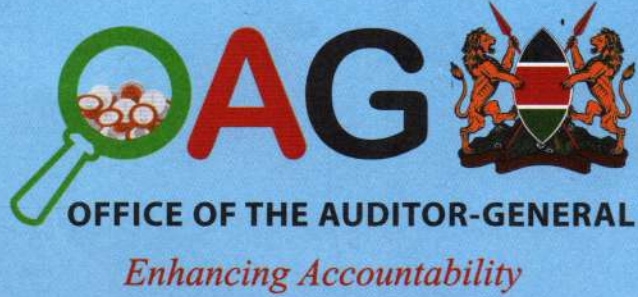


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**TANATHI WATER WORKS  
DEVELOPMENT AGENCY**

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

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
MACHAKOS HUB.  
06 FEB 2023  
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**TANATHI WATER WORKS DEVELOPMENT AGENCY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2023**

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

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**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

<b>Table of Contents.....</b>	<b>Page</b>
1. Acronyms, Abbreviations and Glossary of Terms.....	iii
2. Key Agency Information and Management.....	iv
3. The Board of Directors .....	viii
4. Key Management Team.....	xiv
5. Chairperson’s Statement .....	xviii
6. Report of the Chief Executive Officer.....	xix
7. Statement of Performance against Predetermined Objectives for FY 2022/2023 .....	xxiii
8. Corporate Governance Statement.....	xxvii
9. Management Discussion and Analysis .....	xxx
10. Environmental and Sustainability Reporting .....	xxxiv
11. Report of the Directors .....	xxxvii
12. Statement of Directors Responsibilities .....	xxxix
13. Report of the Independent Auditor for the Financial Statements of Tanathi Water Works Development Agency .....	xli
14. Statement of Financial Performance for the year ended 30 June 2023.....	1
15. Statement of Financial Position as at 30 June 2023 .....	2
16. Statement of Changes in Net Assets for the year ended 30 June 2023 .....	4
17. Statement of Cash Flows for the year ended 30 June 2023 .....	5
18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023.....	6
19. Notes to the Financial Statements.....	7
20. Appendices.....	41

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

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**1. Acronyms, Abbreviations and Glossary of Terms**

**A: Acronyms and Abbreviations**

BETA	Bottom up Economic Transformation Agenda
CEO	Chief Executive Officer
CS	Cabinet Secretary
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MACHAWASCO	Machakos Water & Sewerage Company Limited
MWSI	Ministry of Water, Sanitation and Irrigation
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
TAWWDA	Tanathi Water Works Development Agency
WB	World Bank
WSP	Water Service Providers

**B: Glossary of Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organization

**Comparative Year-** Means the prior period.



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

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**2. Key Agency Information and Management**

**(a) Background information**

Tanathi Water Works Development Agency (FAWWDA) is a State Corporation established by Legal Notice No. 27 dated 26<sup>th</sup> April, 2019 and under Section 65 of the Water Act, 2016 replacing Tanathi Water Services Board which had been established under the Water Act, 2002. The Agency is domiciled in Kenya with the Headquarters in Kitui Town. At cabinet level, the Agency is represented by the Cabinet Secretary for Water, Sanitation and Irrigation who is responsible for the general policy and strategic direction of the Agency.

**(b) Principal Activities**

**(i) Vision**

Universal access to adequate, clean & safe water and sanitation.

**(ii) Mission**

To develop, maintain and manage national public water and sanitation infrastructure within our area of jurisdiction to achieve sustainable socio-economic development.

**(iii) Core Values**

- Integrity
- Equity
- Sustainable Development
- Professionalism
- Teamwork

The Agency's principal activities as defined in Section 68 of the Water Act, 2016;

- (i) Undertake the development, maintenance and management of the National Public Water works within its area of jurisdiction (Kitui, Machakos, Makueni & Kajiado Counties);
- (ii) Operate the water works and provide water services as a water service provider, until such a time as responsibility for the operation and management of the water works are handed over to a County Government, joint committee, authority of County Governments or Water Services Providers (WSP) within whose area of jurisdiction or supply the water works is located;

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

- (iii) Provide reserve capacity for purposes of providing water services where pursuant to section 103 of the Water Act, 2016, the Regulatory Board orders the transfer of water services functions from a defaulting Water Services Provider to another licensee;
- (iv) Provide technical services and capacity building to such County Governments and WSPs within which the Agency operates.
- (v) Provide to the CS Ministry of Water, Sanitation and Irrigation technical support in the discharge of his or her functions under the Kenyan Constitution 2010 and the Water Act, 2016.

**(c) Key Management**

The Agency's day-to-day management is under the following key organs:

No.	Designation	Name
1.	Board of Directors	<ul style="list-style-type: none"> <li>1. Hon. Regina Muia Ndambuki (Chairperson)</li> <li>2. William Ole Mayiani (Former Chairperson)</li> <li>3. Kirk Mutua Mbiti-Independent Director</li> <li>4. Jonathan Kinyanzwii Katiku--Independent Director</li> <li>5. Wilson Wariua Ngahu --Independent Director</li> <li>6. David Kiprop-CS Rep, The National Treasury &amp; Economic Planning</li> <li>7. Daniel Tongu Mogusu-PS Rep, State Department of Water, Ministry of Water Sanitation and Irrigation</li> <li>8. Chrisologus Afuani Makokha-Rep, Inspector General, State Corporations.</li> </ul>
2.	Chief Executive Officer (CEO)	Fredrick Tito Mwamati (P. Eng. Tech.)
3.	General Manager-Corporate Services	CPA. Dennis Kiilu Mulu
4.	General Manager-Infrastructure Development	Francis Kyalo Siva
5.	Manager, Supply Chain Management	Lamet Kimirei Maika
6.	Manager, Legal Services & Ag. Corporation Secretary	Ronald Nyakweba Oyagi
7.	Manager, Internal Auditor	Alexander King'awi Nyamai



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

No.	Designation	Name
8.	Manager, Capacity Building and Social Safeguards	Rose Catherine Muia John
9.	Manager, Research, Strategy, Planning and Performance Management	Lennox Chilumo Mbwana

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Officer Executive	Fredrick Tito Mwamati (P. Eng. Tech.)
2.	General Manager-Corporate Services	CPA. Dennis Kiilu Mulu
3.	General Manager-Infrastructure Development	Francis Kyalo Siva
4.	Manager, Supply Chain Management	Lamet Kimirei Maika
5.	Manager, Legal Services & Ag. Corporation Secretary	Ronald Nyakweba Oyagi
6.	Manager, Internal Auditor	Alexander King'auwi Nyamai
7.	Manager, Capacity Building and Social Safeguards	Rose Catherine Muia John
8.	Manager, Research, Strategy, Planning and Performance Management	Lennox Chilumo Mbwana

**(e) Fiduciary Oversight Arrangements**

- Audit, Risk and Governance Committee of the Board of Directors
- Finance & General-Purpose Committee of the Board of Directors
- Technical Committee of the Board of Directors
- Corporate Planning & Strategic Management Committee of the Board of Directors
- Inspector-General (Corporations)
- Development partner oversight activities
- Ministry of Water, Sanitation and Irrigation
- The National Treasury and Economic Planning
- Controller of Budget
- Salaries and Remuneration Commission
- Commission on Revenue Allocation

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

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- Public Investments Committee of the National Assembly
- State Corporations Advisory Committee
- Chief of Staff and Head of Public Service
- Public Procurement Regulatory Authority

**(f) The Agency's Headquarters**

KIDP Building, Kalawa Road  
Private Bag-90200  
**KITUI, KENYA**

**(g) The Agency's Contacts**

Telephone: (+254) 712-351104  
E-mail: [info@tanathi.go.ke](mailto:info@tanathi.go.ke)  
Website: [www.tanathi.go.ke](http://www.tanathi.go.ke)

**(h) The Agency Bankers**

1. Kenya Commercial Bank Limited  
Kitui Branch  
P.O. Box 683-90200  
**KITUI, KENYA**
2. Co-operative Bank of Kenya Limited  
Kitui Branch  
P.O. Box 1432-90200  
**KITUI, KENYA**

**(i) Independent Auditor**

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 and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya





**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

**3. The Board of Directors**


Ref	Directors	Details
1.	 <p><b>Hon. Regina Nthambi Muia Ndambuki</b></p> <p><b><u>Academic &amp; Professional Qualifications</u></b></p> <ul style="list-style-type: none"> <li>● Bachelors of Arts in Leadership &amp; Management- St Paul's University</li> <li>● Diploma in Marketing- Makini College</li> </ul>	<p><b>Hon Regina Nthambi Muia Ndambuki (Chairperson)</b> was appointed as Board chairperson of Tanathi Water Works Development Agency for three years with effect from 10<sup>th</sup> February, 2023. She was born on 9<sup>th</sup> September, 1956.</p> <p>She joined the Agency with a wealth of experience in corporate governance. Having served as a legislator and sat on various parliamentary committees, she is expected to steer the Agency to greater heights in terms of leadership, management, and resource mobilization.</p>
2.	 <p><b>William Ole Mayiani</b></p> <p><b><u>Academic &amp; Professional Qualification</u></b></p> <p>Bachelor of Arts Business Economics Kenyatta University</p>	<p><b>William Ole Mayiani (Former Chairman)</b> was appointed as Board chairman of Tanathi Water Works Development Agency for three years with effect from 5<sup>th</sup> July, 2022 and exited on 10<sup>th</sup> February, 2023. He was born on 19<sup>th</sup> September, 1967.</p> <p>He has extensive experience in leadership and business management having worked with various organizations at senior management levels both locally and internationally including Shell &amp; BP Kenya limited, Total Kenya, Addax &amp; Oryx group among others. William has served as director in various</p>

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**



		<p>boards most recently at Kenya Airports Authority where he chaired the Audit committee and Finance &amp; Strategy Committee of the board. His wealth of experience from both private and public sector makes him an effective Chairman and team player in Tanathi Water Works Development Agency</p>
<p>3.</p>	 <p><b>Wilson Wariua Ngahu</b></p> <p><b><u>Academic &amp; Professional Qualifications</u></b></p> <ul style="list-style-type: none"> <li>● MBA - Master of Business Administration in Strategic Management- University of Nairobi (Ongoing)</li> <li>● BA (ECONOMICS)- University of Nairobi</li> <li>● He is a registered member of ICPAK- CPA (K)</li> </ul>	<p><b>Wilson Wariua Ngahu</b> was appointed as independent Director of Tanathi Water Works Development Agency for three years with effect from 5<sup>th</sup> July, 2022. He was born on 9<sup>th</sup> December, 1978. During the period ended 30<sup>th</sup> June, 2023 he served as both a member of the Audit, Risk and Governance and Corporate Planning and Strategic Management Committee of the Board.</p> <p>He has a wide experience in the private sector (financial sectors) where he has served in various capacities at Nairobi Bottlers and Cooperative Bank Limited. He is the current Managing Director of Msingi Bora Builders and Contractors Ltd.</p>
<p>4.</p>		<p><b>Director Daniel Mogusu</b> was appointed as Principal Secretary Representative Ministry of Water, Sanitation and Irrigation State Department of Water and Sanitation on 28<sup>th</sup> June, 2018 and exited on 4<sup>th</sup> April, 2023 when</p>



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

	<p><b>Daniel Mogusu</b></p> <p><b><u>Academic &amp; Professional Qualification.</u></b></p> <ul style="list-style-type: none"> <li>• MA (Masters in International Conflict Management)- <b>University of Nairobi 2009 – 2011</b></li> <li>• Bachelor of Science, Hons (Geology) University of <b>Nairobi 1985 – 1988</b></li> </ul>	<p>he retired. During the period ended 30<sup>th</sup> June, 2023 he served as both a member of the Technical Committee and Finance &amp; General-Purpose Committee of the Board.</p> <p>He has a very wide experience in the water sector having served in the sector at different capacities.</p> <p>By the time of retiring, he was the Head of Surface Water and Hydrology, Ministry of Water, Sanitation and Irrigation</p>
<p>5.</p>	 <p><b>Jonathan K. Katiku</b></p> <p><b><u>Academic &amp; Professional Qualification</u></b></p> <ul style="list-style-type: none"> <li>• ICM Diploma in Legal studies, Sales &amp; Marketing</li> <li>• Bachelor's degree in humanitarian Diplomacy,</li> <li>• Diplomatic etiquette &amp; protocol from International School of Peace Studies United Nations (UN)</li> </ul>	<p><b>Director Jonathan K. Katiku</b> (Independent Director) was born on 12<sup>th</sup> December, 1974. He was appointed as director of Tanathi Water Works Development Agency for three years with effect from 6<sup>th</sup> October, 2021</p> <p>During the period under review, he was a member of both the Audit, Risk and Governance and Corporate Planning and Strategic Management Committee of the Board.</p>



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

	Certificate in Strategic Management from Kenya School of Government (KSG)	
6.	 <p><b>Kirk Mutua Mbiti</b> <u>Academic &amp; Professional Qualification</u> Bachelor of Commerce (Finance Option)</p>	<p><b>Director Kirk Mutua Mbiti</b> (Independent Director) was appointed as director of Tanathi Water Works Development Agency for three years with effect from 5<sup>th</sup> July, 2022. He was born on 3<sup>rd</sup> March, 1978.</p> <p>He has over 10 years' experience in managerial positions</p> <p>During the period under review, he was a member of both the Technical Committee and Finance &amp; General-Purpose Committee of the Board.</p>
7.	 <p><b>David Kiprop</b> <u>Academic &amp; Professional Qualification</u></p> <ul style="list-style-type: none"> <li>• Master of Science in Project Management from Jomo Kenyatta University of Science &amp; Technology (2014-2017)</li> <li>• Bachelor of Science Applied</li> </ul>	<p><b>David Kiprop</b> was born on 17<sup>th</sup> December, 1985. He was appointed as Cabinet Secretary Representative Ministry of the National Treasury &amp; Economic Planning on 20<sup>th</sup> May, 2022.</p> <p>Served in several positions at The National Treasury &amp; Economic Planning including, Ag. Director (Defacto)/Senior Economist/ Public Investment Management and Economist/Statistician I.</p> <p>During the period under review, he was a member of both the Corporate Planning and Strategic Management and Finance &amp; General-Purpose Committee of the Board.</p>

12



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

	Statistics with IT from Maseno University (2005-2009)	
8.	 <p><b>Fredrick Tito Mwamati (P. Eng. Tech.)</b></p> <p><u>Professional/ Academic</u> <u>Qualification.</u></p> <ul style="list-style-type: none"> <li>● MSc. (Integrated Water Resources and Watershed Management)</li> <li>● MBA (Strategic Management)</li> <li>● HND (Building &amp; Civil Engineering),</li> <li>● Diploma (Water Technology)</li> <li>● He is a registered Professional Engineer with KETR.B.</li> </ul>	Chief Executive Officer
9.	 <p><b>Ronald Nyakweba Oyagi</b></p> <p><u>Professional/ Academic</u></p>	Manager, Legal Services & Ag. Corporation Secretary

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

	<u><b>Qualification.</b></u>	
	<ul style="list-style-type: none"> <li>• Master of Laws (LLM)</li> <li>• Bachelor of Laws (LLB)</li> <li>• Post Graduate Diploma in Laws from Kenya School of Law</li> <li>• He is registered advocate with Law Society of Kenya (LSK) &amp; East Africa Law Society</li> </ul>	



The appointments of directors Kirk Mutua Mbiti, Mary Mutungi, Jonathan Katiku and Wilson Wariua were revoked with effect from 1<sup>st</sup> September, 2023 and the following directors were appointed;

S/No.	NAME	APPOINTMENT DATE	UPTO
1	Robert Muoria	1st September, 2023	5th October, 2024
2	David Kapaito Kitasho	1st September, 2023	5th October, 2024
3	Annastacia Nyagaki Njoroge	1st September, 2023	4th July, 2025
4	Kiema Mwandia (Dr)	1st September, 2023	4th July, 2025





**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

**4. Key Management Team**



	Management	Details
1.	 <p>Fredrick Tito Mwamati (P. Eng. Tech.)</p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none"> <li>● MSc. (Water Resources Management)</li> <li>● MBA (Strategic Management)</li> <li>● HND (Building &amp; Civil Engineering)</li> <li>● Diploma in Water Technology</li> <li>● He is a registered Engineer with KETRB.</li> </ul>	Chief Executive Officer
2.	 <p>Francis Kyalo Siva</p> <p><u>Professional/ Academic Qualification</u></p> <ul style="list-style-type: none"> <li>● Master of Arts-Project Planning and Management</li> <li>● BSc. (Water &amp; Environmental Engineering)</li> <li>● He is a registered Professional Engineer with KETRB.</li> </ul>	General Manager-Infrastructure Development

