



2008

ANNUAL REPORT



*Quest for
Stability and Growth*



Water Services Regulatory Board

Ensuring Access to Quality Water Services for All

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WATER SERVICES REGULATORY BOARD



Annual Report 2008



Vision

To be the leading regulator for the provision of Water Supply and Sanitation Services in Africa.

Mission

To regulate the provision of water supply and sanitation services in Kenya by setting standards, monitoring and enforcing the regulations, to ensure that the consumers are protected and have access to efficient, adequate, affordable and sustainable services for their basic and economic development needs.

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Corporate Information

Board of Directors

Prof Albert Mumma
Mr Caesar N Wanjao
Mrs Fridah Mwadime Mwaluma
Mr Roger Ngoo Shako
Mr Joel K Mbaluka
Eng Francis W Ngokonyo
Mr Njoroge Muhi
Ms Judy Cheptoo Koskei
Mrs Lucy Ambasi
Mr Odanyiro Wamukoya
Ms Margaret Ratemo

Board Committees

Finance and Administration Committee
Technical Services Committee
Audit Committee

Offices

NHIF Building
Ngong Road
P.O. Box 41621-00100
NAIROBI

Bankers

National Bank of Kenya
Hill Branch
P.O. Box 45219-00100
NAIROBI

Auditors

Controller & Auditor General
Kenya National Audit Office
Anniversary Towers
P.O. Box 30084
NAIROBI

Citations of the Board



Prof Albert Mumma

Professor Mumma was appointed by the President to be the Chairman of Water Services Regulatory Board. He holds a Bachelor of Laws, LLB (Hons), from the University of Nairobi, a postgraduate Diploma in Legal Studies from the Kenya School of Law, a Master of Laws, LLM, from Yale University Law School in USA, and a Ph.D. from Cambridge University in UK. He is a specialist in legal and policy arrangements relating to institutional development, Environmental and Natural Resources Law, Administrative Law, Tort Law and the governance of legal forms of associations. He also has expertise in Human Rights Law. He prepared the initial draft of the Water Act 2002 on behalf of the Government of Kenya, which was subsequently enacted by Parliament. He has served as a chairman of various Boards in the country.



Prof Albert Mumma

Mrs Fridah Mwadime Mwaluma

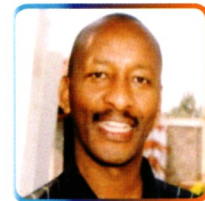
Mrs Mwadime is a holder of a Diploma in Education. She is an educationist and trainer in Development, Gender and Human Rights.



Mrs Fridah M Mwaluma

Mr Caesar N Wanjao

Mr. Caesar N. Wanjao holds a Bachelor of Arts, Economics (Hons), a Bachelor of Laws LLB (Hons), and a post graduate Diploma in Law, from the Kenya School of Law. For a term of three years preceding his appointment, Mr. Wanjao served as a Director of NWCPD during which period the operationalisation of the Water Act 2002 was effected. He has been in active legal practice for over 16 years.



Mr Caesar N Wanjao

Mr Roger Ngoo Shako

Mr Shako holds an LLB from the University of Nairobi and a Diploma from the Kenya School of Law. He is an advocate in private practice specializing in Conveyance, Commercial Law and Family Law.



Mr Roger Ngoo Shako

Mr Joel K Mbaluka

Mr Joel K. Mbaluka holds an LLB (Hons) from the University of Nairobi and a Diploma from the Kenya School of Law. He is an Advocate of the High Court of Kenya in private practice specialising in Commercial Law, Corporate Law, and Environmental Law with immense experience on NEMA related issues.



Mr Joel K Mbaluka

Eng Francis W Ngokonyo

Eng. Ngokonyo is a Director representing the Institution of Engineers of Kenya. He is also the Chairman of the Technical Services Committee. He holds a BSc (Hons) in Electrical Engineering from the University of Nairobi and an MSc Degree in Telecommunications Systems from the University of Essex (UK). He is a Fellow of the Institution of Engineers of Kenya and a Registered Consulting Engineer with the Engineers Registration Board of Kenya. Eng. Ngokonyo is in private practice and is currently Chairman of the Institution of Engineers of Kenya.



Eng Francis W Ngokonyo



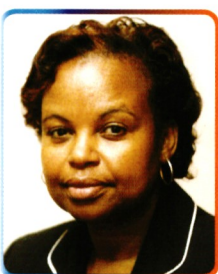
Citations of the Board



Mr Njoroge Muhu

Mr Njoroge Muhu

Mr. Humphrey N. Muhu is an Economist and the Alternate Director to the Permanent Secretary, Treasury. He holds a Bachelor of Science degree (Mathematics and Statistics) from Kenyatta University, a Bachelor of Philosophy degree in Economics and a Master of Arts in Economics both from the University of Nairobi.



Ms Judy Cheptoo Koskei

Ms Judy Cheptoo Koskei

Ms Judy Cheptoo Koskei holds a Bachelor of Arts Degree (Social Work) Hons from the University of Nairobi. She has worked as an administrator and is currently a business woman and farmer.

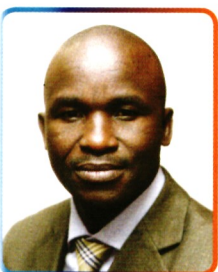
She is the Vice Chairman of the Finance and Administration Committee.



Mrs Lucy Ambasi

Mrs Lucy Ambasi

Mrs Lucy Ambasi is an Alternate Director to the Attorney General and a Principal State Counsel. She holds an LLB (Hons) degree from the University of Nairobi and a diploma from Kenya School of Law.



Mr Odanyiro Wamukoya

Mr Odanyiro Wamukoya

Mr Wamukoya holds a B.Ed (Arts) from Egerton University. He is a development consultant and trainer in Participatory Methodologies and Human Rights. He has also served on various Boards including Child Rights and Legal Education- CRADLE, Institute of Performing Arts (IPAL), and the East African Theatre Institute (EATI).



Ms Margaret Ratemo

Ms Margaret Ratemo

Ms. Margaret Ratemo is a Principal Inspector, State Corporations, and a career civil servant. She holds a Bachelor of Education degree, Masters of Arts degree (Management) and a Higher Diploma in Human Resource Management.





Key Management staff

» *Eng Robert N Gakubia, HSC*

Eng. Gakubia is the Chief Executive Officer. He has held senior positions in the Ministry of Water and Irrigation, rising to the position of Director of Water services. He holds BSc degree in Civil Engineering from University of Nairobi and an MSc Sanitary Engineering degree from IHE Delft, Netherlands. He is a corporate member of the Institution of Engineers of Kenya and a Registered Engineer with the Engineers Registration Board of Kenya.



» *Ms Bernadette Njoroge*

Ms. Bernadette Njoroge is the Corporate Services Manager. She holds an LLB (Hons) degree, and an LLM, from the University of Nairobi, and is a Certified Public Secretary, CPS (K). Previously she worked as a Lecturer at Inoorero Centre; Senior State Counsel at the Attorney General's Office and Legal Counsel at Kenya Tourist Board. She is an Advocate of the High Court of Kenya.



» *Eng Dan O Owore*

Eng Dan Owore is the Regulatory Services Manager. He holds a Bachelor of Science degree in Civil Engineering from the University of Nairobi, and a Master of Science in Water and Sanitation Engineering from IHE Delft, Netherlands. He has over 15 years of experience in the water sector, having worked previously with Nairobi Water Company as a Regional Manager, Kisumu Municipal Council as Town Engineer, Nakuru Water Company as Technical Manager and practised engineering as a Private Consultant. He is a Registered Engineer with the Engineers Registration Board of Kenya and a Corporate Member of the Institution of Engineers of Kenya.



