2021
	Notes	Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other governments entities	6	62,999,996	51,499,996
<b>Total Receipts</b>		<b>62,999,996</b>	<b>51,499,996</b>
<b>Payments</b>			
Use of goods and services	7	42,344,881	31,929,574
Employee costs	8	15,184,539	10,152,402
Remuneration of directors	9	4,370,447	5,164,912
Depreciation and amortization expense	10	5,053,771	2,671,193
Repairs and maintenance	11	533,175	30,000
Contracted services	12	2,273,089	3,181,959
<b>Total Payments</b>		<b>69,759,902</b>	<b>53,130,040</b>
<b>Cash flows from/(used in) operating activities</b>		<b>(6,759,906)</b>	<b>(1,630,044)</b>
<b>Adjust for;</b>			
Increase in receivables		(1,507,781)	-
Increase in payables		3,950,326	(1,202,698)
Adjustment for Depreciation		5,053,771	2,671,193
Increase in capital funds		-	15,000,000
Prior year Adjustment		-	-
<b>Net cash flows from/(used in) operating activities</b>	18	<b>736,410</b>	<b>14,838,451</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment, and intangible assets	19	(2,615,297)	(15,834,688)
<b>Net cash flows from/(used in) investing activities</b>		<b>(2,615,297)</b>	<b>(15,834,688)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,878,887)</b>	<b>(996,237)</b>
Cash and cash equivalents at 1 JULY	13	9,233,326	10,229,563
Cash and cash equivalents at 30 JUNE	13	<b>7,354,439</b>	<b>9,233,326</b>

17. Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2022

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% Of utilization	Explanation
	Kshs	Kshs	Kshs	Kshs	Kshs		
<b>Revenue</b>							
Government grants and Other Donations	74,000,000	(11,000,000)	63,000,000	62,999,996	4	100%	
<b>Total income</b>	<b>74,000,000</b>	<b>(11,000,000)</b>	<b>63,000,000</b>	<b>62,999,996</b>	<b>4</b>		
<b>Expenses</b>							
Use of goods and services	54,119,232	(17,000,000)	37,119,232	42,344,881	(5,225,649)	114%	a)
Employee cost	12,037,263	3,000,000	15,037,263	15,184,539	(147,276)	1%	
Remuneration of Directors	3,400,697	3,000,000	6,400,697	4,370,447	2,030,250	32%	b)
Depreciation and Amortization expense	-	-	-	5,053,771	(5,053,771)	0%	
Repairs and maintenance	300,000	-	300,000	533,175	(233,175)	78%	c)
Contracted services	4,142,808	-	4,142,808	2,273,089	1,869,719	45%	d)
<b>Total expenditure</b>	<b>74,000,000</b>	<b>(11,000,000)</b>	<b>63,000,000</b>	<b>69,759,902</b>	<b>(6,759,902)</b>	<b>110%</b>	
Surplus for the period				<b>(6,759,906)</b>			

**Explanations.**

- The variance resulted from an accrued audit fees for FY 2016/17 and Budget cuts whereby only half of the approved development budget of Kshs 40 million was received.
- The variance resulted from early exit of some Board Members on expiry of their term leading to underutilization.
- This too resulted from Budget cuts and inadequate allocation due to limited recurrent budget being a new agency.
- The variance arose due to proration of prepaid insurance expense to subsequent financial year.

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**18. Notes to the Financial Statements**

**1. General information**

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

**2. Statement of compliance and basis of preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying RCGW'S accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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

**3. Adoption of New and Revised Standards**

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022. IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

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**ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.***

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1st January 2023</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ol>

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<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1st January 2023</b></p> <ul style="list-style-type: none"> <li>• IPSAS 22 Disclosure of Financial Information about the General Government Sector.</li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• IPSAS 39: Employee Benefits</li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• IPSAS 29: Financial instruments: Recognition and Measurement</li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
<p>IPSAS 43</p>	<p><b>Applicable 1st January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p>

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<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b>Applicable 1st January 2025</b> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
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**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021.



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**4. Summary of significant accounting policies**

**a) Revenue recognition**

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

**Transfers from other government entities**

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

financial position and realised in the statement of comprehensive income over the useful life of the assets that have been acquired using such funds.

**b) Budget information**

The original budget for FY 2021-2022 was approved by the National Assembly on 10th June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget.

The Entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Budget information (continued)**

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13 of these financial statements.

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**d) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**a) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**1. Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

**Inventories (Continued)**

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

**2. 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.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**3. 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.

**4. 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

**5. Nature and purpose of reserves**

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

**6. Changes in accounting policies and estimates**

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

**7. Employee benefits**

**Retirement benefit plans**

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

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

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

**8. 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.

**9. Borrowing costs**

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

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

**10. Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**11. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**12. Comparative figures**

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

**13. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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**Notes to the Financial Statements (Continued)  
Summary of Significant Accounting Policies (Continued)**

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

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

- a) The condition of the asset based on the assessment of experts employed by the Entity
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**6. Transfers from Ministries, Departments and Agencies (MDAs)**

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total transfers 2021/22	Prior year 2020/2021
			KShs	KShs	KShs
Ministry of Water Sanitation & Irrigation	62,999,996	-	-	62,999,996	51,499,996
<b>Total</b>	<b>62,999,996</b>	<b>-</b>	<b>-</b>	<b>62,999,996</b>	<b>51,499,996</b>

**7. Use of Goods and Services**

Description	2021-2022	2020-2021
	KShs	KShs
Advertising	-	-
Admin fees	1,759,774	2,113,866
Audit fees	806,931 ✓	348,000
Conferences and delegations	1,282,970	2,605,816
Consumables/Hospitality	669,941 ✓	597,576
Local travel/Subsistence	4,790,000 ✓	4,109,140
Foreign Travel	2,632,209	-
Fuel and oil	1,332,089 ✓	781,152
Subscription to professional body	26,200	32,200
Training	2,832,700 ✓	161,300
Telecommunication	826,088 ✓	337,358
Postage	18,900	9,450
Printing and stationery	772,138 ✓	798,802
Rental	11,295,550 ✓	10,844,775
Bank charges	19,462	87,867
Research	13,245,229	8,462,297
Social Club Subscription	34,700	540,000
Office Repairs and Maintenance	-	99,975
<b>Total</b>	<b>42,344,881</b>	<b>31,929,574</b>



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**Notes to the Financial Statements (Continued)**

**8. Employee Costs**

Description	2021-2022	2020-2021
	KShs	KShs
Salaries and wages	9,419,675	8,508,727
Housing benefits and allowances	1,653,403	995,000
Gratuity	2,935,925	-
Employee related costs - contributions to pensions and medical aids	963,736	634,675
Travel, motor car, accommodation, subsistence, and other allowances	192,000	14,000
Social Contribution	19,800	
<b>Employee costs</b>	<b>15,184,539</b>	<b>10,152,402</b>

**9. Board /Council Expenses**

Description	2021-2022	2020-2021
	KShs	KShs
Chairman/Directors' Honoraria	707,097	-
Sitting allowances	2,240,000	3,320,000
Induction and Training	-	60,000
Travel and accommodation	290,350	341,312
Subsistence allowance and meetings facilitation	1,133,000	1,443,600
<b>Total</b>	<b>4,370,447</b>	<b>5,164,912</b>

**10. Depreciation and Amortization Expense**

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant and equipment	5,053,771	2,671,193
<b>Total depreciation and amortization</b>	<b>5,053,771</b>	<b>2,671,193</b>

**11. Repairs and Maintenance**

Description	2021-2022	2020-2021
	KShs	KShs
Vehicles	474,275	30,000
Equipment and Machinery	47,400	-
Building	11,500	-
<b>Total repairs and maintenance</b>	<b>533,175</b>	<b>30,000</b>

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**Notes to the Financial Statements (Continued)**

**12. Contracted Services**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Motor vehicle insurance	-	7,534
Medical insurance	750,281	1,651,616
Contracted cleaning services	1,522,808	1,522,808
<b>Total contracted services</b>	<b>2,273,089</b>	<b>3,181,959</b>

**13. Detailed Analysis of the Cash and Cash Equivalents**

		<b>2021-2022</b>	<b>2020-2021</b>
<b>Financial institution</b>	<b>Account number</b>	<b>KShs</b>	<b>KShs</b>
<b>a) Current account</b>			
Kenya Commercial bank (Rec)	1198339578	7,094,255	109,264
Kenya Commercial bank (Dev)	1278105972	259,284	9,123,162
<b>Sub- total</b>		<b>7,353,539</b>	<b>9,232,426</b>
<b>Others(specify)</b>			
cash in hand		900	900
<b>Sub- total</b>		<b>900</b>	<b>900</b>
<b>Grand total</b>		<b>7,354,439</b>	<b>9,233,326</b>