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**



<p>3.</p>	 <p>CPA: Dennis Kiilu Mulu</p> <p><b><u>Professional/ Academic Qualification.</u></b></p> <ul style="list-style-type: none"> <li>● MBA (Finance),</li> <li>● BA (Economics),</li> <li>● He is a registered member of ICPAK-CPA(K).</li> </ul>	<p>General Manager, Corporate Services</p>
<p>4.</p>	 <p>Ronald Nyakweba Oyagi</p> <p><b><u>Professional/ Academic Qualification.</u></b></p> <ul style="list-style-type: none"> <li>● Master of Laws (LLM)</li> <li>● Bachelor of Laws (LLB)</li> <li>● Post Graduate Diploma in Laws from Kenya School of Law</li> <li>● He is registered advocate with Law Society of Kenya (LSK) &amp; East Africa Law Society.</li> </ul>	<p>Manager, Legal Services &amp; Ag. Corporation Secretary</p>



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

<p>5.</p>	 <p><b>Lamet Kimirei Maika</b></p> <p><b><u>Professional/ Academic Qualification</u></b></p> <ul style="list-style-type: none"> <li>● MBA (Strategic Management)</li> <li>● BBA</li> <li>● CIPS Level 6</li> <li>● Graduate Diploma in Purchasing and Supply Chain Management</li> <li>● He is registered member of Kenya Institute of Supply Chain Management (KISM) and Chartered Institute of Purchasing &amp; Supplies (CIPS)</li> </ul>	<p>Manager, Supply Chain Management</p>
<p>6.</p>	 <p><b>Alexander King'awi Nyamai</b></p> <p><b><u>Professional/ Academic Qualification.</u></b></p> <ul style="list-style-type: none"> <li>● B.Com. (Finance Option)</li> <li>● CPA Part III Section 5</li> <li>● He is a registered member of Institute of Internal Auditors of Kenya.</li> </ul>	<p>Manager, Internal Auditor</p>

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

7.	 <p><b>Rose Catherine Muia John</b></p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none"> <li>• MSc. (Integrated water resource and watershed management)</li> <li>• Bachelor of Science in Natural Resource Management</li> </ul>	<p>Manager, Capacity Building and Social Safeguards</p>
8.	 <p><b>Lennox Chilumo Mbwana</b></p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none"> <li>• M.Phil (Arts); Economics</li> <li>• M.A. Economics</li> <li>• B.A. Economics, Sociology &amp; Pol. Scie.</li> <li>• Higher Diploma, Counseling Psychology</li> <li>• Registered member of Kenya Counseling &amp; Psychological Association (KCPA).</li> </ul>	<p>Manager, Research, Strategy, Planning and Performance Management</p>



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

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**5. Chairperson's Statement**

This Annual report and financial statements have been prepared in accordance with the guidelines issued by the Public Sector Accounting Services Board issued on 30<sup>th</sup> June, 2023. The report reflects the achievements made by Tanathi WWDA in relation to its mandate, challenges and lessons learnt during the period.

Pursuant to article 43(1) (d) of the Constitution of Kenya of 2010 which states that, "*Every person has the right to clean and safe water in adequate quantities.*" the Agency with the support of our development partners including but not limited to the Government of the Republic of Kenya, the African Development Bank (AfDB), the Italian Government, the International Bank on Reconstruction & Development, (the World Bank) and the Belgium Government have supported the Agency in the implementation of various projects in line with the Constitution as aforementioned and in line with the Government of Kenya blueprint of Vision 2030 and the Bottom Up Economic Transformation Agenda (BETA) in provision of clean water and sanitation services.

Manooni Alt-Noultresh Kikumini-Ithumba Water Supply project was completed during the financial year, while Kiambere-Mwingi Water Supply Project, Last Mile Connectivity for Matuu, Kitui and Wote towns, Machakos Sewerage Project, Machakos Water Supply Project, Mwala Water Supply Project, Masinga-Ekaatine-Ekalakala Water Supply Project, Mavoko Water and Sewerage Interventions-Extension of pipeline and Kenanie Leather Industrial Park water supply project were still ongoing as at the end of the financial year.

Going forward, the Agency is committed to coming up with proposals for new projects and continuously seeking for funding of new projects in deserving areas to ensure spatial equity in the access to water programme for both small towns and rural communities. The Agency also comes up with short term interventions for drought mitigation whenever circumstances or the exigencies of any specific time period may demand.

The Agency thanks all stakeholders and more specifically the **Government of the Republic of Kenya and development partners** for their keen support in this cause and the Agency will ensure proactive stakeholder engagement to ensure prompt service delivery and seamless project implementation in realization of the Government agenda of universal access to water for all.

SIGNED BY;



**HON. REGINA NTHAMBI MUIA  
BOARD CHAIRPERSON**

DATE:.....5/2/2024.....



## **6. Report of the Chief Executive Officer**

It is with great gratitude I recognize different stakeholders including Agency Directors, Members of staff, The Ministry of Water, Sanitation and Irrigation, The National Treasury & Economic planning, County Governments of Kitui, Makueni, Machakos & Kajiado and Development Partners who played a great role in helping TAWWDA Execute its mandate. The Agency is engaged in a function which is enshrined in the Constitution of Kenya 2010 under article 43(1) (d) and UNDP Sustainable Development Goal number 6. The agency's specific mandate of developing sustainable water and sewerage infrastructure in the four counties of Kitui, Machakos, Makueni and Kajiado is drawn from the Water Act 2016. The agency therefore plays a key role in the achievement of Kenya's Vision 2030 in provision of clean water and sanitation services towards the achievement of the Bottom-Up Economic Transformation Agenda (BETA).

### **Projects Implementation Report**

During the year under review, the Agency continued with the implementation of the previous year's projects funded by both GoK and development partners i.e., African Development Bank (AfDB) and Kenya Italy Debt for Development Programme (KIDDP) which includes: -

#### **Kiambere- Mwingi Water and Sanitation project**

The project is funded jointly funded by GoK and Italian Cooperation and the Works will involve; Floating intake works, 800m raw water raising main, 4,200m<sup>3</sup>/d treatment works, 18km rising main, 800m<sup>3</sup> storage tank, 12 No. storage tanks of various capacity, 95km distribution lines to Kimangau, Kyuso, Gai, Kaste up to Tseikuru town and Sewerage works in Mwingi town. The project will benefit over 160,000 people with clean water.

Process for disengagement from the initial contractor due to non-performance is ongoing awaiting payment for re advertisement of works contract.

#### **Namanga Dam Water Supply Project**

The Consultancy Services for Detailed Design and Tender Documentation is fully funded by GoK. The scope of works includes the design of a 35 m high dam, water treatment plant of capacity 4,200



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

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m<sup>3</sup>/day, 1 No. 1,000 m<sup>3</sup> RC tank, 2 No. 500 m<sup>3</sup> storage tanks, sewer collection system including trunks & laterals and sewer treatment plant.

To date the consultant has submitted the Final Detailed Design Reports and the Agency is currently in the processing of sourcing for funds

**Masinga-Ikaatine-Ekalakala Water Supply Project.**

The project is fully funded by GOK at a cost of Kshs 270 million and implemented in 3 Phases with Phase I being Masinga Ikalakala Pipeline, Phase II - Kaewa Kangonde Line and Phase III - Matuu Water Supply Component and intends to supply clean water to 36,000 residents of Masinga Sub County. The Scope of works for the project includes: Water supply pipeline Laying, construction of 8no. water kiosks, construction of 200m<sup>3</sup> masonry tank, construction of 100m<sup>3</sup> masonry tank, Construction of 50m<sup>3</sup> sump at booster station, construction of booster pumping station and electromechanical works installation, construction of 50m<sup>3</sup> elevated steel tank, construction of 250m<sup>3</sup> elevated steel tank at Matuu town, installation of 150m<sup>3</sup> /hr pump at the treatment works.

Currently Phase I and II of the Project are complete and operational while Phase III of the project is 98% complete.

**Wote Water Supply and Sanitation Project**

The Project is financed by GoK and Implemented in 2 Phases with Phase I - Wote Water Supply Augmentation Project (Kamunyolo Dam Water Distribution) and Phase II - Emali Town Water Supply Project. The Scope of works for Phase I includes: Laying of 4 Km reticulation networks, construction of 50 m<sup>3</sup> clear water sump at Kamunyolo Treatment plant, construction of 100m<sup>3</sup> Elevated Steel Tank, 12m high at Kamunyolo, construction of 3No. Water kiosks with 5m<sup>3</sup> plastic tanks on top and Phase II includes .Laying of 9.75 Km of HDPE pipelines, construction of 100m<sup>3</sup> and 12 M high elevated steel tank, electro Mechanical Works - Solar Modules and Mounting Structure, construction of 5 No. Water Kiosks each with 1no. 10,000 Litres Plastic Tank, drilling and equipping of 1no. borehole.

To date Phase I of the Project is Ongoing at 99% completion while Phase II of the project is complete and operational.

**Kenya Towns Sustainable Water Supply and Sanitation Programme (KTWSSP)**

**(i) Machakos Water Supply Project**

This is a project financed by AfDB in Machakos town to serve 260,000 people. The Project entails; Construction of Miwongoni 15 m high Earth fill Dam, Intake works and water treatment works of capacity 10,000m<sup>3</sup>/d, Pumping, electromechanical works and rising main to Iveti and Katelembu of approximately 14 Km, 7.2 Km gravity mains, 57 Km distribution network within Machakos Town, Drilling and equipping of 10 No. Boreholes, construction of new office block for MACHAWASCO and 3,000 No Consumer connections.

The project is currently at 60% completion however has faced numerous challenges related to the acquisition of land for Dam construction.

**(ii) Machakos Sewerage Project**

This is a project financed by AfDB in Machakos town to serve 50,000 people. The Project entails; construction of 1 No. wastewater treatment plant capacity 12,500m<sup>3</sup>/day along River Ikiwe, Laying of 60km trunk and lateral Sewer lines within Machakos Town and Environs, Rehabilitation of the existing sewer networks within Machakos Town, Construction of 4 No. Sanitation blocks, carry out 2,000 individual sewer connections.

The project is currently at 60% progress.

**(iii) Mwala Cluster Water Supply Project**

This project is funded by the Government of Kenya and AfDB at a cost of Kshs 583 million. The project scope involves; New intake weir on river Ndarugu with a 4.8km raw water main to a new Water Treatment Works at Kyeleni in Yatta /Matungulu area with a capacity of producing 6,600 m<sup>3</sup>/day of water. Pumping units and pipeline work of over 60km, and 4 No. water storage tanks of various capacities, Expansion of Mwala water supply to cover Mwala, Mbiuni, Masii and Kabaa markets.

The initial works contractor for the project was terminated due to non-performance and the contract was advertised. Procurement activities are complete awaiting signing of the new contract.



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

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**(iv) Last Mile Connectivity for Matuu, Kitui and Wote Towns**

The Agency through a funding from African Development Bank is undertaking last mile connectivity for Matuu, Kitui and Wote towns which comprises:

**Matuu** - (New water treatment plant of capacity 4,000m<sup>3</sup>/day with solar power, New raw water main (3.5km), Rising main (1.1km), Gravity main (27km) and distribution mains (10km); 1 No. Elevated steel tank (108m<sup>3</sup>) and 1 No. Ground masonry tank (225m<sup>3</sup>); 1,500 No. consumer water connections;

**Kitui** - Rehabilitation works on existing water treatment plant and transmission pipelines; New water distribution pipelines (40km); 5 No. water kiosks with 5000 litres overhead plastic tanks; 5 No. boreholes and with 5 No. elevated steel tank at each borehole (48m<sup>3</sup>); 4,000 No. household consumer connections; New collector sewers (40km) and sewer rehabilitation works;

**Wote** - New water treatment plant of capacity 2,000m<sup>3</sup>/day with solar power; Raw water main (1.5km), rising main (6.5km) and distribution pipelines (30km); New water storage tank (150m<sup>3</sup>); 1,000 No. consumer water connections, 5 No. boreholes with 5 No. elevated steel tanks at each borehole (48m<sup>3</sup>);

The initial contract is under termination and the agency has undertaken rescoping and repackaging of the works for re advertisement.

**SIGNED BY:**



**Fredrick T. Mwamati (P.Eng.Tech)**

**CHIEF EXECUTIVE OFFICER**

Date 5/2/2024 .....

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

**7. Statement of Performance against Predetermined Objectives for FY 2022/2023**

TAWWDA has six strategic objectives within the current Strategic Plan for 2018/2019-2022/2023 which include:

Strategic Objective 1: Increase water coverage from 36.4% as at June 2018 to 57.8% by June 2023.

Strategic Objective 2: Increase sewerage coverage from 11% as at June 2018 to 26.9% by June 2023 and increase sanitation coverage from 74.5% as at 2018 to 92.9% by June 2023;

Strategic Objective 3. Increase funding base from Kshs 4 Billion to Kshs 20.129 Billion to spur implementation of this Strategic Plan by the year 2023;

Strategic Objective 4. Improve Human Capital Management to enhance Performance and productivity;

Strategic Objective 5. Enhance use of technology by continuous investment in Information Management System (MIS) and ICT infrastructure and equipment to have Agency's operations fully automated by the year 2023;

Strategic Objective 6. To strengthen leadership and governance for efficient and effective delivery of services.

Tanathi WWDWA develops its annual work plans based on the above six strategic objectives pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Agency achieved its performance targets set for the FY 2022/2023 period for its strategic objectives, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Strategic Objective 1: Low water coverage.	Increase water coverage from 36.4% as at June 2018 to 57.8% by June 2023.	Percentage increase	<ul style="list-style-type: none"> <li>Increase water supply by 180,000 m<sup>3</sup>/day for affordable housing and manufacturing as a driver of the 'Big Four' Agenda;</li> <li>Increase water supply for food security as a driver of</li> </ul>	52% water coverage.



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

			<p>the 'Big Four' Agenda;</p> <ul style="list-style-type: none"> <li>• Develop new water sources to increase production by 197,100m<sup>3</sup>/day;</li> <li>• Develop water treatment works for 6 major towns within the Agency's area of coverage to increase treatment works capacity by 48,700m<sup>3</sup>/day;</li> <li>• Rehabilitation of 3No. existing water supply schemes for major towns to increase supply by 17,000m<sup>3</sup>/day;</li> <li>• Develop new Bulk water transmission and distribution infrastructure by 345km</li> <li>• Support County Governments and WSPs in the reduction of NRW in major urban areas from 54% to 40%.</li> </ul>	
Strategic Objective 2: Low sanitation coverage	Increase sewerage coverage from 11% as at June 2018 to 26.9% by June 2023 and increase sanitation coverage from 74.5% as at 2018 to	Percentage increase	<ul style="list-style-type: none"> <li>• Develop and extend new trunk sewers and sewer reticulation by 475km in major urban areas</li> <li>• Develop new sewage</li> </ul>	18% sanitation coverage.