» *Herbert A Kassamani*

Herbert A. Kassamani is the Communications and Public Relations Manager. Mr Kassamani holds an MBA (Marketing) and a Post-Graduate Diploma in Mass Communication from the University of Nairobi; and a Bachelor of Education from Kenyatta University. He has held senior positions in marketing and communications both in the public and private sector. He has also published extensively in magazines, journals and the local media.



» *Richard Cheruiyot*

Richard Cheruiyot is the Inspectorate Manager. He is a holder of a BSc and MSc in Chemistry from the University of Nairobi. Prior to joining WASREB, he worked as a Chemist at the Ministry of Water and Irrigation and as Deputy Regional Manager, NWCP.



» *David Leleito*

David Leleito is the Ag Finance Manager. He holds a B.Com (Finance) from Catholic University for Eastern Africa and a CPA (K). He has over 8 years experience in Finance and Accounting. Mr Leleito is a member of the International Water Association (IWA).





Chairman's Message

A new commitment to stability and growth

Thinking of WASREB in 2008, one cannot help remembering the macro factors that influenced events in many organizations in the country and the micro events that determined output in our own organization.

Year 2008 started with the country in turmoil and suffering from post-election violence which saw a lot of property damaged and human lives lost. This crisis had far-reaching impact on the water services sector as, in many areas, water infrastructure was damaged or vandalized thus undermining WASREB's mandate of ensuring, through regulation, that Kenyans have adequate water services.

Besides this, WASREB was also contending with numerous challenges in the area of governance. Both at Board and management levels, there was instability, which impacted negatively on performance.

However, midway through the year, relative stability had been realized in the country. His Excellency the President and the newly appointed Minister for Water and Irrigation, Hon. Charity Ngilu, moved to constitute a new Board of Directors for WASREB. To many, this was a fresh lease of life for the Water Services Regulator, providing as it did, a fresh opportunity against which the future could be constructed.

The constitution of the new Board came shortly before the lapse of WASREB's

Strategic Plan 2006-2008. Thus, activities of the new Board could begin from the planning phase, where reflection was required on the organisation's mandate and niche in the sector, so that future plans could be pegged on a purposeful strategy.

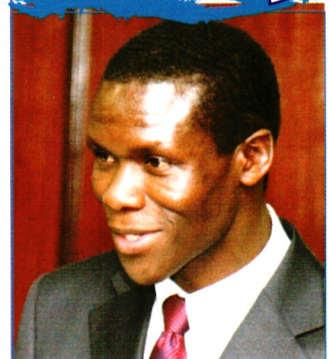
Towards the end of 2008, the Board therefore embarked on the development of a new Strategic Plan for the Regulator for the periods 2009-2012, to be finalised in the first quarter of 2009. The Plan has been aligned with the goals of Vision 2030, which prioritize water as an enabler and catalyst for the overall growth of the country's economy.

These initial steps are the cornerstones, I believe, which the Regulator requires to effectively discharge its mandate. I have every confidence that the organization is now poised for growth and will climb to greater heights.

On behalf of the Board of Directors, I wish to thank members of the Board and WASREB staff for their dedication and hard work. We wish, jointly, to restate our commitment to ensuring that the water sector is well regulated for effective delivery of water services to Kenyans.

Prof Albert Mumma
Chairman

Water infrastructure was damaged or vandalized thus undermining WASREB's mandate of ensuring, through Regulation, that Kenyans have adequate water services





CEO's Statement

6 The Regulator continued the development of model water regulations to be cascaded to WSBs and WSPs

9



Not a proud past... a very promising future

The year 2008 may have started on a sombre note as the country grappled with a political crisis, while the Regulator faced internal challenges that bordered on its own stability. Despite this, the year was momentous in its own way, because the situation described was only short-lived. Thus, WASREB was able to rise from the challenges posed in the early part of the year to continue playing its rightful role in the regulation of water services.

One of the key highlights of the period was the publication of the inaugural water services sub-sector performance report, Impact. The publication of this Report was a milestone in terms of improving transparency and accountability in the sector. The Report gauges the performance of WSPs and WSBs in various sector indicators with respect to sector benchmarks, hence introducing comparative competition in the provision of water services.

During the year, the Regulator also moved to effect an extra-ordinary tariff adjustment for water services across the country. This was out of recognition that inflationary trends were threatening the sustainability of water service provision. The cost of major inputs like electricity, fuel, chemicals, personnel, and spares had become difficult for WSPs to meet. Indeed, many WSPs were facing power cuts making it hard for them to provide water services. With the new tariffs, WASREB hopes that both WSPs and WSBs will be able to improve their resource base for better service delivery.

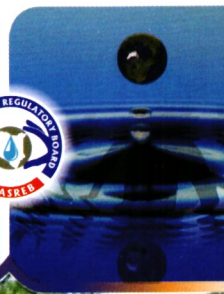
In the period under review, consumer issues received a new focus when WASREB started exploring a mechanism that could get them engaged in water service provision in a more structured way. Following a number of studies and stakeholder consultations, it was agreed that the Regulator should champion the formation of citizen-engagement structures to be referred to as Water Action Groups (WAGs). The formation of WAGs is now at an advanced stage and a pilot programme is set to be initiated early in the year 2009.

Additionally, the Regulator continued the development of model water regulations to be cascaded to WSBs and WSPs. The regulations will be used as a basis for these institutions to develop regulations to govern water service provision within their own areas.

With many of the Regulatory instruments now developed, WASREB is set on a sound footing to face the future where focus is going to be on the enforcement of the regulatory instruments already developed for improved service delivery.

I wish to thank our stakeholders, the Board of Directors, management and staff of WASREB for demonstrating the unrelenting will to grow the work of the Regulator. Together, I am sure, we can move into the future with confidence.

Eng Robert Gakubia
Chief Executive Officer



About The Water Services Regulatory Board

The Water Services Regulatory Board (WASREB) is a non-commercial State Corporation established in March 2003 as part of the comprehensive reforms in the water sector. The mandate of the institution is to oversee the implementation of policies and strategies relating to provision of water and sewerage services. WASREB sets rules and enforces standards that guide the sector towards ensuring that consumers are protected and have access to efficient, adequate, affordable and sustainable services.

Key among the responsibilities of the Regulator is issuance of licences to Water Service Boards (WSBs). Through these licences, WSBs are responsible for the efficient and economical provision of water services within their jurisdictions. Under the Water Act 2002, WSBs should provide services directly, so they have to enter contract with Water Service Providers (WSPs) through signing Service Provision Agreements (SPAs). The Water Services Regulatory Board monitors the performance of WSBs and WSPs on a continuous basis.

Vision

To be the leading Regulator for the provision of water supply and sanitation services in Africa.

Mission

To regulate the provision of water supply and sanitation services in Kenya by setting standards, monitoring and enforcing the regulations, to ensure that the consumers are protected and have access to efficient, adequate, affordable and sustainable services for their basic and economic development needs.

Core Values

- Integrity
- Transparency
- Competence
- Quality services
- Consistency
- Reliability
- Efficiency



Profile

Strategic Objectives

- Effective regulation of the provision of water and sanitation services
- Effective monitoring and enforcement of laws and regulations relating to provision of water and sewerage services.
- Strengthening the institution capacity of the Board to carry out its mandate as a Regulator.
- Ensuring easy access to information on water supply and sanitation services.
- Mainstreaming gender, HIV/AIDS and governance.