**14. Trade and Other receivables**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Prepaid medical costs	1,507,781	-
<b>Total trade and other payables</b>	<b>1,507,781</b>	<b>-</b>

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**Notes to the Financial Statements (Continued)**

**15. Property, Plant and Equipment**

	<b>Furniture and fittings</b>	<b>Computers</b>	<b>Equipment, Camera and others</b>	<b>Total</b>
<b>Property, plant, and equipment</b>	<b>Rate 12.5%</b>	<b>Rate 33.333%</b>	<b>Rate 25%</b>	
<b>Cost</b>	<b>Shs</b>	<b>Shs</b>		<b>Shs</b>
<b>At 1st July 2020</b>	3,769,560	1,403,460	-	5,173,020
Additions	11,188,867	4,326,975	4,554,654	20,070,496
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
<b>As at 30th June 2021</b>	<b>14,958,427</b>	<b>5,730,435</b>	<b>4,554,654</b>	<b>25,243,516</b>
Additions	82,800		2,532,497	2,615,297
Disposals	-	-	-	-
<b>At 30th June 2022</b>	<b>15,041,227</b>	<b>5,730,435</b>	<b>7,087,151</b>	<b>27,858,813</b>
<b>Depreciation and impairment</b>				
<b>At 1 July 2020</b>	665,958	1,307,725	-	1,973,683
Charge for the year	968,704	1,436,346	266,143	2,671,193
<b>At 30 June 2021</b>	<b>1,634,662</b>	<b>2,744,071</b>	<b>266,143</b>	<b>4,644,876</b>
Depreciation	1,873,254	1,910,124	1,270,393	5,053,771
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
<b>At 30 June 2022</b>	<b>3,507,916</b>	<b>4,654,195</b>	<b>1,536,536</b>	<b>9,698,647</b>
<b>Net book values</b>				
<b>At 30 June 2022</b>	11,533,311	1,076,240	5,550,615	18,160,166
<b>At 30 June 2021</b>	13,323,765	2,986,264	4,288,511	20,598,540

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**Notes to the Financial Statements (Continued)**

**16. Trade and Other Payables**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Accrued Audit fees	696,000	348,000
Accrued WHT	3,398	-
Accrued PAYE	483,062	249,157
Gratuity	2,935,925	
Employee related cost	448,590	13,400
Third-party payments	-	6,092
<b>Total trade and other payables</b>	<b>4,566,975</b>	<b>616,649</b>

**17. Deferred Income**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
International funders	3,968,451	3,968,451
<b>Total deferred income</b>	<b>3,968,451</b>	<b>3,968,451</b>

The deferred income relates to donated Laboratory Equipment by IAEA Valued at Kshs 4,235,809 less wear and tear charge of Kshs 267,358.

**18. Cash Generated from Operations**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
<b>Surplus for the year before tax</b>	<b>(6,759,906)</b>	<b>(1,630,044)</b>
<b>Adjusted for:</b>		
Increase in capital funds	-	15,000,000
Depreciation	5,053,771	2,671,193
<b>Working Capital adjustments</b>		
Increase in payables	3,950,326	(1,471,347)
Increase in receivables	(1,507,781)	-
<b>Net cash flow from operating activities</b>	<b>736,409</b>	<b>14,838,688</b>

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**Notes to the Financial Statements (Continued)**

**19. Purchase of Property plant, Equipment and intangible assets**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Furniture & Fittings	82,800	11,188,867
Computer	-	4,201,255
Equipment	2,532,497	444,566
<b>Total</b>	<b>2,615,297</b>	<b>15,834,688</b>

**20. Financial Risk Management**

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

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

**i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of

The carrying amount of financial assets recorded in the financial statements representing the Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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**Notes to the Financial Statements (Continued)**

	<b>Total amount</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As at 30 June 2022</b>				
Bank balances	7,354,439	-	-	-
<b>Total</b>	<b>7,354,439</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at 30 June 2021</b>				
Bank balances	9,233,326	-	-	-
<b>Total</b>	<b>9,233,326</b>	<b>-</b>	<b>-</b>	<b>-</b>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