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

	92.9% by June 2023;		treatment infrastructure to increase capacity by 77,400m <sup>3</sup> /day.	
Strategic Objective 3: Inadequate funding base.	Increase funding base from Kshs 4 Billion to Kshs 20.129 Billion to spur implementation of this Strategic Plan by the year 2023;	Percentage increase.	<ul style="list-style-type: none"> <li>• Develop a resource mobilization strategy</li> <li>• Formulate a 15 year water and sanitation master plan</li> </ul>	Participation in MTEF and Annual Budget process
Strategic Objective 4: Inadequate Human capital capacity.	Improve Human Capital Management to enhance performance.	Percentage improvement	<ul style="list-style-type: none"> <li>• Review performance management system;</li> <li>• Enhance youth employment;</li> <li>• Develop/review human capital development;</li> <li>• Strengthen human capital development;</li> <li>• Culture and attitude change;</li> <li>• Enhance knowledge management;</li> <li>• Improve work environment;</li> <li>• Succession management;</li> <li>• Mainstream cross-cutting issues of gender, disability, alcohol and drug abuse.</li> </ul>	48% Human capital capacity

26



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

<p>Strategic Objective 5: Low ICT uptake</p>	<p>Enhance use Technology by continuous investment in Information Management System (IMS) and ICT infrastructure to have the Agency fully automated by June 2023.</p>	<p>Percentage improve ment</p>	<ul style="list-style-type: none"> <li>• Review ICT Policy;</li> <li>• Develop ICT infrastructure;</li> <li>• Adopt modern management information systems;</li> <li>• Enhance ICT security.</li> </ul>	<p>Improved investment and uptake of ICT services.</p>
<p>Strategic Objective 6: Weak governance, legal and institutional framework</p>	<p>Strengthen leadership and governance for efficient and effective delivery of services.</p>	<p>Number of instruments developed and implemented.</p>	<ul style="list-style-type: none"> <li>• Monitoring, evaluation and reporting;</li> <li>• Maintain statutory and regulatory compliance;</li> <li>• Enhance institutional integrity and anti-corruption measures;</li> <li>• Review and strengthen instruments of governance in the organization;</li> <li>• Acquire ISO 9001:2015 certification by June 2023.</li> </ul>	<p>M &amp; E done on quarterly basis  Compliance with statutory and regulatory rules and regulations Organizational policies reviewed</p>

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

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**8. Corporate Governance Statement**

The Board of Directors is committed to carry out its functions in line with corporate governance guidelines as provided for in the *Mwongozo*. The BOD held quarterly meetings as required and all the committees of the Board met as per the approved almanac.

Tanathi Water Works Development Agency is a State Corporation established by Legal Notice No. 27 dated 26<sup>th</sup> April, 2019 and under Section 65(1) of the Water Act, 2016 replacing Tanathi Water Services Board which had been established under the Water Act, 2002, as part of the Water Sector reforms that aimed at improving Water Services delivery through decentralization of water infrastructure development and water services delivery towards achieving efficiency and economy in water services delivery.

The Agency is created as a juristic entity with all the attributes of a legal personality and started off in the financial year 2018/2019 with 8 directors. The current Board of Directors were appointed on 6<sup>th</sup> October 2021 (two Directors) and on 5<sup>th</sup> July 2022 (three Directors) and on both appointments assumed office immediately. The Directors included 3 gazetted directors and two directors who are appointed vide a letter as representatives from the Ministries of Water Sanitation and Irrigation, The National Treasury & Economic Planning, and a Representative from the Inspectorate General of State Corporation (in attendance).

The Board of Directors is constituted of the full Board and its committees of Technical Committee, Finance & General Purpose Committee, Corporate Planning & Strategic Management Committee and the Audit, Risk and Governance Committee. The purpose of these committees is to ensure that issues presented before the board are interrogated by the relevant committee which makes appropriate recommendations for board consideration before any informed decision making at the board level.

During the year under review all Board meetings were held in line with the approved almanac including quarterly committees and board meetings. All meetings attended were on due notices and agenda having been previously issued within the statutory timelines and there was quorum in all meetings. The number of meetings held was within the permissible statutory number as embodied in the law.

In line with the Mwongozo guidelines on enhancing Corporate Governance, during the financial year 2022-2023, the Board was trained on Corporate Governance and Risk Management by the Kenya School of Government and attended by all board of directors and the Agency's senior management.



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

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The Agency kept a register on conflict of interest, the purpose of the register on conflict of interest is to manage any such conflict of interest as and when it arises, to clarify, which areas such a conflict of interest will be unacceptable and which areas such a conflict is managed. Most importantly, the register is to record conflict of interest declarations.

Board remuneration was done in accordance with the National Treasury circulars on Board remuneration and allowances. Board remuneration amounted to Kshs. 15,401,986 during the financial year and all remunerations and allowances were paid in accordance with the law and in line with SCAC guidelines issued from time to time. The Board conducted its business with a high level of integrity under the leadership of the previous Board Chairman, Mr. William Ole Mayiani and the current Chairperson Hon. Regina Ndambuki. There have been informed decisions based on board papers presented before the Board for any decisions and recommendations.

Functions of Board's Committee include: -

**Technical Committee**

The Technical Committee has the oversight responsibility of ensuring Management of Tanathi Water Works Development Agency implements Water Supply Infrastructure in line with the laid down procedures and ensure value for money. Tanathi Water Works Development Agency being an asset owner, the Committee ensures that there is adequate asset development maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.

**Finance & General-Purpose Committee**

The Finance & General-Purpose Committee is the overseer of the financial reporting process and the Board's Internal Control. The Committee is also responsible for efficient allocation and utilization of resources, proposing investment and funding to the Board. The Committee is also responsible for general and human resources and administration issues of the Agency. To this extent, the committee ensures that the Board hires the right staff, at the right place and guarantees staff welfare. Other terms of reference include; Procurement, Finance and Information Communication and Technology Policy Manuals.

**Corporate Planning & Strategic Management Committee**

The Corporate Planning & Strategic Management committee has the oversight responsibility of directing the Agency strategically and planning the future direction of the Agency. The Committee ensures the operations of the Agency are in line with the strategic plan, Performance Contract for the year under review and the Government blueprint of Vision 2030 and the BETA

**Audit, Risk & Governance Committee**

In order to promote good corporate governance and in terms of the requirements of the PFM Act 2012 and Public Audit Act, 2015, TAWWDA constituted an Audit, Risk & Governance Committee. The committee is charged with the role of oversight and assurance on behalf of the Board, the effectiveness of the processes in force with particular focus on: -

- Safeguarding the assets
- Scope and effectiveness of the internal controls
- Preparation and audit of the annual financial statements
- Compliance with all applicable regulatory requirements and Accounting Standards.



## **9. Management Discussion and Analysis**

Tanathi Water Works Development Agency has continued to adhere to PFM Act, 2012, Public Procurement and disposal act, 2015, The National Treasury & Economic Planning circulars issued from time to time, Water Act 2016, Salaries and Remuneration Commission (SRC) circular and guidelines issued from time to time, the Constitution of Kenya 2010 and all government directives and guidelines issued from time to time. The Agency's operations are guided by relevant laws and policies. The Agency has in place Strategic Plan, Service Charter and other departmental policies which have enhanced management performance.

The Agency's Board of Directors through the management is responsible to ensure preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS). The Management maintains proper books of accounts which give a true and fair view of the state of affairs of the Agency.

The Agency ensured prudent management of financial resources in line with the PFM, Act 2012 by ensuring that the funds are applied to programmes and projects they are voted for. The Agency ensured prudent spending and compliance with the PFM Act, 2012. The Agency complied with all statutory requirements and obligations with KRA, NHIF, NSSF and HELB. All statutory deductions were duly remitted hence the Agency did not have any material arrears. The Agency will continue to honor all statutory obligations on and when they fall due.

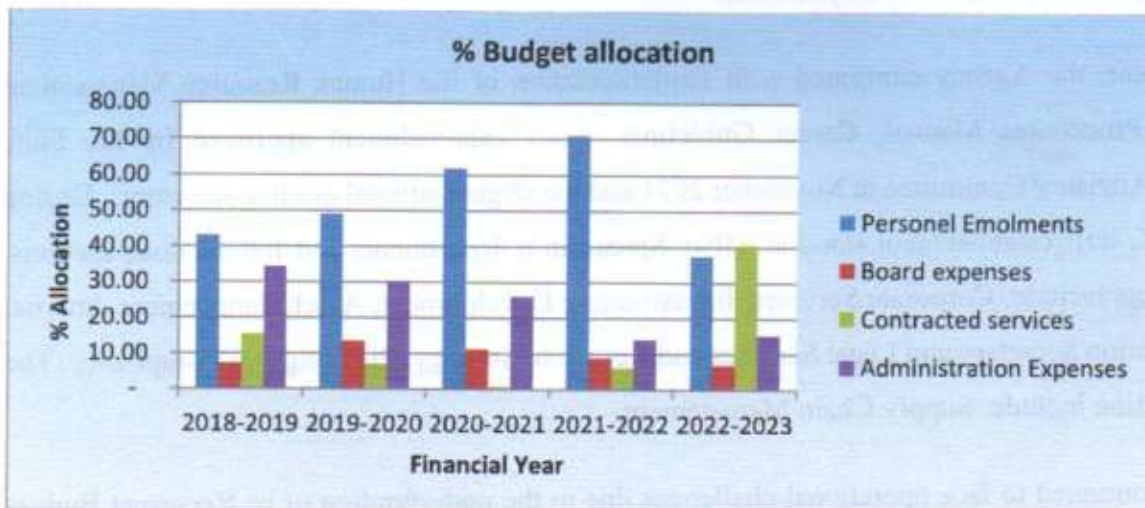
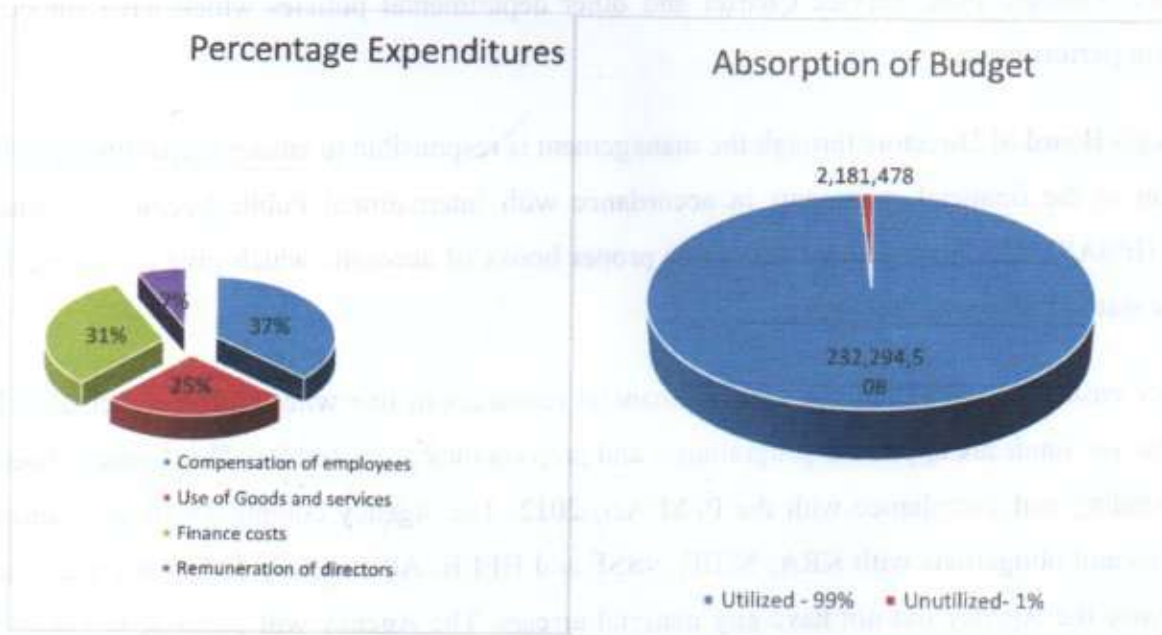
During the year, the Agency continued with implementation of the Human Resource Management Policies and Procedures Manual, Career Guidelines, Staff Establishment approved by the State Corporations Advisory Committee in November 2021 and the Organizational grading structure, . During 2022-2023 FY, staff establishment stood at 43No. Spread in 6 departments and 1 standalone sections. The departments include; Corporate Services, Infrastructure Development, Asset Management, Internal Audit, Corporation Secretary and Legal Services and Research, Strategy, Planning and Compliance. The standalone section include: Supply Chain Management.

The Agency continued to face operational challenges due to the underfunding of its Recurrent Budget which will require Government intervention. During the year, the Agency did not collect any lease fee arrears from Water Service Providers.

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

Development projects were also not implemented as scheduled due to delayed disbursement of Development funds. There have also been challenges in land compensation and delayed tax exemptions.

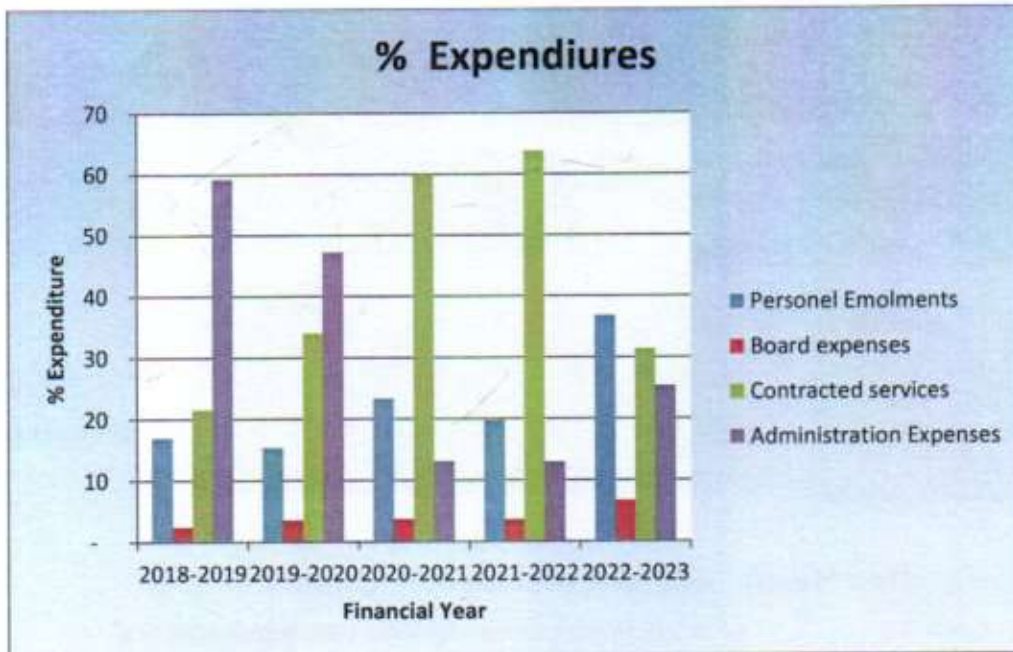
Tanathi Water Works Development Agency had an approved budget of Kshs. 276,000,000 in F/Y 2022-2023. The budget was revised to Kshs. 208,500,000. The Agency managed to realize Kshs. 234,475,986 which translates to 112% of the total final budget. The Agency spent Kshs. 232,294,508 out of the Kshs. 234,475,986 which translates to 99% absorption rate.



*Percentage budget comparison for the last 5 years (F/Y2018/2019-F/Y 2022/2023)*

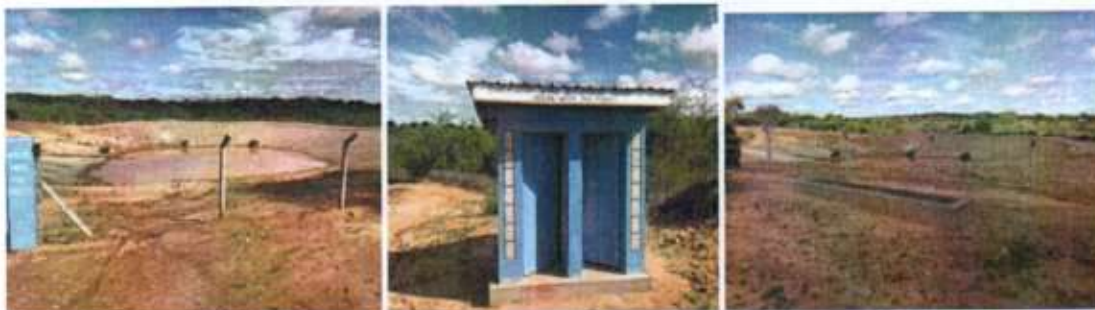


**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**



*Percentage utilization of budget for five years*

**Pictorial Presentation of ongoing projects being implemented by Tanathi Water Works Development Agency**



Ngiluni Earth Dam Complete and fenced, branded sanitation block and cattle trough.



Elevated steel tank for Kiambere Mwingi  
Last Mile Phase II- Kakuya

Dr. Likimani primary school borehole enclosed  
in a bulb wire mesh and solar panels mounted next to it.



Kithina Borehole complete and fenced



Cattle trough at Kithina Borehole



Miwani 48m<sup>3</sup> elevated steel tank and borehole fenced  
with a chain link; mounted solar panels. Water project  
is serving the Primary and Secondary school and  
community.



## **10. Environmental and Sustainability Reporting**

TAWWDA exists to transform lives. This is the driving force behind everything we do and it's what guides us to deliver our strategy, which is founded on economic, social and political pillars of Kenya's vision 2030: putting the customer/Citizen first, delivering relevant services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

### **i) Sustainability strategy and profile**

The Agency has geared its efforts towards universal access of water and sanitation services to all citizens within its area jurisdiction in line with Kenya's vision 2030 strategic goal and the United Nations (UN) Sustainable Development No. 6 on clean water and sanitation.