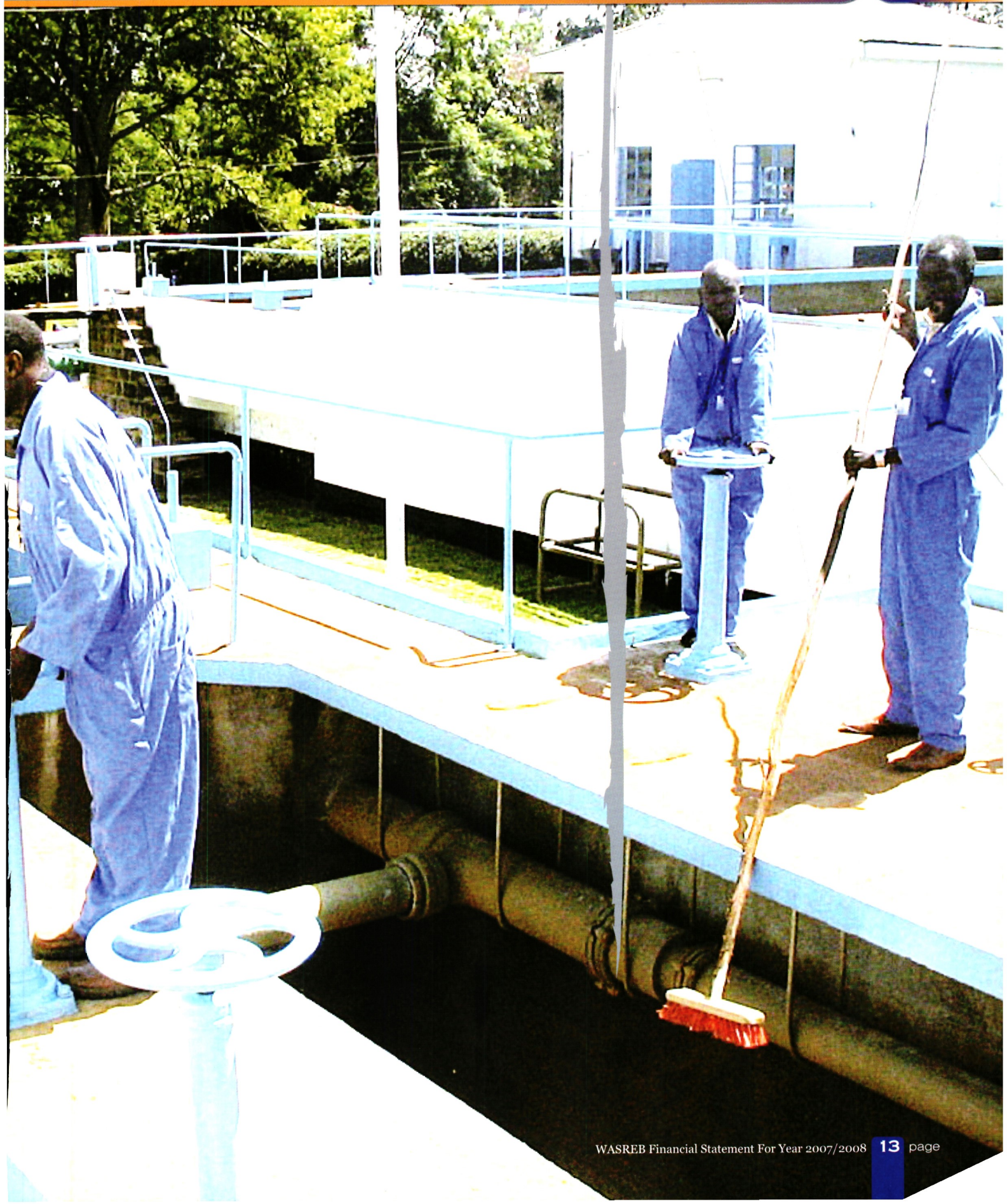
Functions

- Licensing Water Service Boards and approving their appointed Water Service Providers through SPAs.
- Setting rules, establishing standards and guidelines ensuring that Water Service Boards comply with the conditions stipulated in the licences.
- Overseeing the implementation of policies and strategies relating to provision of water and sewerage services.
- Developing guidelines on service provision agreements between WSBs and WSPs.
- Developing operational standards for adoption relating to the whole process of development of water services including design, construction, operations and maintenance of water and wastewater systems.
- Developing standards on water quality and efficient disposal of waste waters.
- Developing guidelines for setting of tariffs.
- Developing guidelines for dispute resolution.
- Determining technical, water quality and effluent disposal standards.
- Monitoring and evaluating the performance of Water Service Boards and Water Service Providers.
- Gathering and maintaining information on water services and publishing forecasts, projections and information on water services.
- Advising the Minister on matters connected to water services.





Profile





Commitment

Corporate Governance Statement

The Water Services Regulatory Board is committed to the values and principles of good corporate governance. Good corporate governance requires that the Board of Directors must govern the corporation with integrity and enterprise in a manner which entrenches and enhances the mandate it has under section 47 of the Water Act 2002. This mandate is not only regulatory but embraces the corporation's interaction with government and other stakeholder such as the Water Services Boards and their providers, consumers of water services, the media, public opinion makers and pressure groups.

The Directors and Management of WASREB regard corporate governance as pivotal to the successes of the Board and are unreservedly committed to ensuring that

good corporate governance is practised so that WASREB remains a sustainable and viable vehicle for regulating water services in Kenya.

As a public service organization, the Board's decisions are guided by the core tenets prescribed in the Public Officers Ethics Act, and internal codes of conduct. We continually strive to strengthen and sustain the trust that the government, the water sector and the public have placed on us. Accordingly, the Board and its committees regularly evaluate the latest national and international standards with the aim of incorporating them in the business processes of WASREB so as to consistently deliver on our mandate.



Hon Charity K Ngilu with the new WASREB Board



Board of Directors

The Board of Directors meets at least four times a year. The Directors are given appropriate information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day to day business to the Chief Executive Officer. The board nonetheless retains oversight responsibility for establishing and maintaining the control of financial, operational and compliance issues.

Committees of the Board

The Board has set up the following committees which meet under well defined terms of reference. This is intended to facilitate efficient decision making of the board in discharging its duties and responsibilities.

Finance and Administration Committee

This committee deals with strategic, financial, employment and administrative issues. It meets at a minimum of four times a year or as necessary. Its membership comprises Mr. Caesar N. Wanjao (Chairman), Ms. Judy Cheptoo Koskei (Vice Chairperson), Eng. F.W Ngokonyo, Mr. Humphrey N Muhu and Mr. A. Gakere. Its responsibilities include; Reviewing of Annual Accounts; Reviewing Development and Recurrent Budgets; Opening and Closure of bank accounts; Recommendation of Board's Strategic Plan and all staff matters.

Technical Services Committee

There is a Technical Services Committee whose membership comprises Eng F.W. Ngokonyo (Chairman), Mrs. Lucy Ambasi, Mr. Joel Kyatha Mbaluka, Mr. Odanyiro Wamukoya and Mr Roger Shako. Its responsibilities include: Overseeing development and enforcement of regulations and laws; Facilitating fixing of tariffs; Reviewing of Water service standards and ensuring compliance; Review of Service Provision Agreements; Recommending issuance of licences to Water Service Boards and making recommendations as regards setting and determination of fees, levies, premiums and other charges to be imposed for water services.

Audit Committee

The Board has constituted an Audit Committee which meets four times a year or as necessary. Its membership comprises Mrs. Frida Mwaluma Mwadime, Mr. Odanyiro Wamukoya, Mr Roger Shako, Mr. Humphrey N Muhu and Mr. A. Gakere. Its responsibilities include; examining and assessing the effectiveness of the internal control system; approving Internal Audit programs; carrying out special audits, verifying Board's assets and liabilities and receiving reports from the Internal Auditor.

Corporate Social Responsibility

WASREB acknowledges its responsibility to society in its capacity as a corporate citizen. Consequently, it endeavors to play an active role in national matters as per its mandate besides contributing to various worthy causes. In the financial year under review, WASREB continued to offer advice to different stakeholders in the sector to facilitate access to quality water services.

The Board and its committees regularly evaluate the latest national and international standards with the aim of incorporating them in the business processes of WASREB so as to consistently deliver on our mandate.