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

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

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**Notes to the Financial Statements (Continued)**

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30 June 2022</b>				
Trade payables	4,566,975	-	-	4,566,975
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>4,566,975</b>	<b>-</b>	<b>-</b>	<b>4,566,975</b>
<b>As at 30 June 2021</b>				
Trade payables	616,649	-	-	616,649
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>616,649</b>	<b>-</b>	<b>-</b>	<b>616,649</b>

**iii) Market risk**

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

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

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**Notes to the Financial Statements (Continued)**

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

**a) Foreign currency risk**

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

The entity manages foreign exchange risk from future commercial transactions and recognized assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**b) Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase.



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**Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Centre's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Centre considers relevant and observable market prices in its valuations where possible.

**iv) Capital Risk Management**

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

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	-	-
Retained earnings	18,486,960	25,246,866
Capital reserve	-	-
<b>Total funds</b>	<b>18,486,960</b>	<b>25,246,866</b>
Total borrowings	-	-
Less: cash and bank balances	(7,354,439)	(9,233,326)
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

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**21. Related Party Disclosures**

**Nature of related party relationships**

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

**Government of Kenya**

The Government of Kenya is the principal shareholder of the Regional Centre on Groundwater Resources, holding 100% of the Centre's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

**Other related parties include:**

- i) The Parent Ministry
- ii) County Governments
- iii) Key management.
- iv) Board of directors

**22. Events after the Reporting Period**

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

**23. Ultimate and Holding Entity**

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

**24. Currency**

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

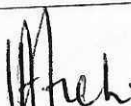
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**19. Appendix**

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
n/a	n/a	n/a	n/a	n/a

  
Chief Executive officer.

Date... 13/08/2023

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**APPENDIX II: Projects Implemented by the Entity**

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

<b>Project title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/ duration</b>	<b>Donor commitment</b>	<b>Separate donor reporting required as per the donor agreement (Yes/No)</b>	<b>Consolidated in these financial statements (Yes/No)</b>
1. Evaluation of surface and Ground water interaction using Isotope technology	1109116000	-	4 Years	-	No	Yes
2. Establish Aluminum residue in drinking water	1109116200	-	4 Years	-	No	Yes

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**Status of Projects completion**

	<b>Project</b>	<b>Total project Cost</b>	<b>Total expended to date</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
1	Evaluation of surface and Groundwater interaction using Isotope technology	400M	17.5M	4%	20M	10M	Gok
2	Establish Aluminum residue in drinking water	300M	20M	5.5%	20M	10M	Gok

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**APPENDIX II: Inter-Entity Transfers**

<b>REGIONAL CENTRE ON GROUNDWATER RESOURCES EDUCATION TRAINING AND RESEARCH</b>				
<b>Breakdown of Transfers from the State Department of Water and Sanitation</b>				
<b>FY 2021/2022</b>				
<b>a.</b>	<b>Recurrent Grants</b>	<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>The Amounts relate to FY</b>
		11/08/2021	2,833,333	2021/2022
		07/09/2021	2,833,333	2021/2022
		29/09/2021	2,833,333	2021/2022
		14/10/2021	4,000,000	2021/2022
		04/11/2021	2,833,333	2021/2022
		02/12/2021	2,833,333	2021/2022
		10/01/2022	2,833,333	2021/2022
		07/02/2022	2,833,333	2021/2022
		02/03/2022	2,833,333	2021/2022
		04/04/2022	2,833,333	2021/2022
		09/05/2022	2,833,333	2021/2022
		07/06/2022	2,833,333	2021/2022
		15/06/2022	5,000,000	2021/2022
		30/06/2022	2,833,333	2021/2022
		<b>Total</b>	<b>42,999,996</b>	
<b>b.</b>	<b>Development Grants</b>	<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>The Amounts relate to FY</b>
		26/08/2021	10,000,000	2021/2022
		01/11/2021	10,000,000	2021/2022
		<b>Total</b>	<b>20,000,000</b>	

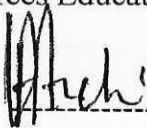
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The above amounts have been communicated to and reconciled with the parent Ministry

**Accounting Officer**

Regional Centre on Groundwater  
Resources Education Training and Research

Sign: -----

**Head of Accounting Unit**

Ministry of Water, Sanitation and  
Irrigation

Sign: -----