### **ii) Environmental performance**

To ensure environmental protection, the Agency incorporates in all its projects a component of tree planting. Further, the Agency ensures compliance with all National Environmental Management Authority (NEMA) regulations and guidelines on environmental protection.

### **iii) Employee welfare**

TAWWDA has various approved HR instruments that guide the hiring process, amongst them are the HR policy and procedures manual, career guidelines, staff establishment and staffing & organizational structure. The policies were developed and approved in November, 2021. The Agency has taken into account the gender rule i.e. that its workforce should not exceed two thirds of either.

The agency has also put into place mechanisms for stakeholder engagement during policy development. TAWWDA has a standard for recruitment, training and advancement within the career structure through acquisition of professional qualifications and requisite competencies. We ensure appropriate career planning and succession management.

The Agency offers training opportunities to all its employees in order to improve their work performance and personal development, ensuring continuous upgrading of core competencies, knowledge, skills and attitude. We establish distinct levels of responsibilities in our grading structure and set standards for advancement to higher grades on the basis of professional competence,

specialization, knowledge, experience, proven ability, diligence and drive as reflected in work performance and results.

The Agency takes into account individual performance and rewards employees for their contribution in a fair and equitable manner. We link individual performance with the Agency's performance and sets individual work plan at the beginning of the financial year.

The Agency recognizes and commits itself to the achievement of the highest standards of health and safety in the workplace and the elimination or minimization of health and safety hazards and risks that may affect its employees. We implement policies and programs in compliance with the provisions of occupational Safety and Health Act, 2007 and other Labour Laws by maintaining healthy and safety working conditions to ensure there is no personal injury caused by accidents, providing fire protection facilities, having Group Personal Accident Insurance for all the employees.

**iv) Marketplace practices-**

**a) Responsible competition practice.**

Tanathi water Works Development Agency is committed to increase lifetime value for its products since water and sanitation are critical services to the wellbeing of the people. The Agency ensures customer satisfaction as a key factor during service delivery. It ensures fair competition in all the procurement processes and inclusivity in decision making in line with PPAD Act, 2015. The Agency ensures all the processes are within the spheres of Law in the execution of its mandate.

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

The Agency ensures any procurement is within the Annual Procurement Plan and the approved annual budget to ensure all supplies, services and works are paid as and when they fall due to avoid cases of pending bills. Reservations are made for marginalized and special groups to ensure inclusivity.

**c) Responsible marketing and advertising**

The Agency ensures all the advertisements for works, services and goods are done through the Government Advertising Agency and in the Agency's website as provided for in the law.

**d) Product stewardship**

The Agency ensures that it takes the responsibility of minimizing the negative projects' environmental impact throughout all stages of the projects' life cycle. Project stewardship is a project-centered approach to environmental protection. The agency ensures that all the players in the project life cycle share responsibility for reducing the negative environmental impacts of the projects. This is



emphasized during community engagements, public participation forums, site meetings and projects handovers.

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

The core mandate of Tanathi Water Works Development Agency revolves around community engagements. The mandate of the Agency is to develop, maintain and manage national public water and sanitation infrastructure within the Agency's area of jurisdiction (Kitui, Machakos, Makueni & Kajiado Counties) to achieve sustainable socio-economic development and Universal access to adequate, clean & safe water and sanitation services. The Agency also provides technical services and capacity building to such County Governments and Water Services Providers within the four counties.

The Water and sanitation infrastructures are done for the benefit of the community. The Agency ensures maximum public participation and involvement in the execution of the projects to ensure maximum benefits to the community and eventual projects sustainability.

In line with the Presidential directive and as part of CSR, the Agency participated in the Tree Planting and Restoration Campaign in Lamu Sand Dunes by donating 1000 tree seedlings.

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

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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 the Consolidated Fund, ninety per cent of its surplus funds reported in the audited financial statements after the end of each financial year. The Agency did not make any surplus during the FY 2022-2023 (Ksh Nil) and hence no remittance to the Consolidated Fund.

**v) Auditors**

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

**By Order of the Board**

Name..... *Randall Oyagi*

Signature..... *[Handwritten Signature]*

Date..... *5/02/2024*

**Corporate Secretary/Secretary to the Board**



## **12. Statement of Directors Responsibilities**

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, and Section 129 (1) of the Water Act, 2016 require the Directors to prepare financial statements in respect of that Agency, which give a true and fair view of the state of affairs of the Agency at the end of the financial year/period and the operating results of the Agency for that period. The Directors are also required to ensure that the Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Directors are also responsible for safeguarding the assets of the Agency.

The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Agency;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the Agency;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Agency'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 State Corporations Act and the Water, 2012. The Directors are of the opinion that the Agency's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2023, and of the Agency's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

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In preparing the financial statements, the Directors have assessed the Agency's ability to continue as a going concern. Nothing has come to the attention of the Directors to indicate that the Agency will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Agency's financial statements were approved by the Board on 25<sup>th</sup> September 2023 and signed on its behalf by:



**Hon. Regina Nthambi Mui Ndambuki**

**Chairperson of the Board**



**Fredrick Tito Mwamati (P. Eng. Tech.)**

**Chief Executive Officer**



# REPUBLIC OF KENYA



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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON TANATHI WATER WORKS DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Tanathi Water Works Development Agency set out on pages 1 to 57, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison



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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tanathi Water Works Development Agency as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards ( Accrual Basis) and comply with and the Public Finance Management Act, 2012 and Water Act, 2016.

### **Basis for Qualified Opinion**

#### **1. Ownership and Valuation of Agency Land**

The statement of financial position and as disclosed in Note 19 to the financial statements reflects a balance of Kshs.11,391,092,541 in respect to property, plant and equipment. The balance includes net book value of Kshs.5,675,000 for five (5) pieces of land whose ownership documents provided for audit were in the name of Tanathi Water Services Board instead of Tanathi Water Works Development Agency. Further, ownership documents for the land where the Agency is domiciled and has constructed several buildings was not provided for audit. In addition, land is valued at cost, no valuation has been undertaken since it obtained its first (1) piece of land in 2009, and the net book value of the land does not reflect the current market value.

In the circumstances, the ownership and valuation of land balance of Kshs.5,675,000 could not be confirmed.

#### **2. High Provision for Bad and Doubtful Debts**

The statement of financial position and Note 17 to the financial statements reflects current portion of receivables from exchange transactions balance of Kshs.58,828,906 being net of gross debtors of Kshs.288,720,060 and provision for bad and doubtful debts of Kshs.251,391,944 or 87% gross debtors. The basis for the high provision for bad and doubtful debts has not been explained.

In the circumstances, the accuracy and fair statement of current receivables from exchange transactions balance of Kshs.58,828,906 could not be confirmed.

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



## **Emphasis of Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2023 reflects an approved final revenue budget and actual on a comparable basis of Kshs.208,500,000 and Kshs.234,475,986 respectively resulting to an over-receipt of Kshs.25,975,986 or 13 % of the budget.

The over-funding implies that the Agency's budgetary projection was unrealistic and did not incorporate all the revenue streams and may have affected the planning on activities and programs.

### **2. Undisclosed Material Uncertainty Relating to Going Concern**

The statement of financial performance reflects a deficit of Kshs.1,095,359,477 (2021/2022 - Kshs.572,339,687), which increased the Agency's accumulated deficit to Kshs.3,967,949,924 from Kshs.2,872,590,447 in 2021/2022. Although the Agency's working capital is positive, its capacity to sustain operations and fulfil its strategic objectives and statutory mandate is uncertain. Further, Management has not disclosed the material uncertainty and the strategies to reverse the unfavorable performance.

My opinion is not modified in respect of these matters.

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the audit reports of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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



## **Basis for Conclusion**

### **1. Non-Compliance with Terms of African Development Bank Loan**

As previously reported, the statement of financial position reflects loan balance of Kshs.6,504,354,831 being amount due to the African Development Bank. The financing and subsidiary loan agreements between the Government of Kenya and Tanathi Water Works Development Agency, the successor of Tanathi Water Service Board dated 10 September, 2010, indicate that the Government advanced the Agency a total of USD 53,913,490 (Kshs.5,149,753,042).

Article IV (Section 4.1) of the subsidiary loan agreement requires the Agency to pay The National Treasury the principal amount in fifty-two (52) consecutive semi-annual instalments commencing from 30 April, 2016. Further, Article III (Section 3.1) requires the Agency to pay interest on the principal amount at the rate of 3% per annum for a period of thirty (30) years. The interest is to accrue on any unpaid principal or interest amounts.

Review of loan records during the year revealed that the Agency had defaulted in payment of principal and interest which had increased from Kshs.5,687,693,837 in 2022 to Kshs.6,504,354,831 in 2023 by Kshs.816,660,994.

Further, the loan balance was translated using the exchange rate prevailing when the loan was acquired contrary to International Public Sector Accounting Standard 4 (IPSAS) which requires that foreign currency monetary be translated using closing rate and the Agency's accounting policy which requires that transaction of foreign denominated transactions and balances be made at the reporting date. The correspondences relating to the loan were also not provided for audit.

In the circumstances, the Agency is exposed to interest and penalties due to non-payment of the loan and Management was in breach of the law.

### **2. Non-Compliance with Law on Withholding Tax**

The statement of financial position reflects trade and other payables balance of Kshs.222,439,503 and as disclosed in Note 20 to the financial statements. The balance includes trade payables amount of Kshs.204,066,199 which includes Kshs.201,619,185 (91%) which has been outstanding for more than one year and Kshs.15,299,971 relating to statutory deductions (Withholding Tax for goods, services and consultancy) due to KRA. This is contrary to the Income Tax Act CAP 470 which requires that, the collecting entity should remit the tax to the commissioner of Domestic Taxes within five (5) working days after the deduction is made.

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

### **3. Non-Compliance with Law on Imprest Management**

The statements of financial performance and Note 9 to the financial statements reflects expenditure of Kshs.52,370,773 under use of goods. Included in this amount is Kshs.21,377,042 incurred on travel and subsistence allowances. However, audit review of the imprest register showed that various officers had not surrendered imprests dating back to 2021/2022 financial year while still continuing to receive imprests. This



contravenes Regulation 93 (4) of the Public Finance Management (National Government) Regulations, 2015 that requires officers to account or surrender imprest within seven (7) working days after returning to duty station. Further, during the financial year, bad debts amounting to Kshs.1,113,960 had been written off as unsurrendered imprest owing to the demise of a member of staff without the Board approval. The staff's Imprest register record, show that the officer had accumulated imprests dating back to March, 2021 and had not been surrendered up to February 2022.

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

#### **4. Implementation of Projects by the Agency**

The statement of financial performance reflects an amount of Kshs.72,832,483 in respect to operating costs as disclosed in Note 14 to the financial statements. The amount includes expenditures on drilling and equipping of boreholes and universal health coverage project costs of Kshs.15,481,098 and Kshs.5,617,255 respectively. However, the following anomalies were observed;

##### **i. Kiasa Borehole**

The company engaged a contractor for drilling and equipping of one (1) borehole, installation of solar power with raising mains, pipeline extensions and installation of a water tank. The contract sum was Kshs.6,500,000 and for contract period of seven (7) months from 29 November, 2021 to 30 June, 2022.

The project completion rate as at 30 June, 2023 was 50% and the contract period had lapsed as at June, 2022 when only drilling of the borehole had been done. Further, the borehole had not been equipped one (1) year later. No plausible explanation or reasons were provided for the delay in completing and equipping the borehole. The project risks incremental costs, wear and tear of the installed infrastructure and non-provision of water services to the community.

##### **ii. Universal Health Coverage Programme (Masinga Level 4 Hospital Borehole)**

The Company engaged a contractor for drilling and equipping of one (1) borehole at a contract sum of Kshs.9,911,001. The contract period was four (4) months from 1 November, 2021 to 30 March, 2022. The project contract period had lapsed as at 30 March, 2022 and as at 30 June, 2022 only drilling of the borehole at a cost of Kshs.3,997,170 had been done while equipping of the borehole at approximately Kshs.5,913,830 had not been carried out more than one (1) year later and at 40% completion level. No plausible explanation or reasons were provided for the delay in completing and equipping the borehole. In the absence of explanations and reasons, the project risks incremental costs, wear and tear and deterioration of the installed infrastructure and non-provision of water services to the community. The value for money of Kshs.3,997,171 incurred in the drilling of the borehole may not be realised.

##### **iii. Masinga Cluster Water Supply Project**

The company engaged a contractor for installation of water supply pipeline, construction of eight (8) water kiosks, construction of 200m<sup>3</sup> and 100m<sup>3</sup> masonry tanks, construction of 50m<sup>3</sup> pump at booster station and booster pumping station, construction of 50m<sup>3</sup>



elevated steel tank, construction of 250m<sup>3</sup> elevated steel tank at Matuu Town and installation of 150m<sup>3</sup>/hr pump at treatment works. The total contract sum was Kshs.270,000,000 and the contract period was from 16 October, 2016 and the end date being 23 September, 2023. Review of the project implementation status report revealed that project completion rate was 85% in June,2023 and done in various phases.

Field inspection during the month of August, 2023 revealed that the 200m<sup>3</sup> masonry tank had developed cracks, the 100m<sup>3</sup> masonry tank had not been branded, out of the six (6) water kiosks, four (4) have not been operational, the 50m<sup>3</sup> booster station had also not been in operational since completion in 2018. In addition, the construction of 250m<sup>3</sup> elevated steel tank at Matuu Town, installation of 150m<sup>3</sup>/hr pump at treatment works and two (2) water kiosks had not been done despite various extensions and completion having expired on 23 September, 2023.

#### **iv. Equipping of Nguumo Borehole**

The Water Agency entered into a contract with a firm for the supply and installation of a new Genset Generator at a cost of Kshs.928,650. However, field inspection in the month of August, 2023, revealed that, the generator was not on site, and had been uninstalled and removed from the borehole area and stored in the premises of a member of the community. Information gathered from members of the community revealed that the generator had only operated for approximately one (1) month. There was vandalism and theft of property mainly doors and fencing works within the borehole area.

#### **v. Rehabilitation of Kiangu Borehole Water Project**

The company entered into a contract with a firm for rehabilitation of Kiangu borehole water project specifically Eletro-mechanical works and replacement of pump at a cost of Kshs.603,200. However, during field inspection in the month of August, 2023, it was observed that the borehole was neither functional nor operational. Further, the water kiosk did not have water to serve the community.

In the circumstances, the value for money on expenditure on drilling and equipping of boreholes and Universal Health Coverage project costs could not be confirmed.

### **5. Unauthorized Expenditure**

The statement of financial performance reflects expenditure on use of goods and services of Kshs.52,370,773 as disclosed in Note 9 to the financial statements. Review of records revealed that various expenditure items exceeded the approved budget and procurement plan resulting in over expenditure of Kshs.37,998,112. Approval for the over expenditure was not provided for audit.

In the circumstances, the regularity and validity of expenditure on use of goods and services totalling Kshs.52,370,773 could not be confirmed.

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



audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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 the Management and Board of Directors**

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

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

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

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

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



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

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Tanathi Water Works Development Agency 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 Agency's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Agency to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

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

**Nairobi**

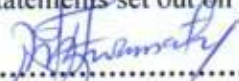
**14 March, 2024**

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

**14. Statement of Financial Performance for the year ended 30 June 2023**

		2022-2023	2021-2022
	Note	Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other National government entities	6	217,094,119	375,534,431
<b>Revenue from exchange transactions</b>			
Sale of goods	7	20,000	15,000
Other incomes	8	<u>17,361,867</u>	<u>16,827,067</u>
<b>Total revenue from exchange transactions</b>		<u><b>17,381,867</b></u>	<u><b>16,842,067</b></u>
<b>Total revenue</b>		<u><b>234,475,986</b></u>	<u><b>392,376,498</b></u>
<b>Expenses</b>			
Use of Goods and Services	9	52,370,773	47,834,610
Employee Costs	10	85,372,064	83,074,112
Board Expenses	11	15,401,986	14,930,914
Depreciation and amortization expense	12	280,879,960	278,828,552
Repairs and maintenance	13	6,317,202	6,471,067
Operating Costs	14	72,832,483	267,996,153
Finance costs	15	<u>816,660,995</u>	<u>265,580,777</u>
<b>Total expenses</b>		<u><b>1,329,835,463</b></u>	<u><b>964,716,185</b></u>
<b>Deficit for the Year</b>		<u><b>(1,095,359,477)</b></u>	<u><b>(572,339,687)</b></u>

The notes set out on pages 7 to 40 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

  
.....  
Chief Executive Officer  
Fredrick T. Mwamati

Date 5/2/2024  
.....