Commitment

Statement of Directors Responsibilities

Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Board as at the end of each financial year and of its surplus or deficit for that year. The Directors are required to ensure that the Board maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the Board. They are also responsible for safeguarding the assets of the Board.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards and in the manner required by State Corporations Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Water Services Regulatory Board as at 30th June 2008 and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statement, as well as adequate systems of internal financial controls.

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

This statement is approved by the Board Directors and it is signed on their behalf by:

Prof. Albert Mumma
CHAIRMAN

Eng. Robert Gakubia, HSC
CHIEF EXECUTIVE OFFICER



Preamble

Despite the numerous challenges WASREB faced on the governance front, the year 2007/8 was momentous in its own way. Highlights of the year included the publication of the first sector performance report, which ushered an era of comparative competition likely to see improvement in the provision of water services.

Concerned with the sustainability of WSPs, the Regulator continued to review tariffs to ensure commercial viability for the WSPs.

Consumer focus received renewed emphasis with WASREB initiating exploration of a mechanism that could get consumers more engaged in the water service provision process. The formation of Water Action Groups (WAGs) is underway with a pilot phase set to start.

Additionally, the Regulator continued the development of model water rules to be cascaded to WSBs and WSPs. The rules will be used as a basis for these institutions to develop rules to govern water service provision within their own areas.

These activities are examined more fully in the chapters that follow.



Quest for Sustainability High on Agenda

A well regulated water sector environment can generally be viewed as one where there are clear operational rules and guidelines, where there is improved access to services, where service delivery is efficient, where institutions are sustainable and there is a mechanism to check that consumers have access to efficient, affordable and sustainable water services.

In pursuit of these goals, the year saw WASREB continuing with the development of diverse regulatory tools. Besides these, tariff reviews were carried out, while the information arm of regulation saw data on water services collected, analysed and disseminated to stakeholders.

Tariff Review

In view of the escalating costs of water service provision, tariff review was a major area of focus for WASREB activities during the year. The objectives of tariff review are:

- i. To ensure financial sustainability
- ii. Foster access to Safe Water as a Human Right
- iii. Promote efficiency in the delivery of water services
- iv. Encourage conservation
- v. Ensure simplicity in the pricing structure of water.

In response to the role bestowed on WASREB in the Water Act, WASREB had initiated the development of water tariff guidelines in 2006, but the bulk of the exercise was undertaken in 2007/2008, when the document was completed. The long period taken to develop the document was due to the diverse scope of work coupled with the need to integrate the production of the guideline with the full participation of stakeholders.

Tariff Guidelines have been developed with the key objective of fixing tariffs that balance commercial, social and ecological interests thus ensuring access to all while

allowing WSPs and WSBs to recover justified costs. The Guidelines are consistent with the Licences and model Service Provision Agreements developed by WASREB. Recognizing that WSPs differ in category and size, the Guidelines address different requirements as follows:

- (a) Setting out approaches to tariff adjustment
- (b) Spelling out requirements that WSPs and WSBs should meet for tariff adjustment applications
- (c) Setting out methodologies for tariff review analysis, approval and subsequent adjustments over time

Thus, tariff adjustments enable WSPs to attain cost coverage of operations and maintenance, while improving performance in specified indicators. Gradually, adjustments are made to cover full cost recovery in order to ensure long-term sustainability.

Though the Guideline was developed with the participation of stakeholders, and later disseminated, the use of the document in tariff application was found to be scanty. This is ironical as most WSPs and WSBs, from the data collected through inspections and WARIS, are unsustainable, and tariff review is one of the major avenues that may be used as a bail out.

During the year, only two applications were received for tariff review. Of these, only one met the set criteria. Some of the problems identified in the tariff review process relate to the application process. They include:

- (a) Poor coordination between joint applicants (WSPs and WSBs)
- (b) Lack of commitment and prioritization on applications
- (c) Use of alternative and unprocedural means to get tariff reviews through the MWI

Tariff review alone should not, however, be viewed as an all encompassing solution to institutional instability. There are myriad of other factors like corporate governance, dilapidated infrastructure, poor clustering, and inadequate

capacity, all of which contribute to the high levels of unsustainability. However, tariff adjustment may be used as a short term remedial measure to financial problems of WSBs and WSPs.

Water Regulatory Information System

Under section the Water Act, WASREB is mandated to be the custodian of information in the water services sub-sector. In response to this role, WASREB developed WARIS to enhance gathering and processing of data, both from WSB and WSP levels. The collected data is analyzed and the information generated is dispatched to stakeholders to facilitate decision making. The information is also used in developing reports on sector performance. WARIS therefore aids and facilitates WASREB's legal requirement to:

- Monitor compliance with established standards
- Monitor the application of the Service Provision Agreements
- Disseminate information about water services
- Gather and maintain information on water services
- Advise the Minister

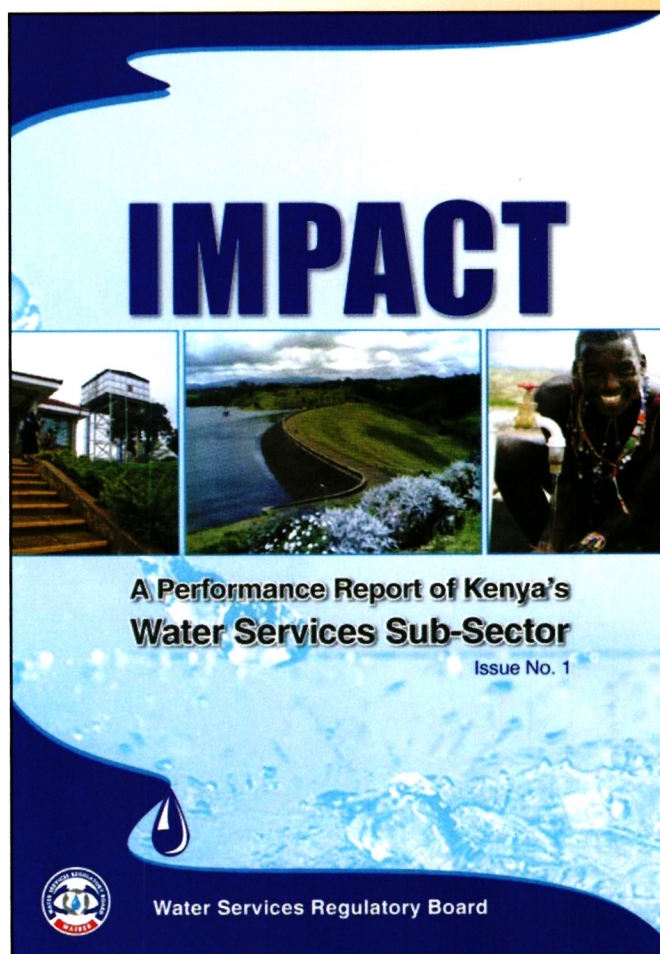
By the first half of the year, WARIS had been installed and used for data capture by all licensees and their operating service providers. A comparative competitive report was then compiled with the collected data, and disseminated for decision-making.

The tool has now been upgraded to a more user-friendly version to fill the gaps realized when it was first administered.

Water Services Sub-Sector Report

In compliance with National Water Services Strategy of 2007-2015, and the Water Act, WASREB drafted and published the inaugural Water Services Sub-Sector Performance Report during the year 2007/08. The report, to be published annually, exhibits the impact of sector reforms and highlights achievements, challenges and

lessons learnt. The report gauges the performance of WSPs and WSBs in various sector indicators with respect to sector benchmarks, hence introducing comparative competition in the provision of water services. By assigning scores to the indicators, the players were ranked. The report was therefore a milestone in improving transparency and accountability in the sector.



Other Regulatory Tools

Other regulatory tools that were under development during the period include Water Demand Management, Kiosk Design Standards, Metering Standards, and Kiosk Management standards.



Focus on Legislation, Governance, Services

Service Provision Agreements

During the year, WASREB developed a model Service Provision Agreement (SPA) for Bulk Water Supply. The SPA was forwarded to the WASREB Board for approval. The SPA is now ready for utilization by Bulk Water Suppliers.