  
.....  
GM-Corporate Services  
CPA. Dennis K. Mulu  
ICPAK M. No. 7380

Date 05/02/2024  
.....

.....  
Chairman of the Board  
Hon. Regina Muia Ndambuki

Date 5/2/2024  
.....



**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**


**15. Statement of Financial Position as at 30 June 2023**

	Note	2022-2023 Kshs	2021-2022 Ksha
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	23,873,437	425,742,422
Current Portion of Receivables from exchange transactions	17	58,828,906	23,291,291
Receivables from non-exchange transactions	18	<u>125,605,323</u>	<u>47,606,592</u>
<b>Total Current Assets</b>		<b><u>208,307,665</u></b>	<b><u>496,640,305</u></b>
<b>Non-Current assets</b>			
Property, Plant and equipment	19	<u>11,391,092,541</u>	<u>11,248,260,779</u>
<b>Total Non-Current assets</b>		<b><u>11,391,092,541</u></b>	<b><u>11,248,260,779</u></b>
<b>TOTAL ASSETS</b>		<b><u>11,599,400,208</u></b>	<b><u>11,744,901,084</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	222,439,503	190,167,247
Deferred income	21	<u>4,742,000</u>	<u>13,336,119</u>
<b>Total current liabilities</b>		<b><u>227,181,503</u></b>	<b><u>203,503,366</u></b>
<b>Non-Current Liabilities</b>			
Borrowings	22	<u>6,504,354,831</u>	<u>5,687,693,837</u>
<b>Total Non-Current Liabilities</b>		<b><u>6,504,354,831</u></b>	<b><u>5,687,693,837</u></b>
<b>Total liabilities</b>		<b><u>6,731,536,334</u></b>	<b><u>5,891,197,203</u></b>
<b>Net assets</b>			
Reserves	23	-	16,827,067

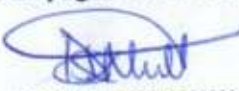
**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

Accumulated Surplus	24	(3,967,949,924)	(2,872,590,447)
Capital reserves	25	<u>8,835,813,796</u>	<u>8,709,467,261</u>
<b>Total Net Assets</b>		<u><b>4,867,863,872</b></u>	<u><b>5,853,703,881</b></u>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<u><b>11,599,400,206</b></u>	<u><b>11,744,901,084</b></u>

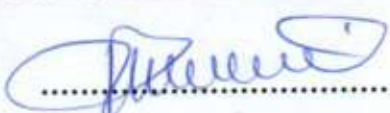
The financial statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

  
.....  
**Chief Executive Officer**  
**Fredrick T. Mwamati**  
**(P.Eng. Tech)**

Date... 5/2/2024 .....

  
.....  
**GM-Corporate Services**  
**CPA. Dennis K. Mulu**  
**ICPAK M. No. 7380**

Date... 05/02/2024 .....

  
.....  
**Chairman of the Board**  
**Hon. Regina Muia Ndambuki**

Date... 5/2/2024 .....



**Tanathi Water Works Development Agency**  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2023.**

**16. Statement of Changes in Net Assets for the year ended 30 June 2023**

	Revaluation Reserve	Capital Reserves	Accumulated Surplus	Total Reserves
<b>At July 1, 2021</b>	<b>33,654,135</b>	<b>7,962,413,671</b>	<b>(2,300,250,760)</b>	<b>5,695,817,046</b>
Revaluation gain	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-
Surplus (deficit) for the Year	(16,827,067)	747,053,590	(572,339,687)	<b>157,886,836</b>
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-
<b>At June 30, 2022</b>	<b><u>16,827,068</u></b>	<b><u>8,709,467,261</u></b>	<b><u>(2,872,590,447)</u></b>	<b><u>5,853,703,882</u></b>
<b>At July 1, 2022</b>	<b>16,827,068</b>	<b>8,709,467,261</b>	<b>(2,872,590,447)</b>	<b>5,853,703,882</b>
Fair value adjustment on quoted investments	-	-	-	-
Surplus (deficit) for the year	(16,827,067)	-	(1,095,359,477)	(1,112,186,544)
Capital/Development grants received during the year	-	126,346,535	-	126,346,535
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-
<b>At June 30, 2023</b>	<b><u>-</u></b>	<b><u>8,835,813,796</u></b>	<b><u>(3,967,949,924)</u></b>	<b><u>4,867,863,873</u></b>

**Tanathi Water Works Development Agency**  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2023.**

**17. Statement of Cash Flows for the year ended 30 June 2023**

	Note	2022-2023 Kshs	2021-2022 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Deficit for the period		(1,095,359,477)	(572,339,687)
Depreciation charge	12 or 19	<u>280,879,960</u>	<u>278,828,552</u>
<b>Operating surplus before working capital changes</b>		<b>(814,479,517)</b>	<b>(293,511,135)</b>
Decrease in Debtors, Prepayments & Receivables	17 & 18	(113,536,345)	252,797,716
Decrease in Creditors, Accruals and Payables	20 & 21	23,678,137	(207,122,824)
<b>Total cashflows from Operating Activities</b>		<b><u>(89,858,209)</u></b>	<b><u>45,674,892</u></b>
<b>Net cash flows from operating activities</b>	28	<b><u>(904,337,726)</u></b>	<b><u>(247,836,243)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(423,711,722)	(360,221,692)
<b>Net cash flows used in investing activities</b>		<b><u>(423,711,722)</u></b>	<b><u>(360,221,692)</u></b>
<b>Cash flows from financing activities</b>			
Increase in capital fund		126,346,535	747,053,590
Increase in loans/borrowings	22	816,660,994	265,580,777
Increase/decrease in reserves		(16,827,067)	(16,827,067)
<b>Net cash flows used in financing activities</b>		<b><u>926,180,462</u></b>	<b><u>995,807,300</u></b>
Net increase/(decrease) in cash and cash equivalents		<b><u>(401,868,986)</u></b>	<b><u>387,749,365</u></b>
Cash and cash equivalents at 1 July 2022	16	<u>425,742,423</u>	<u>37,993,058</u>
<b>Cash and cash equivalents at 30 June 2023</b>	16	<b><u>23,873,437</u></b>	<b><u>425,742,423</u></b>



**Tanathi Water Works Development Agency**  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2023.**

**17. Statement of Cash Flows for the year ended 30 June 2023**

	Note	2022-2023 Kshs	2021-2022 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Deficit for the period		(1,095,359,477)	(572,339,687)
Depreciation charge	12 or 19	<u>280,879,960</u>	<u>278,828,552</u>
<b>Operating surplus before working capital changes</b>		<b>(814,479,517)</b>	<b>(293,511,135)</b>
Decrease in Debtors, Prepayments & Receivables	17 & 18	(113,536,345)	252,797,716
Decrease in Creditors, Accruals and Payables	20 & 21	23,678,137	(207,122,824)
<b>Total cashflows from Operating Activities</b>		<b><u>(89,858,209)</u></b>	<b><u>45,674,892</u></b>
<b>Net cash flows from operating activities</b>	28	<b><u>(904,337,726)</u></b>	<b><u>(247,836,243)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(423,711,722)	(360,221,692)
<b>Net cash flows used in investing activities</b>		<b><u>(423,711,722)</u></b>	<b><u>(360,221,692)</u></b>
<b>Cash flows from financing activities</b>			
Increase in capital fund		126,346,535	747,053,590
Increase in loans/borrowings	22	816,660,994	265,580,777
Increase/decrease in reserves		(16,827,067)	(16,827,067)
<b>Net cash flows used in financing activities</b>		<b><u>926,180,462</u></b>	<b><u>995,807,300</u></b>
Net increase/(decrease) in cash and cash equivalents		<b><u>(401,868,986)</u></b>	<b><u>387,749,365</u></b>
Cash and cash equivalents at 1 July 2022	16	<u>425,742,423</u>	<u>37,993,058</u>
<b>Cash and cash equivalents at 30 June 2023</b>	16	<b><u>23,873,437</u></b>	<b><u>425,742,423</u></b>

**Tanathi Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

**18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023**

	Original annual Budget	Adjustments	Final Annual Budget	Actual Cumulative to date	Performance difference	Utilization difference
	a	b	c=a+b	d	e=c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers from other Govt entities	276,000,000	(67,500,000)	208,500,000	217,094,119	(8,594,119)	104%
Govt grants	-	-	-	20,000	(20,000)	-
Sale of goods	-	-	-	-	-	-
Other Income	-	-	-	17,361,867	(17,361,867)	-
<b>Total income</b>	<b>276,000,000</b>	<b>(67,500,000)</b>	<b>208,500,000</b>	<b>234,475,986</b>	<b>(25,975,986)</b>	<b>112%</b>
<b>Expenses</b>						
Compensation of employees	89,093,075	(3,722,117)	85,370,958	85,372,064	-1,106	100%
Use of Goods and services	14,794,925	19,876,935	34,671,860	58,687,975	(24,016,115)	169%
Operating Costs	160,000,000	(67,500,000)	92,500,000	72,832,483	19,667,517	79%
Remuneration of directors	12,112,000	3,337,194	15,449,194	15,401,986	47,208	100%
<b>Total expenditure</b>	<b>276,000,000</b>	<b>(48,007,988)</b>	<b>227,992,012</b>	<b>232,294,508</b>	<b>(4,302,496)</b>	<b>102%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>(19,492,012)</b>	<b>19,492,012</b>	<b>2,181,478</b>	<b>-</b>	<b>-</b>



**19. Notes to the Financial Statements**

**1. General Information**

Tanathi Water Works Development Agency (TAWWDA) is established and derives its authority and accountability from Water Act, 2016. The Agency was established as per Legal Notice No. 27 dated 26<sup>th</sup> April, 2019. The Agency is wholly owned by the Government of Kenya and is domiciled in Kenya. The Agency's principal activity is development, maintenance and management of the national public water works within its area of jurisdiction (Kitui, Machakos, Makueni & Kajiado Counties).

**2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at revalued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Agency's accounting policies. The 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 Agency. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 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 2023.*

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41: Financial Instruments</b>	<b>Applicable: 1<sup>st</sup> 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

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

Standard	Effective date and impact:
	<p>statements for their assessment of the amounts, timing and uncertainty of an Agency's future cash flows.</p> <p>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 Agency's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>The above does not apply to TAWWDA</p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Agency 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 Agency.</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 Agency's</li> </ol>



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

Standard	Effective date and impact:
	<p>financial performance, financial position and cash flows. The above does not apply to TAWWDA</p>
<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 guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</li> <li>d) 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.</li> </ul> <p><i>The Agency will adopt this standard as it would be applicable</i></p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>● <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>● <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>● <b>IPSAS 29: Financial instruments: Recognition and Measurement.</b> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> <p><i>The Agency has not been affected by the changes</i></p>

*New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

---

recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Agency and the fair value of the asset can be measured reliably

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Agency and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realized in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

**ii) Revenue from exchange transactions**

**Rendering of services**

The Agency recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the *Agency*.

**Interest income**

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



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

---

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Agency's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for the FY 2022/2023 was approved through a communication from the Principal Secretary, Ministry of Water, Sanitation and Irrigation, State Department of Water and Sanitation letter Ref: MWSI/FIN/03/62/Vol. XXVI/ (216) dated 7<sup>th</sup> July, 2022. 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 Agency upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Agency's Supplementary budget was approved through a communication from the Principal Secretary, Ministry of Water, Sanitation and Irrigation State Department of Water and Sanitation letter Ref: MWSI/WTR/FIN/17/Vol.III/(1) dated 3<sup>rd</sup> July, 2023

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under note 29 of these financial statements.

**c) Taxes**

**Current income tax**

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

**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 Agency 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. The depreciation is calculated on straight line basis and the applicable depreciation rates are as shown below:

• Computers and Accessories	33.33%
• Furniture and Fittings	12.5%
• Motor Vehicles	25%
• Plant and Machinery	20%
• Buildings	2.5%
• Water \Supply Infrastructure	2.5%

**e) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.



**f) Research and development costs**

The Agency expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Agency 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.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit

**g) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Agency does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Agency's financial statements. A financial instrument is any contract that gives rise to a financial asset of one Agency and a financial liability or equity instrument of another Agency. At initial recognition, the Agency measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**a) Financial assets**

**Classification of financial assets**

The Agency classifies its financial assets as subsequently measured at amortized cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Agency's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

---

outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an Agency has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the Agency classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.



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

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

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the Agency manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Impairment**

At each statement of financial position date, the organization reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the organization estimates the recoverable amount of the cash generating unit to which the asset belongs.

**b) Financial liabilities**

**Classification**

The Agency classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**h) 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.

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,

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

---

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

**i) Provisions**

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

**j) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Agency recognizes a social benefit as an expense for the social benefit scheme at the same time that it recognizes a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Agency will incur in fulfilling the present obligations represented by the liability.

**k) Contingent liabilities**

The Agency 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.

**l) Contingent assets**

The Agency 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 Agency 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.

**m) Nature and purpose of reserves**

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



**n) Changes in accounting policies and estimates**

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

**o) Employee benefits**

**Retirement benefit plans**

The Agency provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Agency pays fixed contributions into a separate Agency (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation

**p) 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 the 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.

**q) 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.

**r) Related parties**

The Agency regards a related party as a person or an Agency with the ability to exert control individually or jointly, or to exercise significant influence over the Agency, or vice versa.

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

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Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**s) 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.

**t) Comparative figures**

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

**u) 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, 2023.

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

The preparation of the Agency'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. State all judgements, estimates and assumptions made:

**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 Agency based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

developments may change due to market changes or circumstances arising beyond the control of the Agency. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual value**

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 Agency.
- 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.

**Accounting policy on Work in Progress**

It's the Agency policy to recognize the ongoing projects at the end of the financial year at cost as work in progress. No provision for depreciation is made on these assets until they are completed and transferred from the work in progress account to respective asset class account.

**Bad Debts Provision Policy**

The Manager Finance & Accounts shall review all outstanding debts which are under dispute, on a monthly basis, before any bad debt provisions are made.

Provisions shall be made for bad and doubtful debts at the following rates:

<b>Period Outstanding</b>	<b>Percentage provision</b>
241-360 days (8-12 months)	25%
Over 1 year	50%
Over 2 years	100%

For individual arrears in excess of Kshs 50,000, the bad debts should only be written off on the authority of the Board of Directors. Other bad debts below this amount will only be written off

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

on the authority of the CEO. Any write off bad debts shall be made only after all reasonable steps have been taken to recover the debt and the Board is satisfied that:

- All legal and other measures have been exhausted, but there is still a balance of the debt remaining; and
- Recovery of the debt would be uneconomical.

**6. (a) Transfers from Other Government entities**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Transfers from National Government</b>		
<b>Unconditional grants</b>		
Gok Recurrent (Operational) Grant	116,000,000	116,000,000
		=
<b>Description</b>	<b>116,000,000</b>	<b>116,000,000</b>
<b>Conditional Grants</b>		
Water for Schools Programme	1,258,000	5,660,635
Drought Mitigation Grant	9,423,845	30,576,155
Cross County Water Projects Grant	-	52,861,140
National Water Harvesting Programme	9,000,000	7,000,000
Post-Covid 19- Economic Stimulus Programme	-	18,400,455
Gok Grant-Universal Health Coverage	3,912,274	21,263,726
Other Gok funded projects (Special Projects)	77,500,000	119,000,000
Grant for ASAL Area Projects	-	4,772,320
<b>Total Conditional Grants</b>	<b><u>101,094,119</u></b>	<b><u>259,534,431</u></b>
<b>Total Transfers</b>	<b><u>217,094,119</u></b>	<b><u>375,534,431</u></b>



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**b) Transfers from Ministries, Departments and Agencies (MDAs)**

Detail	Deferred From 2021-2022 FY	Amount Received during the year (2022-2023FY)	Total	Revenue unutilized as at 30.06.2023 and Deferred	Revenue Recognized During the Year (Statement of Financial Performance)	Statement of Financial Position
Gok Recurrent Grant	-	116,000,000	116,000,000	-	116,000,000	
Water for Schools Programme		6,000,000	6,000,000	4,742,000	1,258,000	
Drought Mitigation Grant	9,423,845	-	9,423,845		9,423,845	
National Water Harvesting Programme	-	9,000,000	9,000,000		9,000,000	
GOK capital Grants	-	100,000,000	100,000,000			-100,000,000
Other Gok funded projects (Special Projects)	-	77,500,000	77,500,000	-	77,500,000	
KIDPP		26,346,535	26,346,535			26,346,535
Gok Universal Health Coverage Grant	3,912,274	-	3,912,274		3,912,274	
<b>Total</b>	<b>13,336,119</b>	<b>334,846,535</b>	<b>348,182,654</b>	<b>4,742,000</b>	<b>217,094,119</b>	<b>126,346,535</b>

**7. Sale of Goods**

Description	2022-2023 Kshs	2021-2022 Kshs.
Sale of Boarded Stores Items	20,000	15,000
<b>Total revenue from sale of goods</b>	<b>20,000</b>	<b>15,000</b>

**8. Other Income**

Description	2022-2023 Kshs	2021-2022 Kshs.
Revenue Reserve Recognized	16,827,067	16,827,067
Athi Water Works Development Agency	534,800	-
<b>Total other income</b>	<b>17,361,867</b>	<b>16,827,067</b>

Athi Water Works Development Agency grant relates to funds meant for Board tour of projects under TAWWDA jurisdiction but being funded through AWWDA

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**9. Use of Goods**

Description	2022-2023	2021-2022
	Kshs	Kshs.
Utility Costs-Electricity & Water	672,665	409,499
Outsourced Services – Security	1,228,944	1,107,248
Outsourced Services – Cleaning	907,200	1,009,920
Membership Subscriptions	143,100	116,200
Advertising, Promotions & Publicity Expenses	618,517	133,168
Audit fees	928,000	928,000
Seminars, Conferences & Workshops	5,829,319	2,635,806
Refined Fuel, Oil & Lubricants	2,725,619	159,500
Motor Vehicle Insurance	1,032,936	855,707
Bank Charges	158,481	161,279
Legal expenses	-	2,500,000
Telephone, Mobile & Internet Expenses	628,907	781,381
Office Stationery, Printing & Photocopy	475,911	1,419,583
Hire of Transport & Machinery	78,000	307,000
Staff Education & Training	-	4,678,680
Travel, accommodation & subsistence allowance.	21,377,042	17,455,129
Medical, Group Life & Group Personal Accident	11,346,702	10,875,773
General office Expenses	3,105,470	2,300,737
Bad Debts Written off	1,113,960	-
	<b>52,370,773</b>	<b>47,834,610</b>

*Comparative figures for the previous year have been restated. Group Life and Group personal Accident for the current period were budgeted for in the Use of goods.*

**10. Employee Costs**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Basic Salary	42,969,888	41,447,558
House Allowance	11,912,700	12,053,936
Commuter/Transport Allowance	1,718,000	1,722,175
Hardship Allowance	14,596,150	14,457,960
Special Duty Allowance	496,831	192,600
Extraneous Allowance	60,000	79,452



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

Employer Staff Pension Contribution	4,992,079	4,829,253
N.S.S.F Employers Contribution	104,600	108,200
Leave Allowance	3,593,694	3,458,792
National Industrial Training Authority Levy	26,450	26,400
Gratuity Contribution	3,003,672	2,871,786
Telephone Allowance	1,418,000	1,346,000
Other Remunerative Allowances	<u>480,000</u>	<u>480,000</u>
<b>Total employee costs</b>	<b><u>85,372,064</u></b>	<b><u>83,074,112</u></b>

*Comparative figures for employee costs have been restated by moving Group Life and Group personal Accident to Use of goods and Services*

**11. Board Expenses**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Board sitting and other allowance	8,257,600	5,513,400
Board Mileage	1,371,908	1,225,113
Board medical cover	619,292	447,794
Board Training	4,171,186	7,170,607
Air-time allowance	22,000	14,000
Chairman's Honoraria	<u>960,000</u>	<u>560,000</u>
<b>Total directors' emoluments</b>	<b><u>15,401,986</u></b>	<b><u>14,930,914</u></b>

**12. Depreciation and Amortization Expense**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Plant, Property and Equipment	<u>280,879,960</u>	<u>278,828,552</u>
<b>Total depreciation and amortization</b>	<b><u>280,879,960</u></b>	<b><u>278,828,552</u></b>

**13. Repairs and Maintenance**

Description	2022-2023	2021-2022
	Kshs	Kshs
General repairs and maintenance	4,331,915	5,414,977
Motor vehicle repairs and maintenance	<u>1,985,287</u>	<u>1,056,090</u>
<b>Total Repairs and Maintenance</b>	<b><u>6,317,202</u></b>	<b><u>6,471,067</u></b>

**14. Operating Expenses**

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Consultancy Fees	-	5,991,400
Drought Mitigation Project Costs	9,373,387	30,858,229
Water for Schools Project Costs	1,258,000	20,808,932
Monitoring & Evaluation	1,792,500	7,675,900
National Water Harvesting Project Costs	13,945,101	23,109,806
Cross-County Project Costs	-	36,985,693
Arid & Semi-Arid Project Costs	-	5,790,106
Post Covid-19 Project Costs	-	19,713,890
Drilling & equipping of 40 No. of Boreholes	15,481,098	44,774,753
Other-GoK Funded Projects	25,365,142	51,023,718
Universal Health Coverage Project Costs	<u>5,617,255</u>	<u>21,263,726</u>
<b>Total Operating Expenses</b>	<b><u>72,832,483</u></b>	<b><u>267,996,153</u></b>

**15. Finance Costs**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Exchange Loss	<u>816,660,995</u>	<u>265,580,777</u>
<b>Total Finance Costs</b>	<b><u>816,660,995</u></b>	<b><u>265,580,777</u></b>

*\*\*The Finance Costs increased to Kshs. 816,660,995 due to change in Exchange rate of foreign currencies in respect to Kenya Shilling. \**

**16. Cash and Cash Equivalents**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Current account	<u>23,873,437</u>	<u>425,742,422</u>
<b>Total Cash &amp; cash equivalents</b>	<b><u>23,873,437</u></b>	<b><u>425,742,422</u></b>

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

Description	2022-2023	2021-2022
	Kshs.	Kshs.
<b>Current Account</b>		
Kenya Commercial Bank-1106061896	2,521,305	11,630,258



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

Kenya Commercial Bank-1106061950	2,604	360,903,022
Kenya Commercial Bank-1131429117	19,305,241	38,143,521
Kenya Commercial Bank-1139126474	264,270	264,270
Kenya Commercial Bank-1156581184	237,121	237,121
Kenya Commercial Bank-1114362581	236,836	1,252,337
Kenya Commercial Bank-1204595127	46,965	9,423,845
Co-Operative Bank - 01120300481400	1,259,095	3,838,048
Petty Cash	-	50,000
<b>Total Cash and cash equivalents</b>	<b><u>23,873,437</u></b>	<b><u>425,742,422</u></b>

**17. Receivables from Exchange Transactions**

**(a) Receivables from Exchange Transactions**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Trade Debtors	229,891,154	229,891,154
Kiambere -Mwingi (Sacco dues)	100,360	100,360
Advance payment	58,082,067	22,544,451
Kenya National Highways Authority	646,480	646,480
<b>Gross Receivables from Exchange Transactions</b>	<b><u>288,720,060</u></b>	<b><u>253,182,445</u></b>
Less: Provision for bad & doubtful debts	<u>229,891,154</u>	<u>229,891,154</u>
<b>Total receivables from exchange transactions</b>	<b><u>58,828,906</u></b>	<b><u>23,291,291</u></b>

*\*\*Comparative figures for total receivables from exchange transactions have been restated due to re-statement of provision for bad and doubtful debts which had combined both provisions in Exchange & Non-Exchange transactions\**

**(b) Ageing analysis for Receivables from exchange transactions**

Description	2022-2023		2021-2022	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	35,537,616	12	1,790,501	1
Between 1- 3 years	-	-	-	-
Over 3 years	253,182,445	88	251,391,944	99
<b>Total</b>	<b>288,720,061</b>	<b>100</b>	<b>253,182,445</b>	<b>100</b>

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**18. Receivables from Non-Exchange Transactions**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
<b>Current receivables</b>		
Staff Debtors	870,800	8,057,845
Ministry of Water and Sanitation	19,896,517	19,896,517
Prepaid Board airtime	2,000	-
Grants Receivable	118,416,666	33,000,000
Prepaid motor vehicle insurance	540,756	546,228
Prepaid staff airtime	119,000	116,500
Prepaid staff insurance cover	5,656,100	5,690,599
District Water officers	1,604,273	1,604,273
British Insurance Company Ltd (Insurance Refund)	-	195,420
Less: Provision for bad & doubtful debts	<u>(21,500,790)</u>	<u>(21,500,790)</u>
<b>Total receivables from non-exchange transaction</b>	<b><u>125,605,323</u></b>	<b><u>47,606,592</u></b>

*\*\*Comparative figures for total receivables from Non-exchange transactions have been restated due to re-statement of provision for bad and doubtful debts which had been listed under provisions for bad & doubtful debts in Exchange transactions\**

Ageing Analysis- Receivables from non-exchange transactions	2022-2023	% of the total	2021-2022	% of the total
			FY	
Less than 1 year	125,605,322	85	47,606,592	69
Between 1-2 years	-	-	-	-
Over 3 years	21,500,790	15	21,500,790	31
<b>Total</b>	<b>147,106,112</b>	<b>100</b>	<b>69,107,382</b>	<b>100</b>

Description	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	69,107,382	259,071,194
Additional provisions during the year	118,225,746	3,068,664
Recovered during the year	(39,113,056)	(193,032,476)
Written off during the year	<u>(1,113,960)</u>	=
At the end of the year	<b><u>147,106,112</u></b>	<b><u>69,107,382</u></b>



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**19. Property, Plant and Equipment**

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Water Supply Infrastructure	Plant and equipment	Capital WIP	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 2021	<u>5,675,000</u>	<u>6,600,043</u>	<u>67,308,269</u>	<u>9,818,083</u>	<u>28,648,193</u>	<u>6,240,662,449</u>	<u>10,059,876</u>	<u>5,787,289,672</u>	<u>12,156,061,585</u>
Additions	-	-	-	-	-	4,188,058,624	-	360,221,692	<u>4,548,280,316</u>
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustment	-	-	-	-	-	-	-	4,188,058,624	<u>4,188,058,624</u>
<b>As at 30<sup>th</sup> June 2022</b>	<b><u>5,675,000</u></b>	<b><u>6,600,043</u></b>	<b><u>67,308,269</u></b>	<b><u>9,818,083</u></b>	<b><u>28,648,193</u></b>	<b><u>10,428,721,073</u></b>	<b><u>10,059,876</u></b>	<b><u>1,959,452,740</u></b>	<b><u>12,516,283,277</u></b>
Additions	-	-	-	-	1,256,164	93,500,230	348,000	328,590,328	<u>423,711,722</u>
Disposals	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2023</b>	<b><u>5,675,000</u></b>	<b><u>6,600,043</u></b>	<b><u>67,308,269</u></b>	<b><u>9,818,083</u></b>	<b><u>29,904,357</u></b>	<b><u>10,522,221,303</u></b>	<b><u>10,424,876</u></b>	<b><u>2,288,060,068</u></b>	<b><u>12,939,994,999</u></b>
<b>Depreciation and impairment</b>									
At 1 July 2021	<u>1,161,430</u>	<u>(165,001)</u>	<u>33,654,134</u>	<u>9,074,635</u>	<u>27,874,192</u>	<u>907,515,679</u>	<u>9,913,876</u>	-	<u>989,193,946</u>
Depreciation	-	-	(16,827,067)	(271,456)	(774,001)	(260,718,027)	(73,000)	-	<u>(278,828,552)</u>
Impairment	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-	-
<b>As at 30 June 2022</b>	<b><u>1,326,431</u></b>	<b><u>(165,001)</u></b>	<b><u>50,481,201</u></b>	<b><u>9,346,091</u></b>	<b><u>28,648,193</u></b>	<b><u>1,168,233,706</u></b>	<b><u>9,986,876</u></b>	-	<b><u>1,268,022,498</u></b>
Depreciation	-	-	(16,827,067)	(271,456)	(418,303)	(263,055,533)	(142,600)	-	<u>(280,879,960)</u>
Impairment	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2023</b>	<b><u>1,491,432</u></b>	<b><u>(165,001)</u></b>	<b><u>67,308,268</u></b>	<b><u>9,617,547</u></b>	<b><u>29,066,496</u></b>	<b><u>1,431,289,239</u></b>	<b><u>10,129,476</u></b>	-	<b><u>1,548,902,458</u></b>
<b>Net book values</b>									
As at 30 <sup>th</sup> June 2022	<u>5,675,000</u>	<u>5,108,611</u>	<u>1</u>	<u>200,536</u>	<u>837,861</u>	<u>9,090,932,064</u>	<u>278,400</u>	<u>2,288,060,068</u>	<u>11,391,092,541</u>
As at 30 <sup>th</sup> June 2023	<u>5,675,000</u>	<u>5,273,612</u>	<u>16,827,068</u>	<u>471,992</u>	<u>837,861</u>	<u>9,260,487,367</u>	<u>73,000</u>	<u>1,959,452,740</u>	<u>11,248,260,779</u>

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**Valuation**

Motor vehicles were valued by the chief Mechanical Engineer- Kitui County in June 2019 and adopted as at 1<sup>st</sup> July, 2019 as the basis of valuation.

**19 (b) Property, Plant and Equipment at Cost**

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	5,675,000	-	5,675,000
Buildings	6,600,043	1,491,432	5,108,611
Plant And Machinery	10,424,876	10,129,476	278,400
Motor Vehicles, Including Motorcycles	67,308,269	67,308,268	1
Water Supply Equipment	10,522,221,303	1,431,289,239	9,090,932,064
Work In progress	2,288,060,068	-	2,288,060,068
Computers And Related Equipment	29,904,357	29,066,496	837,861
Office Equipment, Furniture, And Fittings	<u>9,818,083</u>	<u>9,617,547</u>	<u>200,536</u>
<b>Total</b>	<b><u>12,939,994,999</u></b>	<b><u>1,548,902,458</u></b>	<b><u>11,391,092,541</u></b>

Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal Annual Depreciation Charge
	Computers	28,648,193
Furniture and Fittings	7,646,433	955,804
Motor Vehicle	67,308,269	16,827,067
Plant and machinery	<u>9,694,876</u>	1,938,975
<b>Total</b>	<b><u>113,297,771</u></b>	<b><u>28,497,244</u></b>



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

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

The following motor vehicles have been acquired through projects:

<b>Motor Vehicle Registration No.</b>	<b>Project Which Acquired the Motor Vehicle</b>	<b>Current Location</b>
KDB 390Q	Mavoko Drinking Water Project	Tanathi WWDA HQs
KCQ 979Z	Mavoko Drinking Water Project	At project site during the defect liability period
KCQ 978Z	Mavoko Drinking Water Project	Tanathi WWDA HQs
KBS 070K	Matungulu Water Project	Tanathi WWDA HQs
KBT 625N	Mutitu/Thu-Kinakoni Water Project	Nol-Turesh Loitoktok Water
KCE 286X	Masinga-Kitui Water & Sanitation Project	Tanathi WWDA HQs
KCE 287X	Masinga-Kitui Water & Sanitation Project	Tanathi WWDA HQs
KBU 190P	Masinga-Kitui Water & Sanitation Project	Tanathi WWDA HQs
KBU 194P	Masinga-Kitui Water & Sanitation Project	Tanathi WWDA HQs
KBU 163P	Masinga-Kitui Water & Sanitation Project	Tanathi WWDA HQs
KCA 848V	Masinga-Kitui Water & Sanitation Project	Tanathi WWDA HQs
KCA 839V	Masinga-Kitui Water & Sanitation Project	Tanathi WWDA HQs
KDD 156N	Machakos Water Supply Project	Tanathi WWDA HQs
KDJ 022E	Machakos Water Supply Project	Tanathi WWDA HQs
KDB 385Z	Kitui -Matuu Last Mile Connectivity Project	Tanathi WWDA HQs
KDB 370Z	Kitui -Matuu Last Mile Connectivity Project	Tanathi WWDA HQs
KBU 164P	Masinga-Kitui Water & Sanitation Project	Ministry of Water, Sanitation & Irrigation HQs
KCE 302Y	Masinga-Kitui Water & Sanitation Project	Yatta Water Company
KBZ 854D	Kajiado Water Supply Project	Olkejuado Water Company