Previous years had seen three types of SPAs developed and approved. The SPAs were for medium to large scale WSPs, community Projects, and community projects operated by third parties.

In the continuous attempt to expand services, WSBs are expected to recruit new WSPs and sign service provision agreements with them. SPAs are the contracts that bind WSBs and WSPs on the standards of service to be delivered to the consumer. In this period, 116 SPAs were submitted to WASREB for review.

The Regulator reviewed the SPAs and submitted a report on the same to different WSBs as well as to the WASREB Board. The review identified that the financial and technical capacity of all WSPs does not meet the standard set out in the Water Act. The WSPs therefore continue operating on an interim basis.

A draft agreement for small scale water service providers was also developed. The agreement applies to small water service facilities owned by communities, operating in a designed service area of an existing WSP.

Corporate Governance

In the water services sector, good governance requires that Boards and senior management of the Services Boards and Water Service Providers govern their entities with integrity and enterprise as agreed under the licence and the Service Provision Agreement. Owing to this, WASREB has sought to support budding institutions in the sector by promoting sound management practices.

There are numerous benefits anticipated from well managed institutions. They include the following:

- Ensuring profitability and efficiency of water services delivery
- Creating ethical business enterprises capable of creating wealth and employment;
- Ensuring the long-term competitiveness of the water sector
- Ensuring financial stability and credibility
- Improving relationships between the different players in the water sector
- Improving the relations between water enterprises and their various stakeholders

Good leadership, resulting from embracing corporate governance principles, will see institutions advance towards the following objectives:

- Attainment of water for all
- Efficiency in the provision and distribution of water services
- Probity for the sustainability of the financial resources
- Transparency and accountability in leadership

During the year, WASREB finalized the development of corporate governance guidelines. A study on corporate governance was also conducted on the sector. Findings of this study were disseminated to WSBs and WSPs. The results of the study will assist WSBs in undertaking governance training and monitoring of governance in the licensed area.



Policy and Legislation

To ensure sustainability of the Regulator, the regulatory levy was gazetted by the Minister of Water. The levy is now a subsidiary legislation of the laws of Kenya

As a policy advisor to the Ministry, WASREB also raised a number of issues with a view to facilitating appropriate legislative amendments or policy shifts. They included:

- Amendment of the Local Government Act to enable the proper corporatisation of WSPs operating facilities previously run by local authorities
- Amendment of the Public Health Act to enable WASREB and WSBs take up powers related to sewerage monitoring that were previously vested in Local Authorities
- Coordination of the provisions of the NEMA effluent discharge levy and the WRMA abstraction fees which are supposed to be paid by WSPs for the same purpose hence double licensing. As a result of this intervention, negotiations were entered into and an agreement was reached with WRMA on the interim abstraction fee to be paid to WRMA by WSPs.

- Inadequacy of the memorandum of understanding between NWCPC with WSBs in construction of water facilities and the preference that the relationship be regulated by a contract with enforceable provisions.
- Incomplete implementation of the Transfer Plan
- Inappropriateness of the lease fee and the determination of liabilities held by local authorities for development of water service facilities.

Model Draft Water Regulations

Under the Water Act, WASREB is mandated to develop guidelines on regulations for the provision of water services to be adopted by licensees. Licensees are in turn required to make regulations spelling conditions for the provision of water services and the tariffs applicable in their areas of operation. These regulations are then supposed to be effected with the approval of WASREB.

During the year, model draft regulations were developed to assist the provision of water services by having provisions in the regulations that code the relationships between WSBs on one hand and WSPs, customers and third parties.



Upward Tide to Improve Service Delivery

During the year, inspections continued to be carried out to monitor standards of service being rendered by the utilities and ensure compliance with the regulatory tools so far developed.

In this regard, inspections were undertaken in all the Water Services Boards and a selected Water Service Providers. Since WSBs have some delegated regulatory functions, it is expected that they should be able to routinely inspect the WSPs based on the checklist already developed by WASREB. The inspections by WASREB to the WSPs therefore serve to supplement those by the WSBs. It was, however, noted in majority of the cases that WSBs have not fully taken charge of their WSPs since the schedules and reports of the inspections were not available during the visits.

Generally, the inspections revealed that WSPs have not fully complied with the provisions of the licence and SPA. The payment of the Regulatory Levy is still largely based on collection and not on billing as provided for in the licence and SPA. Poor management practices were the main issues at the level of WSPs. These included poor delegation of powers and responsibilities, insider lending, problems of unsurrendered or unaccounted for imprests, poor and opaque cost control, poor and opaque tendering procedures without clear guidelines or manuals, and resistance to restructuring and change.

Conflict of interest, resulting from dealings with companies by the Board of Directors were noted in some instances. This was mainly in employment and trading with the company.

Pioneer companies, in the initial sector reforms, under pilot schemes, have done extraordinarily well, implying that

by following the principles applied in turning the pilot cases around, the sector is bound to be rejuvenated to realize good performance. However, apart from adopting good corporate governance, heavy infrastructural investment was made, in the pioneer cases, to revamp infrastructure.

In addition, viable entities need to be engaged as agents of service provision to ensure sustainability. This is largely dependent on the type of water schemes operated for service provision, with pumping schemes being more expensive than gravity schemes. Appropriate clustering and delineation of boundaries of providers to blend both types of schemes to facilitate cross-subsidy should be encouraged to ensure sustainability.

It can be noted that tariffs were lastly reviewed more than ten years ago and this has resulted in expenditures outstripping revenues, due to inflationary trends. It is therefore important that applications for justifiable tariff review be made to aid sustainability.

To address the anomalies identified during the inspections, WASREB issued various directives to be implemented by the respective institutions. In certain cases, however, issues that require policy interventions were realized. Some of the issues noted and which WASREB made recommendations on included the following:-

Conflict of interest, resulting from dealings with companies by the Board of Directors were noted in some instances. This was mainly in employment and trading with the company.

Funding of WSS

WASREB recommended that the WSS budget by the MW&I be increased further while external funding be up-scaled from the current financing. This will improve Unaccounted for Water (UfW) levels and metering ratio, while addressing the dilapidated infrastructure.



Inspections at a water point in progress

Transfer Plan

The transfer plan envisaged the complete sustainability of WSPs and WSBs by June 2008. In this regard the following recommendations were made:

- That the MWI initiates and finances the valuation of assets to facilitate payment of lease fees commensurate with the value of the assets;
- That rationalization of staff be finalized, to inspire confidence in those who are finally deployed, for better productivity and services delivery.

Corporate Governance

Most institutions in the sector have Directors who have no knowledge of the sector. This situation has resulted in poor management of the institutions with regression

or stagnation in performance. There is need to amend the Water Act 2002 to ensure appointment of Directors with defined qualifications, who should also be representative of all the stakeholders. The Corporate Governance Guideline should therefore be finalised as a matter of urgency.

Sustainability

It is clear that reliance on tariffs charged is not enough to cater for the rehabilitation and expansion of infrastructure in the water sector. The government should therefore continue supporting weak water service providers on a targeted programme of achieving sustainability over a first phase of the current service provision agreements, and pursue a viable clustering programme.



Demystifying Regulation Through Communication

Communication has the invaluable role of unraveling complexities, eliminating grey areas, promoting understanding and consequently fostering goodwill between organizations and their stakeholders. In this period, the highlight of WASREB's communication activities was the development of a radio programme to disseminate information on Regulation. Media interventions were also made through the publication of supplements. Effort was also expended towards rallying stakeholder involvement in matters of regulation, while opportunities were exploited to tell the WASREB story in various public forums including the public service week, world water day, shows and exhibitions.

Radio Programme

As part of the awareness building programme, WASREB ran a weekly radio programme branded "Maji Kwa Taifa" on KBC Kiswahili Service. The programme, which ran from August to October 2007, was meant disseminate the regulatory tools developed and enlist the participation of stakeholders in the water sector reform process, with emphasis on regulation. A total of 13 episodes were aired covering the WASREB profile, need for regulation, the licence, SPAs, WARIS, Business Guidelines and Customer Service and Complaints procedures.



Mr Daudi Kanja, Producer of Maji Kwa Taifa Programme, interviews stakeholders in Nyeri



Seminar participants discuss the Water Action Groups concept

The plot entailed interviews with stakeholders to provide experiences on water related issues. At the end of each programme, listeners were asked to answer a simple question, whose prize was WASREB T-shirts. The grand prize at the end of the programme was a 1,000 litre water tank.

Publications

Aqualink, the quarterly house magazine of WASREB, continued to be an important instrument for information sharing. Four issues were produced.



Media Relations

As part of the awareness creation process, WASREB ran a supplement in Daily Nation in September 007. The supplement highlighted the mandate of the Regulator and gave information on key operations of the Board.

Stakeholder Engagement

A number of stakeholder forums were held to derive feedback that would enrich the process of developing Regulation for the sector. In May 2007, stakeholders congregated in Nairobi to get updates on Regulatory tools developed. Later, meetings were held with stakeholders to give comments on the proposed consumer feedback mechanism in the sector and the model water rules developed.

Views received from the forums were incorporated in the subsequent development of the various agenda items discussed.

World Water Day

WASREB also participated in the World Water Day celebrations held in Budalangi, Busia, in March 2008. The theme of the celebrations was improved sanitation, in line with UN dedication of 2008 as the international year of sanitation.

Public Service Week

Activities of WASREB were showcased at the Public Service Week held in Nairobi in August 2007. The forum provided an appropriate opportunity to interact with the public and explain WASREB services to them.



“ The goal is to ensure that consumers are protected and have access to efficient, adequate, affordable and sustainable services for their basic and economic development needs. ”



Enhancing Consumer Feedback in Water Services Delivery

The Regulator, in its mission statement, commits to regulate the provision of water supply and sanitation services in Kenya by setting rules and standards, and monitoring and enforcing guidelines and regulations. The goal is to ensure that consumers are protected and have access to efficient, adequate, affordable and sustainable services for their basic and economic development needs.

However, neither the Water Services Boards who sign Service Provision Agreements with the utilities, nor the Regulator itself have structures that provide direct access to consumers. Thus, a gap is created in gauging the effectiveness of Regulatory tools, which WASREB formulates, and Service Provision Agreements, which WSBs sign with WSPs.

It is against this background that WASREB, jointly with partners and stakeholders, began to explore possible avenues to engage consumers in a structured way. The Regulator led a team of stakeholders to Zambia in March 2008 to learn from the Water Watch Group model established by the National Water and Conservation Council, NWASCO. The objective of the visit was to study the mechanism employed by NWASCO, for engaging consumers, through their Water Watch Groups (WWGs). The team agreed that a feedback mechanism was a useful practice from which lessons could be adopted for the Kenyan context. It was agreed to pilot a model based on realities of the sector in Kenya and lessons learnt over the years in Zambia.

The benefit of the feedback mechanism was envisaged as:

- (i) Ensuring regular and targeted feedback to water service providers
- (ii) Providing 3rd party oversight, dialogue and participation around planned and ongoing investment projects

- (iii) Improving customer orientation and accountability to consumers by institutions involved in implementing the reforms
- (iv) Structuring consumer input into regulatory decision making.

Following the visit, a feedback concept note was developed and ratified by stakeholders. Later, WASREB in partnership with WSP and World Bank Institute convened stakeholders to provide them with training on accountability mechanisms which can be used by service providers, and elaborate further the draft consumer feedback mechanism concept.

WASREB now plans to pilot a model in four towns based on realities of the sector in Kenya and lessons learnt over the years. The pilot programme will cover Nairobi, Mombasa, Kisumu and Kakamega.



The Kenyan delegation on a visit to one of the water points in Lusaka.



Keeping in Step with 'People' Activities

In the year under review, human resource development continued to be a key component of WASREB's activities. A Human Resources Manual was developed to guide staff on key issues of employment. The manual received approval of the Board and is now being implemented as the official policy manual governing WASREB staff.

In this period also, the organization engaged a human resources consultant to carry out a job analysis exercise, a training needs analysis, and an employee satisfaction survey. The consultant also reviewed the organisation's performance appraisal system.

Following the training needs analysis, a training plan was drawn for implementation. Training activities carried out in the course of the year are shown in the table below:

S/NO.	TRAINING	DATE AND VENUE	OFFICER(S) TRAINED
1.	Effective records management	22 nd -28 th July, 2007 GTI Mombasa	Hawa Eddle (Administration Assistant)
2.	Workshop on strategic supply chain management	7 th -10 th August 2007 Sun n Sand Beach Resort Mombasa	Ms. Joyce Moturi (Procurement Officer)
3.	Contract Compliance and performance monitoring	10 th -21 st Sept, 2007 Washington DC	Ms. Jane Njagi (Board Chairperson)
4.	Effective Customer Care Seminar	28 th October-3 rd November, 2007 GTI Mombasa	Ms. Berida Njoki (Office Assistant)
5.	Workshop on overview of international Public Sector accounting standards	15 th -16 th November, 2007 Panari Sky centre Nairobi	Mr. David Leleito (Accountant)
6.	Effective Records Management seminar for local authorities and parastatal organizations	11 th -17 th November, 2007 GTI Mombasa	Ms. Elizabeth Musau (Administration Assistant)
7.	National Workshop in Kenya on Social dialogue in the Water Sector	26 th -27 th November, 2007 Nairobi Safari Club	Mr. Herbert Kassamani (C&PRM)
8.	Participatory tools for hygiene promotion in ASAL areas	21 st -22 nd Nov. 2007 Grand Regency Hotel	Mr. Francis Maluki (Technical Assistant)
9.	Global Economic crime survey findings breakfast	11 th Dec. 2007 Norfolk Hotel	Mr. David Leleito (Accountant)
10.	Regulations Training	March 2008 Zambia	Mr. Herbert Kassamani (C&PRM) Eng. Dan Owore (RSM)



11.	Economic Symposium	13 th -14 th March, 2008 Grand Regency	Mr. George Wakaba (Internal Auditor)
12.	Senior First Aid Training	March 2008 Kenya Red Cross Society	Mr. Peter Mbuvi (Office Assistant)
13.	Refresher Course for Drivers	5 th -16 th May, 2008 KIHBT	Mr. Joseph Muhia (Driver)
14.	Computer Packages	March 2008 (ongoing) KCCT	Mr. David Muraguri (Human Resource Officer)
15.	Beyond the Administrative Secretary Workshop	29 th -30 th May, 2008	Ms. Dorcas Okanga (Secretary)
16.	Integrity training	19 th -23 rd May, 2008 Kenya School of Law	Mr. David Muraguri (Human Resource Officer) Mr. David Leleito (Accountant)
17.	Regulations Training	25 th April-2 nd May, 2008 Accra Ghana	Mr. Richard Cheruiyot (Inspectorate Manager) Mr. Herbert Kassamani (C& PRM)
18.	Strategic Human Resource Management Seminar	7 th - 13 th September, 2008 GTI Mombasa	Mr. David N. Muraguri (Human Resource Officer)
19.	Senior Secretaries Management Seminar	14 th – 20 th September, 2008 GTI Mombasa	Ms. Margaret Karuki (Secretary)

Corruption Eradication

During the year, WASREB undertook to eradicate corruption in various ways in line with the National Strategy on Corruption which advocates zero tolerance to corruption. The measures undertaken in corruption eradication included:-

- (i) Development of anti-corruption policy which states clearly how the organization will tackle corruption
- (ii) Formation of corruption prevention committee headed by the CEO with the Heads of Departments as members and the HRO and Ag. FAM alternating as secretary.