**20. Trade and Other Payables**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Trade payables	204,066,199	175,211,496
Employee payables	3,073,332	5,500,343
Kenya Revenue Authority	<u>15,299,971</u>	<u>9,455,408</u>
<b>Total trade and other payables</b>	<b><u>222,439,503</u></b>	<b><u>190,167,247</u></b>

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

Ageing analysis: (Trade and other payables)	2022-2023	% of the Total	2021-2022	% of the Total
Under one year	20,619,185	9	15,859,703	8
1-2 years	201,820,318	91	174,307,544	92
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total (tie to above total)</b>	<b>222,439,503</b>	<b>100</b>	<b>190,167,247</b>	<b>100</b>

**21. Deferred Income**

Deferred Income-Short Term	2022-2023 Kshs.	2021-2022 Kshs.
National government	<u>4,742,000</u>	<u>13,336,119</u>
<b>Total Deferred Income</b>	<b><u>4,742,000</u></b>	<b><u>13,336,119</u></b>

	National government Kshs	International funders Kshs	Public contributions and donations Kshs	Total Kshs
Balance Brought Forward	13,336,119.00	-	-	13,336,119
Additions	4,742,000	-	-	4,742,000
Transfers To Capital Fund	-	-	-	-
Transfers To Income Statement	(13,336,119)	-	-	(13,336,119)
Other Transfers	-	-	-	-
Balance Carried Forward	<b>4,742,000.00</b>	-	-	<b>4,742,000</b>

**22. Borrowings**

Borrowings	2022-2023 Kshs.	2021-2022 Kshs.
Balance at beginning of the year	6,504,354,831	5,687,693,837
External borrowings during the year	-	-
Repayments of during the year	-	-
<b>Total</b>	<b><u>6,504,354,831</u></b>	<b><u>5,687,693,837</u></b>



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

Analysis of borrowings are as follows:

	2022-2023	2021-2022
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from African Development Bank	4,816,388,089	4,038,659,498
Kenya shillings denominated loan from African Development Bank	1,482,314,151	1,482,314,150
Euro denominated loan from African Development Bank	<u>205,652,591</u>	<u>166,720,188</u>
<b>Total balance at end of the year</b>	<b><u>6,504,354,831</u></b>	<b><u>5,687,693,836</u></b>

*\*\*The Amount of the loan increased by Kshs. 816,660,995 from the previous year due to change in Exchange rate of foreign currencies in respect of Kenya Shilling. The is for 26 years payable semi - annually and no repayment has been done\**

**23. Revaluation Reserve**

**Revaluation Reserves**

Description	2022-2023	2021-2022
	KShs	KShs
Balance at beginning of the year	16,827,067	33,654,135
Revenue Recognized during the year	<u>(16,827,067)</u>	<u>(16,827,068)</u>
<b>Balance at end of the year</b>	<b><u>-</u></b>	<b><u>16,827,067</u></b>

**24. Accumulated Surplus**

**Accumulated Deficit**

Description	2022-2023	2021-2022
	KShs	KShs
Balance at beginning of the year	(2,872,590,447)	(2,300,250,760)
Revenue Recognized during the year	<u>(1,095,359,477)</u>	<u>(572,339,687)</u>
<b>Balance at end of the year</b>	<b><u>(3,967,949,924)</u></b>	<b><u>(2,872,590,447)</u></b>

**25. Capital Fund**

Description	2022-2023	2021-2022
	KShs	KShs
Balance at beginning of the year	8,709,467,261	5,224,562,951
Revenue Recognized during the year	<u>126,346,535</u>	<u>3,484,904,310</u>

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**Balance at end of the year** 8,835,813,796    8,709,467,261

**26. Employee Benefit Obligations**

**Retirement benefit Asset/ Liability**

The Agency also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Agency's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs.200 per employee per month. Other than NSSF the Agency also has a defined contribution scheme operated by octagon as the administrator and ICEA Lion as the custodian. Employees contribute 7.5% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

**27. Surplus Remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into the Consolidated Fund, ninety per cent of its surplus funds reported in the audited financial statements after the end of each financial year. In line with this legal requirement the Agency did not make any surplus during the year (Previous FY Nil) and hence no remittance to the Consolidated Fund.

The Surplus Remission has been computed as follows:

	2022-2023	2021-2022
	Kshs	Kshs
Surplus for the period	-	-
Less: Allowable deductions by NT	-	-
90% computation (Included in Statement of Financial performance)	-	-

**Surplus Remission Payable**

	2022-2023	2021-2022
	KShs	KShs
Payable at the beginning of the year	-	-
Paid during the year	-	-
<b>Payable at end of the year</b>	<b>-</b>	<b>-</b>



Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.

28. **Cash Generated from Operations**

	Notes	2022-2023 Kshs	2021-2022 Kshs
<b>Cash flows from operating activities</b>			
Deficit for the period		(1,095,359,477)	(572,339,687)
<b>Adjustment for non-cash items:</b>			
Depreciation/Amortization charge	12	<u>280,879,960</u>	<u>278,828,552</u>
<b>Operating surplus before working capital changes</b>		<b><u>(814,479,517)</u></b>	<b><u>(293,511,135)</u></b>
<b>Cash Flow from Operating Activities</b>			
Decrease in Debtors, Prepayments & Receivables	17&18	(113,536,345)	252,797,716
Decrease in Creditors, Accruals and Payables	20&21	<u>23,678,137</u>	<u>(207,122,824)</u>
<b>Total Cash Flow from Operating Activities</b>		<b><u>(89,858,209)</u></b>	<b><u>45,674,892</u></b>
<b>Net Cash flow from operating activities</b>		<b><u>(904,337,726)</u></b>	<b><u>(247,836,243)</u></b>

29. **Reconciliation of the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance**

Description	Amount	Amount
Total as per Statement of Financial Performance		1,329,835,463
<b>Less:</b>		
Depreciation & Amortization	(280,879,960)	
Finance Costs	(816,660,995)	(1,097,540,955)
<b>TOTAL as per Statement of Budget Comparison</b>		<b>232,294,508</b>

30. **Financial Risk Management**

The Agency's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Agency'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 Agency 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 Agency's financial risk management objectives and policies are detailed below:

**i) Credit risk**

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

**Financial Risk Management**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2023</b>				
Receivables from exchange transactions	58,828,906	58,828,906	229,891,154	
Receivables from non-exchange transactions	125,605,323	125,605,322	21,500,790	
Bank balances	23,873,437			
<b>Total</b>	<b>208,307,666</b>	<b>184,434,229</b>	<b>251,391,944</b>	<b>-</b>
<b>As at 30 June 2022</b>				
Receivables from exchange transactions	23,291,291	23,291,291	229,891,154	
Receivables from non-exchange transactions	47,606,592	47,606,592	21,500,790	
Bank balances	425,742,422			
<b>Total</b>	<b>496,640,305</b>	<b>70,897,883</b>	<b>251,391,944</b>	



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**Financial Risk Management**

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 Agency has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the Agency'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 Agency's directors, who have built an appropriate liquidity risk management framework for the management of the Agency's short, medium and long-term funding and liquidity management requirements. The Agency manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Agency 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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2023</b>				
Trade payables	6,849,162	10,322,048	202,194,961	219,366,171
Deferred income	4,742,000	-	-	4,742,000
Employee benefit obligation	3,073,332	-	-	3,073,332
<b>Total</b>	<b>14,664,494</b>	<b>10,322,048</b>	<b>202,194,961</b>	<b>219,366,171</b>
<b>As at 30<sup>th</sup> June 2022</b>				
Trade payables	1,682,548	718,825	182,265,531	184,666,904
Deferred income	13,336,119	-	-	13,336,119
Employee benefit obligation	5,500,343	-	-	5,500,343
<b>Total</b>	<b>20,519,010</b>	<b>718,825</b>	<b>182,265,531</b>	<b>203,503,366</b>

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

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**iii) Market risk**

The Agency has put in place an internal audit function to assist it in assessing the risk faced by the Agency 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 Agency'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. The Agency'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 Agency's exposure to market risks or the way it manages and measures the risk.

**a) Foreign currency risk**

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

Details	KShs	KShs
	2022-2023	2021-2022
Exchange loss	<u>816,660,995</u>	<u>265,580,777</u>

**Financial Risk Management**

Tanathi Water Works Development Agency principal financial instruments comprise receivables/debtors, cash and cash equivalents, investments, unexpended grants and creditors. These instruments arise directly from its operations.

The Agency's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and equity/price risk), credit risk and liquidity risk. It seeks to minimize the



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

potential adverse effects of these financial risks. Risk management is carried out under policies approved by the Board of Directors.

**b) Interest rate risk**

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

**Management of interest rate risk**

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

**iv) Capital Risk Management**

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

	2022-2023	2021-2022
	KShs	KShs
Revaluation reserve	-	16,827,067
Retained earnings	(3,967,949,924)	(2,872,590,447)
Capital reserve	8,835,813,796	8,709,467,261
<b>Total funds</b>	<b><u>4,867,863,872</u></b>	<b><u>5,853,703,881</u></b>
Total borrowings	6,504,354,831	5,687,693,837
Less: cash and bank balances	(23,873,437)	(425,742,422)
Net debt/(excess cash and cash equivalents)	<b><u>6,480,481,394</u></b>	<b><u>5,261,951,415</u></b>
<b>Gearing</b>	<b>75.12%</b>	<b>111.25%</b>

**31. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the Agency 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.

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**Government of Kenya**

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

**Other related parties include:**

- i) The National Government
- ii) The Ministry of Water and Sanitation.
- iii) County Governments
- iv) Other SCs and SAGAs
- v) Other Government Institutions
- vi) Key management.
- vii) Board of directors

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) purchases from related parties</b>		
Purchases of electricity from KPLC	672,665	409,499
<b>Total</b>	<b>672,665</b>	<b>409,499</b>
<b>b) Grants /transfers from the government</b>		
Grants from national govt	249,429,869	1,034,229,590
<b>Total</b>	<b>249,429,869</b>	<b>1,034,229,590</b>
<b>c) Key management compensation</b>		
Directors' emoluments	15,401,986	14,930,914
Compensation to key management	25,224,029	24,396,462
<b>Total</b>	<b>40,626,015</b>	<b>39,327,376</b>
<b>d) Due from Related Parties</b>		
Due from the Ministry	19,896,517	19,896,517
Due from Kiambere -Mwingi Water & Sanitation Co.	100,360	100,360
<b>Total</b>	<b>19,996,877</b>	<b>19,996,877</b>
<b>e) Due to Related Parties</b>		
Loan due to The National Treasury	6,504,354,831	5,687,693,837
<b>Total</b>	<b>6,504,354,831</b>	<b>5,687,693,837</b>



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**32. Contingent Assets and Contingent Liabilities**

	2022-2023	2021-2022
	KShs	KShs
<b>Contingent liabilities</b>		
Sinohydro Corporation	159,633,224.29	159,633,224.29
<b>Forensic audit</b>		
Payable subject to claim	27,133,900.50	27,133,900.50
Legal	55,786,927.67	55,786,927.67
Pending	<u>32,366,434.00</u>	<u>32,366,434.00</u>
<b>Total</b>	<b><u>274,920,486.46</u></b>	<b><u>274,920,486.46</u></b>

**33. Events after the Reporting Period**

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

**34. Ultimate And Holding Agency**

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

**35. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.

20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
	<b>Basis for Qualified Opinion</b>			
1.	<p><b>Current Portion of Receivables from Exchange Transactions Balance</b></p> <p>The statement of financial position and Note 17 to the financial statements reflects current portion of receivables from exchange transactions balance of Kshs. 1,790,501 being net of gross debtors of Kshs. 253,182,445 and provision for bad and doubtful debts of Kshs. 251,391,944. The high provision for bad and doubtful debts has not been explained. Further, included in the gross receivables from exchange transactions of Kshs. 253,182,445 is an advance payment of Kshs. 22,544,451 which was not supported with a detailed schedule.</p> <p>In the circumstances, the accuracy and fair statement of the current receivables from exchange transaction balance of Kshs 1,790,501 could not be confirmed.</p>	<p><b>Management Response</b></p> <p>The amount of Kshs. 251,391,944 includes:</p> <p>i) Kshs: 229,891,154 relating to debt by water Service Provides (WSPs) inherited during time of transiting from Water Service Board to Water Works Development Agency in May, 2019. Since, the WSPs are no longer Agents of Water Works Development Agencies but of County Government, the Agency is</p>	Not resolved	30 June 2023



Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe :
2.	<p><b>Trade and Other Payables</b></p> <p>The statement of financial position reflects trade and other payables balance of Kshs. 190,167,247 as disclosed in note 20 to the financial statements. The balance includes, trade payables amount of Kshs. 175,211,496 which differs with creditors' ageing analysis balance of Kshs. 171,354,252 by unreconciled variance of Kshs 3,857,244. Further, the trade and other payables balance includes creditors balance of Kshs. 160,994,892 which has been outstanding for more than ninety (90) days. In addition, the aging analysis includes two debit balances of Kshs. 1,408,001 and Kshs. 3,736,522 which have been offset from the credit balance contrary to section 48 of international public sector accounting standards 1 which states that assets and liabilities, and revenue and expenses, shall not be</p>	<p>engaging the Ministry of Water, Sanitation &amp; Irrigation to give policy direction on the same.</p> <p>ii) Kshs: 19,896,517 debts by Ministry of Water, Sanitation &amp; Irrigation</p> <p>iii) Kshs: 1,604,273 by former District Water Officers.</p> <p><b>Management Response</b></p> <p>The Ageing Analysis report provided and the financial statements figures are all in agreement.</p>	Resolved	30 June 2023

Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe :
	offset unless required or permitted by an IPSAS. In the circumstances, the completeness, accuracy and fair statement of trade and other payables balance of Kshs. 190,167,247 could not be confirmed.			
3.	<b>Valuation of property, plant and equipment</b> The statement of financial position reflects property, plant and equipment balance of kshs. 11,248,779 as disclosed in Note 19(a) to the financial statements. The balance includes motor vehicles balance of kshs. 16,829,068. However, the value of motor vehicles excludes the vehicles acquired through projects and registered under Tanathi water services board. Further, the vehicles have not been included in the assets register. In the circumstances, the accuracy and fair statement of property, plant and equipment balance of kshs. 11,248,260,779 could not be confirmed.	The motor vehicles acquired through projects are capitalized as part of the project. However, a disclosure of these vehicles is made in the financial statements.	Resolved	30 June 2023
4.	<b>Inaccuracy of differed income balance</b> The statement of financial performance reflects transfers from other government entities balance of kshs. 375,534,431 as disclosed in note 6 to the financial statements. The balance is net of deferred income amount of kshs. 13,336,119 disclosed in note 6(b) to the financial statements. However, comparison of the revenue recognized against equivalent operating costs expensed revealed variances as indicated below:	The issue has been resolved	Resolved	30 June 2023



Tanathi Water Works Development Agency  
 Annual Reports and Financial Statements  
 for the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor				Management comments	Status: (Resolved / Not Resolved)	Timeframe
	Description	Revenue recognized (kshs.)	Equivalent operating cost expensed (kshs.)	Variance (kshs.)			
	Water for schools programs	5,660,635	20,808,932	151,482,970			
	Drought mitigation grant	30,576,155	30,858,229	282,074			
	Cross county water projects grant	52,861,140	36,985,693	15,875,447			
	National water harvesting programme	7,000,000	23,109,806	16,109,806			
	Description	Revenue recognized (kshs.)	Equivalent operating cost expensed (kshs.)	Variance (kshs.)			

Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe :												
	<table border="1"> <tr> <td>Post covid-19 economic stimulus programme</td> <td>18,400,455</td> <td>19,713,890</td> <td>1,313,435</td> </tr> <tr> <td>Other GoK funded projects (Special projects)</td> <td>119,000,000</td> <td>95,798,471</td> <td>23,201,529</td> </tr> <tr> <td>Grant for ASAL area projects</td> <td>4,772,320</td> <td>0</td> <td>4,772,320</td> </tr> </table> <p>In the circumstances, the completeness and accuracy of the deferred income balance of kshs. 13,336,119 could not be confirmed</p>	Post covid-19 economic stimulus programme	18,400,455	19,713,890	1,313,435	Other GoK funded projects (Special projects)	119,000,000	95,798,471	23,201,529	Grant for ASAL area projects	4,772,320	0	4,772,320			
Post covid-19 economic stimulus programme	18,400,455	19,713,890	1,313,435													
Other GoK funded projects (Special projects)	119,000,000	95,798,471	23,201,529													
Grant for ASAL area projects	4,772,320	0	4,772,320													
5.	<p><b>Emphasis of matter</b> <b>Undisclosed material uncertainty relating to going concern</b> The statement of financial performance reflects a deficit of kshs. 572,339,687 (2020/2021 – kshs. 229,546,588), which increased the agency's accumulated deficit to kshs. 2,872,590,447 from kshs. 2,300,250,760 in 2020/2021. Although the agency's working capital is positive, its capacity to sustain operations and fulfil its strategic objectives and statutory mandate is uncertain. Further, management has not disclosed the material uncertainty and the strategies to reverse the unfavourable performance. My opinion is not modified in respect of the above matter.</p>	<p><b>Management Response</b></p> <p>i) The Water Act, 2016 has no provision for Water Works Development Agencies to generate internally generated revenue from water and sewerage asset</p>	Resolved	30 June 2023												



Tanathi Water Works Development Agency  
 Annual Reports and Financial Statements  
 for the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe :
		<p>development. However, the Ministry of Water, Sanitation and Irrigation is reviewing the Act, to provide for payment of Asset Development Levy to the Water Works Development Agencies by Water Service Providers to cut dependence on the exchequer only.</p> <p>ii) The deficit for the period of Kshs: 229,546,588 is attributable to:</p> <p>a) Depreciation for the period of Kshs:</p>		

Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		<p>174,594,788 and,</p> <p>b) Exchange loss of Kshs: 43,027,268.</p> <p>iii) The figure of Kshs. 2,300,250,760 is accumulated figure of the two items stated above overtime hence the going concern of the Agency is not threatened.</p> <p>iv) The current assets figure of Kshs.361,688,657 is net of provision for bad and doubtful debts of Kshs: 251,391,944 hence a <b>gross current asset of Kshs: 613,080,601</b> against a</p>		



Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe :
		<p>current liability of Kshs; 410,626,190 with working capital of Kshs; 202,454,411 (Current ratio (1.49: 1) hence the going concern of the Agency is not threatened</p>		
	<b>Other matter</b>			
1.	<p><b>Unresolved prior year matters</b> The audit report for the previous year highlighted several issues under the report on financial statements, report on lawfulness and effectiveness in use of public resources and report on effectiveness of internal control, risk management and governance. The matters had not been resolved as at 30 June, 2022.</p>	<p><b>Management Response</b> All the prior year audit recommendation were implemented as recommended by the Auditor General's report</p>	Resolved	30 June 2023
2.	<p><b>Non-repayment of African development bank loan</b> As previously reported, the statement of financial position reflects loan balance of kshs. 5,687,693,837 being amount due to the African development bank. The financing and subsidiary loan agreements between the government of Kenya and Tanathi</p>	<p><b>Management Response</b> The Agency was expected to collect revenue from Water Service Providers (WSPs) under whose operations the</p>	Not Resolved	30 June 2023

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
	<p>water works development agency, the successor of Tanathi water service board dated 10 September, 2010, indicate that the government advanced the agency a total of USD 53,913,490 (Kshs. 5,149,753,042).</p> <p>Article IV (Section 4.1) of the subsidiary loan agreement, requires the agency to pay The National Treasury the principal amount in fifty-two consecutive semi-annual instalments commencing from 30 April, 2016. Further, article III (Section 3.1) requires the agency to pay interest on the principal amount at the rate of 3% per annum for a period of 30 years. The interest is to accrue on any unpaid principal or interest amounts.</p> <p>Review of loan records during the year revealed that, the Agency had defaulted in payment of principal and interest which had increased from Kshs.5,422,113,060 in 2021 to Kshs.5,687,693,837, in 2022 by Kshs.265,580,777.</p> <p>In addition, the loan balance was translated using the exchange rate of prevailing when the loan was acquired contrary to international Public Sector Accounting Standard (IPSAS) 4 which requires that foreign currency monetary be translated using the closing rate and the Agency's accounting policy which requires that translation of foreign denominated transaction and balance be made at the reporting date The correspondences relating to the loan were also not provided for audit.</p> <p>In the circumstances, the Agency is exposed to interest and</p>	<p>developed water &amp; sanitation infrastructure falls. However, after devolution of water service provision services to counties, the WSPs ceased being Agencies of the Water Works Development Agencies after their transfer to the counties and collection of the revenue became unrealizable. Due to this, the Agency has engaged the Ministry of Water, Sanitation and Irrigation to provide a policy direction on how these revenues can be effectively collected and the loan repaid.</p>		



Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe :
3.	<p>penalties due to non-repayment of the loan and Management is in breach of the law</p> <p><b>Failure to Conduct Public Participation</b></p> <p>The statement of financial performance reflects operating costs of Kshs. 267,996,153 as disclosed in Note 14 to the financial statements. The balance includes water for School Project, drilling and equipping of 40 NO. of boreholes and post Covid-19 Project expenditures of Kshs. 44,774,774,753 and Kshs. 19,713,890 respectively. Sampled payment vouchers totalling kshs. 72,295,259 revealed that the projects were initiated without involving the public in their identification and implementation as reports on the same were not provided for audit.</p>	<p>The Agency will ensure public participation in all its programmes and projects in the future</p>	Resolved	30 June 2023
4.	<p>In the circumstances, failure to involve the public in project selection may lead to unfavourable projects implementation.</p> <p><b>Non-compliance with the Staff Establishment</b></p> <p>Review of human resource records revealed that the Agency had approved staff establishment of ninety-one (91) staff at various cadres. However, it was noted that only forty-four (44) employees were in position resulting to a shortage of forty-seven (47) Employees. The understaffing hampered the Agency in effectively discharging its mandate.</p> <p>In circumstances, the management was in breach of the law.</p>	<p>The Agency has requested approval and provision of budget from the National Treasury to fill in the critical positions.</p>	Not resolved	30 June 2023

Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
5.	<p><b>Non-Compliance with the National Cohesion and Integration Act</b> Review of human resource records revealed that the Agency had forty-four (44) employees out of which thirty-one (31) representing 70% of the workforce were from the dominant ethnic community in the region. This is, contrary to section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires all public entities to represent the diversity of the people of Kenya in the employment of staff and not to have more than one third of the staff from one ethnic community. In the circumstances, the management was in breach of the law.</p>	<p><b>Management Response</b> The management is in agreement with the audit observation; however, the Management has progressively moved towards ensuring ethnic balancing in all its recruitments and would ensure the same in any future recruitment.</p>	Not Resolved	30 June 2023
6.	<p><b>Non-Compliance with one third Basic Pay Rule</b> Review of the payroll revealed that fifteen (15) officers received net salaries less than a third of their basic salary. This is contrary to section C.1(3) of the Human Resource Policies and Procedures Manual for the public service dated May, 2016, which states that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Head of Human Resource Units should ensure compliance. In the circumstances, the management was in breach of the law.</p>	The Agency notes the observation by the OAG and will ensure strict compliance with the a third rule going forward.	Resolved	30 June 2023
7.	<p><b>Unauthorized Expenditure</b> Review of the statement of comparison of budget and actual amounts revealed that the Agency incurred expenditure totalling to Kshs.25,920,732 above the approved budget in relation to use of goods and services, employee costs and repair and</p>	The Agency will ensure spending within the approved budget.	Resolved	30 June 2023



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe :
	<p>maintenance costs during the year under. Approval for the over expenditure was not provided for audit. In circumstances, the validity of expenditure totalling Kshs.25,920,732 could not be confirmed. The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion</p>			



CEO Tanathi Water Works Development Agency)

Date: 5/2/2024

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**Appendix II: Projects implemented by Tanathi Water Works Development Agency**

Projects implemented by TAAWWDA, development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)
Wote Water Supply Project		GoK	2022/2023	100%	No	Yes
Manooni Alt; Nol-Turesh-Kikumini-Ithumba Water Supply Project		GoK	2022/2023	100%	No	Yes
Mt Kilimanjaro-Amboseli Namanga Water supply project		GoK	2022/2023	100%	No	Yes
Water Supply to Kenanie Leather Industrial Park		GoK	2022/2023	100%	No	Yes
Mavoko Water & Sewerage Interventions - Extension of Pipeline		GoK	2022/2023	100%	No	Yes
Mavoko Last Mile Water Supply Project		GoK	2022/2023	100%	No	Yes
Kwa Kitali Gabions (Phase II)		GoK	2022/2023	100%	No	Yes
Kiambere Mwingi Last Mile Water Project Phase II		GoK	2022/2023	100%	No	Yes
Equipping of Dr. Likimani (Kyang'ombe)		GoK	2022/2023	100%	No	Yes
Equipping of Kithina Borehole		GoK	2022/2023	100%	No	Yes



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)
Equipping of Mlolongo Borehole		GoK	2022/2023	100%	No	Yes
Equipping of Ngalalya Borehole		GoK	2022/2023	100%	No	Yes
Equipping of Mitatini Borehole		GoK	2022/2023	100%	No	Yes
Equipping of Kathiani Hospital Borewhole		GoK	2022/2023	100%	No	Yes
Rehabilitation of Oloika Borehole		GoK	2022/2023	100%	No	Yes
Rehabilitation of Kathemboni Borehole		GoK	2022/2023	100%	No	Yes
Rehabilitation of Kamutei Borehole		GoK	2022/2023	100%	No	Yes
Rehabilitation of Munyiki Borehole		GoK	2022/2023	100%	No	Yes

Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.

Status of Projects completion

SN	Project title	Total Project Cost	Total Expended to date (30th June 2023)	Completion % to date (30th June 2023)	Budget	Actual	Sources of Funds
1	Wote Water Supply Project	54.39 million	155 Million	70%			Gok
2	Manooni Alt; Nol-Turesh-Kikumini-Ithumba Water Supply Project	74.3 million	74.3 million	100%		74.3 million	Gok
3	Design of Mt Kilimanjaro-Amboseli Namanga Water supply project	49.69 Million	34.78 Million	98%		49.69 Million	Gok
4	Water Supply to Kenanie Leather Industrial Park	300 Million Gok 150M (21/22) 35M-Phase I	164.22 Million	64%		300 Million	Gok
5	Mavoko Water & Sewerage Interventions Extension of Pipeline	585 Million Gok 100M(21/22) 31M-Phase I	131 Million	62%		585 Million	Gok
6	Mvoko Last Mile Water Supply Project	22.9 Million	22.9 Million	100%		22.9 Million	Gok
7	Kwa Kitali Gabions (Phase II)	3.888 Million	3.888 Million	100%		3.888 Million	Gok



Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.

Status of Projects completion

SN	Project title	Total Project Cost	Total Expended to date (30th June 2023)	Completion % to date (30th June 2023)	Budget	Actual	Sources of Funds
1	Wote Water Supply Project	54.39 million	155 Million	70%			Gok
2	Manooni Alt; Nol-Turesh-Kikumini-Ithumba Water Supply Project	74.3 million	74.3 million	100%		74.3 million	Gok
3	Design of Mt Kilimanjaro-Amboseli Namanga Water supply project	49.69 Million	34.78 Million	98%		49.69 Million	Gok
4	Water Supply to Kenanie Leather Industrial Park	300 Million GoK 150M (21/22) 35M-Phase I	164.22 Million	64%		300 Million	Gok
5	Mavoko Water & Sewerage Interventions - Extension of Pipeline	585 Million GoK 100M(21/22) 31M-Phase I	131 Million	62%		585 Million	Gok
6	Mavoko Last Mile Water Supply Project	22.9 Million	22.9 Million	100%		22.9 Million	Gok
7	Kwa Kitali Gabions (Phase II)	3.888 Million	3.888 Million	100%		3.888 Million	Gok

Tanathi Water Works Development Agency  
 Annual Reports and Financial Statements  
 for the year ended June 30, 2023.

SN	Project title	Total Project Cost	Total Expended to date (30th June 2023)	Completion % to date (30th June 2023)	Budget	Actual	Sources of Funds
18	Rehabilitation of Munyiki Borehole	5.1 Million	5.1 Million	100%		5.1 Million	Gok



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**Appendix IV: Transfers from Other Government Entities**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount -- KES	Statement of Financial Performance	Where Recorded/recognized			Total Transfers during the Year
					Capital Fund	Deferred Incomes	Receivables	
Ministry Of Water Sanitation & Irrigation	07/07/2022	Development	33,000,000	-	-	-	33,000,000	33,000,000
Ministry Of Water Sanitation & Irrigation	29-Sep-22	Development	15,000,000	15,000,000	-	-	-	15,000,000
Ministry Of Water Sanitation & Irrigation	29-Sep-22	Development	68,750,000	25,000,000	43,750,000	-	-	68,750,000
Ministry Of Water Sanitation & Irrigation	09/12/2022	KIDDP	26,346,535	-	26,346,535	-	-	26,346,535
Ministry Of Water Sanitation & Irrigation	04-Aug-22	Recurrent	9,666,667	9,666,667	-	-	-	9,666,667
Ministry Of Water Sanitation & Irrigation	09-Sep-22	Recurrent	9,666,667	9,666,667	-	-	-	9,666,667
Ministry Of Water Sanitation & Irrigation	05-Oct-22	Recurrent	9,666,666	9,666,666	-	-	-	9,666,666
Ministry Of Water Sanitation & Irrigation	15-Nov-22	Recurrent	9,666,667	9,666,667	-	-	-	9,666,667
Ministry Of Water Sanitation & Irrigation	14-Dec-22	Recurrent	9,666,667	9,666,667	-	-	-	9,666,667
Ministry Of Water Sanitation & Irrigation	05-Jan-23	Recurrent	9,666,666	9,666,666	-	-	-	9,666,666

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

Ministry Of Water Sanitation & Irrigation	07-Feb-23	Recurrent	9,666,667	9,666,667	-	-	-	9,666,667
Ministry Of Water Sanitation & Irrigation	23-Mar-23	Recurrent	4,916,666	4,916,666	-	-	-	4,916,666
Ministry Of Water Sanitation & Irrigation	31-Mar-23	Recurrent	4,750,001	4,750,001	-	-	-	4,750,001
Ministry Of Water Sanitation & Irrigation	14-Apr-23	Recurrent	9,666,667	9,666,667	-	-	-	9,666,667
Ministry Of Water Sanitation & Irrigation	06-Jun-23	Recurrent	9,666,667	9,666,667	-	-	-	9,666,667
Ministry Of Water Sanitation & Irrigation	26-Jun-23	Recurrent	9,666,666	9,666,666	-	-	-	9,666,666
<b>Total</b>			<b>249,429,869</b>	<b>146,333,334</b>	<b>70,096,535</b>	<b>-</b>	<b>33,000,000</b>	<b>249,429,869</b>



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**Appendix VI: Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
	N/A								

*\*\*The Agency did not have Climate Relevant Expenditures*

**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

Ministry Of Water Sanitation & Irrigation	07-Feb-23	Recurrent	9,666,667	9,666,667	-	-	-	9,666,667
Ministry Of Water Sanitation & Irrigation	23-Mar-23	Recurrent	4,916,666	4,916,666	-	-	-	4,916,666
Ministry Of Water Sanitation & Irrigation	31-Mar-23	Recurrent	4,750,001	4,750,001	-	-	-	4,750,001
Ministry Of Water Sanitation & Irrigation	14-Apr-23	Recurrent	9,666,667	9,666,667	-	-	-	9,666,667
Ministry Of Water Sanitation & Irrigation	06-Jun-23	Recurrent	9,666,667	9,666,667	-	-	-	9,666,667
Ministry Of Water Sanitation & Irrigation	26-Jun-23	Recurrent	9,666,666	9,666,666	-	-	-	9,666,666
<b>Total</b>			<b>249,429,869</b>	<b>146,333,334</b>	<b>70,096,535</b>	<b>-</b>	<b>33,000,000</b>	<b>249,429,869</b>



**Tanathi Water Works Development Agency  
Annual Reports and Financial Statements  
for the year ended June 30, 2023.**

**Appendix VII: Reporting on Disaster Management Expenditure**

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
N/A						

*\*\*The Agency did not incur any expenses on Disaster Management during the Financial Year*