- (iii) Development of Code of Conduct and Ethics which outlines the vision, mission, objectives and the core values of the organization.
- (iv) Training of two integrity officers that is, the Ag. FAM and HRO by the Kenya Anti-Corruption Commission.

HIV/AIDS Interventions

Realising the impact of the HIV/Aids scourge on businesses, WASREB developed a draft HIV/AIDS policy and undertook a voluntary counseling and testing session for HIV/AIDS for its staff. The session saw several staff members tested. Both male and female condoms were distributed by way of placing them at the strategic points like the washrooms.



Pictorial



Hon Charity Ngilu, Minister of Water during the inauguration of WASREB new Board.



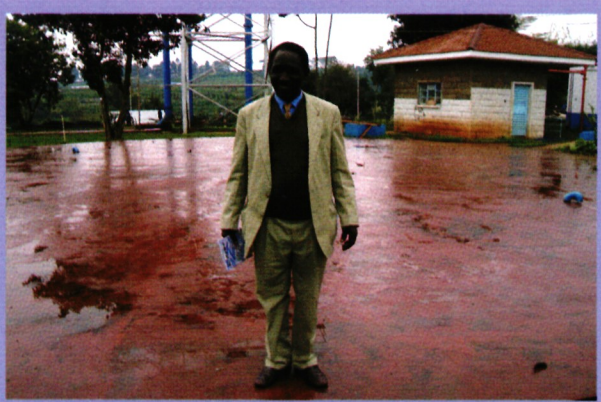
A former minister planting a tree during the World Water Day celebrations 2008.



WASREB staff join others to mark the World Water Day 2008.



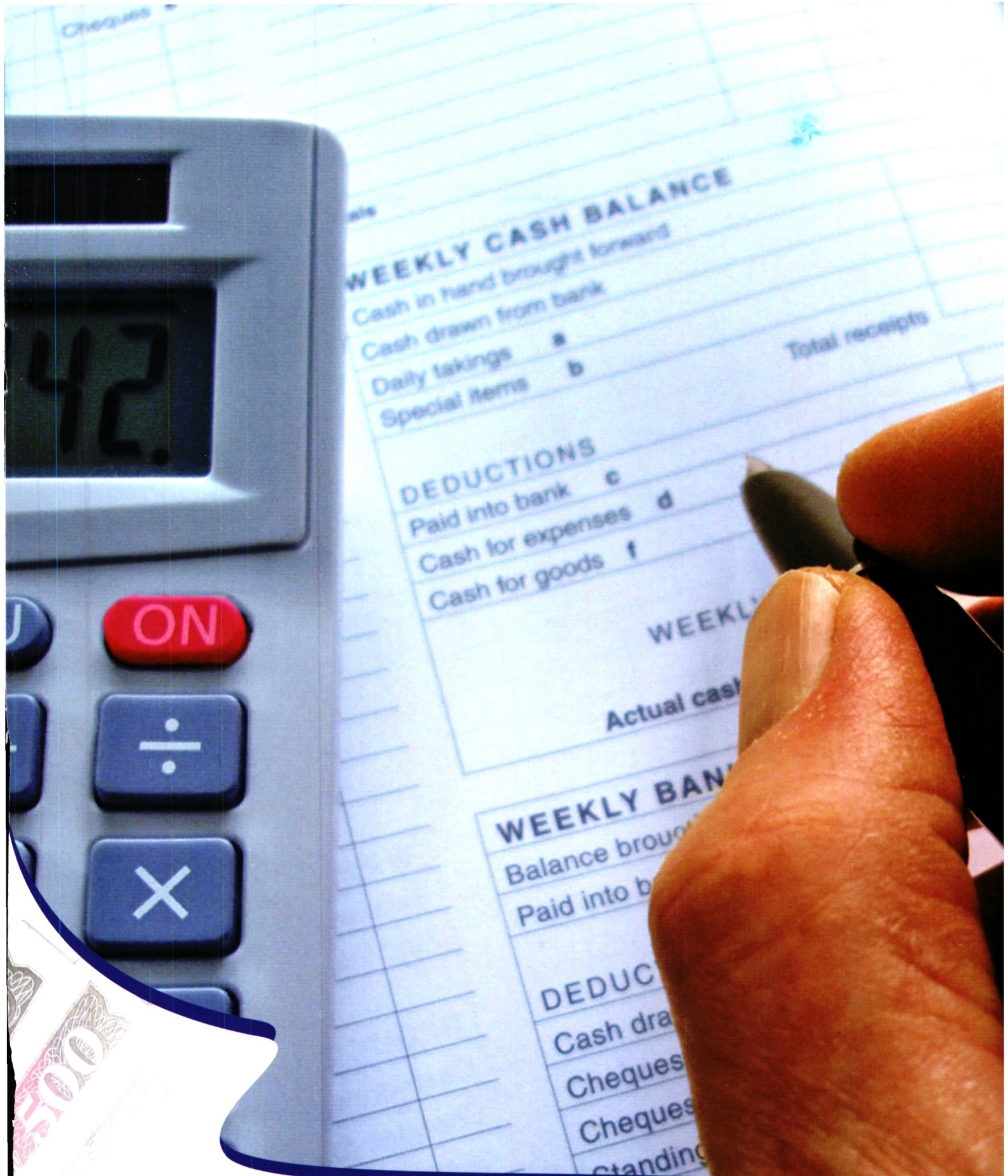
Participants give feedback soon after the launch of Impact Report.



Nyewasco Chairman is overwhelmed by the size of an underground storage tank during a networking visit by WASREB officials.



WASREB CEO, Eng Robert Gakubia, reviews the water services sector performance at the Annual Water Sector meeting in November 2008.



Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2008



Letter from Auditor General

Letter From Auditor General

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF WATER SERVICES REGULATORY BOARD FOR THE YEAR ENDED 30TH JUNE 2008

I have audited the financial statements of Water Services Regulatory Board set out on pages 11 to 19 which comprise the balance sheet as at 30th June 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes. 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.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the Board's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statement based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements that are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of affairs of the Board as at 30th June 2008 and of its surplus and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with Water Act, 2002.

P.N. KOMORA, CBS.
CONTROLLER AND AUDITOR GENERAL

Nairobi, 12 November 2008



Income and Expenditure Statement

		2007/08 Shs.	2006/07 Shs.
INCOME	Notes		
GOK Grants	2	23,896,504.00	22,944,463.00
Regulatory Levy		51,226,721.00	46,455,576.00
Miscellaneous Income		216,838.00	598,300.00
License Fees		-	500,000.00
		75,340,063.00	70,498,339.00
EXPENDITURE			
Personal emoluments	3	28,345,348.00	19,922,891.00
Administration Costs	4	28,289,680.00	39,643,689.00
General Office Expenses	5	1,303,462.00	1,832,701.00
Audit Fees		300,000.00	350,000.00
Depreciation	6	3,640,056.00	3,664,240.00
		61,878,545.00	65,405,689.00
SURPLUS / (DEFICIT) FOR THE YEAR		13,461,517.00	5,084,818.00

N.B

Notes can be found in page 37



7.2 Balance Sheet as at 30th June 2008

NON CURRENT ASSETS	NOTES	2007/08 KShs	2006/07 KShs.
Property, Plant and Equipments	6	5,962,249.00	9,602,305.00
CURRENT ASSETS			
Receivables (Net of provision)	7	20,464,934.00	11,191,359.00
Cash and Cash equivalents	8	30,871,245.00	21,525,261.00
Other current Assets	9	409,572.00	74,630.00
		51,745,751.00	32,791,250.00
		57,708,000.00	42,393,555.00
FINANCED BY			
Capital Reserves	11	8,713,322.00	8,713,322.00
Revenue Reserves	12	44,890,177.00	31,428,660.00
Payables	10	4,104,501.00	2,251,573.00
		57,708,000.00	42,393,555.00



7.3 Statement of Changes in Owner's Fund for the Year Ended 30th June 2008

	Capital Funds (Kshs)	Capital Reserves (Kshs)	Revenue Reserves (Kshs)	Accumulated Funds (Kshs)	Totals
Year ended 30th June 2008					
Balance at start year	-	8,713,322.00	31,428,660.00	-	40,141,982.00
Funds received during the year	-	-	-	-	-
Funds used during the year	-	-	-	-	-
Surplus for the year	-	-	13,461,517.00	-	13,461,517.00
Balances at end of year	-	8,713,322.00	44,890,177.00	-	53,603,499.00

	Capital Funds (Kshs)	Capital Reserves (Kshs)	Revenue Reserves (Kshs)	Accumulated Funds (Kshs)	Totals
Year ended 30th June 2007					
Balance at start year	-	6,056,400.00	26,543,842.00	-	32,600,242.00
Funds received during the year	-	2,656,922	(200,000.00)	-	2,456,922.00
Funds used during the year	-	-	-	-	-
Surplus for the year	-	-	5,084,818.00	-	5,084,818.00
Balances at end of year	-	8,713,322.00			
		31,428,660.00	-		40,141,982.00



7.4 Cashflow Statement for the Year Ended 30th June 2008

	2007/08 Shs	2006/07 Shs
Surplus generated from operating activities	13,461,517.00	5,084,818.00
Adjustment for:		
Depreciation	3,640,056.00	3,664,240.00
	3,640,056.00	3,664,240.00
Changes in working capital:		
Increase/(Decrease) in Receivables	(9,608,515.00)	(2,674,418.00)
Increase/(Decrease) in Creditors	1,852,927.00	1,437,666.00
	(7,755,588.00)	(1,236,752.00)
Net Cash from operating activities	9,345,984.00	7,522,763.00
Investing Activities		
Purchase of Motor vehicle	-	-
purchase of Furniture & fittings	-	(2,538,068.00)
Purchase of Computers	-	(792,500.00)
Net cash from investing activities	-	(3,330,568.00)
Net increase in cash and cash equivalent	9,345,984.00	4,192,195.00
Cash and cash equivalents at start of year	21,525,261.00	17, 335,691.00
Cash and cash equivalents at end of year	30,871,245.00	21,525,261.00



Accounting Policies

a) Basis of Preparation

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) under the historical cost convention.

b) Revenue Recognition

The Board adopts the modified accrual basis of accounting for revenue. Revenue is recognized when funds are received and represent the amount of Funds received from the Government of Kenya, regulatory levy and miscellaneous income received from the sale of tenders. Expenses are recognized when incurred.

c) Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Per Annum		per%
Motor Vehicle	-	20
Furniture, Fittings and Office Equipment	-	15
Computers	-	50

d) Receivables

Trade receivables are recognized and carried at original amount less any unrecoverable amount.

e) Retirement Benefit Obligation

Employees of the Board seconded from National Water Conservation and Pipeline Corporation (NWPC) are members of contributory pension scheme. The Board makes a monthly contribution of 25% of the employee's basic salary and the employees contribute 5% of the monthly basic salary.

f) Comparatives

Where necessary comparative figures have been adjusted where applicable to conform to changes in the current presentation.

g) Accounting for government grants

The government grants received were credited to income and expenditure account as per the IAS No.20. The nature and amount received during the year is disclosed under note 2 to the accounts.

h) Incorporation

The Board is a State Corporation established under the Water Act 2002

i) Reporting Currency

These accounts are presented in Kenya Shillings (Kshs.)

j) Provision for Bad Debts

The provision for bad debts is 10% of the amount outstanding.



Notes to the Accounts

2. GOK Grants

The amount of government grants of Kshs.23, 896,504.00 received for the financial year was as follows:

	2007/08	2006/07
Recurrent	22,000,000.00	10,000,000.00
Development	-	11,000,000.00
Salaries Paid by Ministry to staff Seconded to the Board	1,896,504.00	1,944,463.00
	23,896,504.00	22,944,463.00

3. Personal Emoluments

Salaries	23,784,818.00	16,410,265.00
Reimbursements	1,042,350.00	761,741.00
Pension Costs	993,370.00	551,165.00
Gratuity	1,564,810.00	1,239,690.00
Honoraria	960,000.00	960,000.00
	28,345,348.00	19,922,891.00

4. Administration Costs

Staff training	476,024.00	2,314,223.00
Transport Expenses	1,598,227.00	1,009,353.00
Traveling & Accommodation	2,366,180.00	5,648,662.00
Communication Expenses	2,304,861.00	2,655,743.00
Consultancy Expenses	-	1,498,779.00
Board Committees & Conferences	6,030,228.00	9,985,997.00
Advertising & Publicity	2,342,724.00	4,499,947.00
Bank Charges & Commission	638,257.00	340,265.00
Rent & Rates	3,637,394.00	3,335,840.00
Publishing & Printing	947,852.00	1,960,640.00
Insurance cost	3,637,034.00	2,702,847.00
Office running expenses	2,388,490.00	3,033,217.00
Provision for bad debts	1,599,835.00	658,176.00
	28,289,680.00	39,643,689.00



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2008

5. General Office Expenses

	2007/2008	2006/2007
Purchase of Uniforms	75,590.00	14,300.00
Library Expenses	-	76,425.00
Office Stationery & Equipments	1,379.00	1,339,544.00
Computer Expenses	1,226,493.00	402,432.00
	1,303,462.00	1,832,701.00

6. Fixed Assets Schedule for the period ended 30th June 2008

	Motor vehicles	Furniture and Fittings	Computer and Equipment	Total
Cost at 1.07.2007	5,882,048.00	4,127,305.00	6,558,863.00	16,568,216.00
Additions	-	-	-	-
Disposals	-	-	-	-
Costs at 30th June 2008	5,882,048.00	4,127,305.00	6,558,863.00	16,568,216.00
Depreciation				-
At 1.07.2007	2,663,498.00	730,238.00	3,572,173.00	6,965,909.00
Charge for the period	1,176,409.00	526,035.00	1,937,612.00	3,640,056.00
Accumulated Depreciation	3,839,907.00	1,256,273.00	5,509,785.00	10,605,965.00
Net Book Value As at 30.06.08	2,042,141.00	2,871,032.00	1,049,076.00	5,962,249.00

7. Recievables

	2007/08	2006/07
Staff Debtors	142,831.00	543,000.00
Trade debtors	11,831,510.00	
Athi Water Services Board	12,672,552.00	
Rift Valley Water Services Board	636,889.70	
Lake Victoria South Water S Board	5,942,874.80	
Lake Victoria North Water S Board	3,327,797.00	
	22,580,113.50	
Provision for Bad Debts	(2,258,011.00)	(1,183,151.00)
	20,322,102.50	10,648,359.00
TOTAL	20,464,934.00	11,191,359.00



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2008

8. Cash and Cash Equivalent

	2007/2008	2006/2007
National Bank of Kenya	30,871,245.00	21,525,261.30

9. Other Current Assets

Prepaid Rent	355,159	74,630.00
Accrued interest	54,413	
	409,572	

10. Payables

Trade Creditors	-	661,883.60
Audit fees	300,000.00	350,000.00
Gratuity	2,804,500.00	1,239,690.00
Performance Guarantee	1,000,000.00	
	4,104,500.00	2,251,573.00

11. Capital Reserves

Brought Forward	8,713,322.00	6,056,400.00
For the year	-	2,656,922.00
Carried forward	8,713,322.00	8,713,322.00

12. Revenue Reserves

Brought Forward	31,428,660.00	26,543,842.00
Prior Year adjustments	-	(200,000.00)
Surplus for the year	13,407,104.00	5,084,818.00
Carried forward	44,890,177.00	31,428,660.00

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