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**REPORT**

THE NATIONAL ASSEMBLY

DATE: 17 APR 2024 WED

OF: Hon Naomi Wago, MP  
BY: Deputy Majority Whip  
Finlays

CLERK OF THE PARLIAMENT

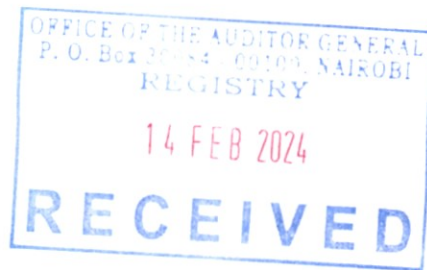
**THE AUDITOR-GENERAL**

**ON**

**WATER SERVICES  
REGULATORY BOARD**

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





**WASREB**  
*Water Services Regulatory Board*

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**WATER SERVICES REGULATORY BOARD**

**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)**



**Water Services Regulatory Board  
Annual Reports and Financial Statements  
For the year ended 30 June 2023.**

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

Water Services Regulatory Board is a corporate body established under the provisions of the Water Act 2016 and operating under the provisions of the State Corporations Act, Cap 446 of the laws of Kenya and it is domiciled in Kenya.

### **(b) Principal Activities**

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.

The principal activities of the Water Services Regulatory Board according to the Water Act 2016 are as follows: -

- (i) Determine and prescribe national standards for the provision of water services and asset development for water services providers;
- (ii) Evaluate and recommend water and sewerage tariffs to the county water services providers and approve the imposition of such tariffs in line with consumer protection standards;
- (iii) Set licence conditions and accredit water services providers;
- (iv) Monitor and regulate licensees and enforce licence conditions;
- (v) Develop a model memorandum and articles of association to be used by all water companies applying to be licensed by the regulatory board to operate as water services providers;
- (vi) Monitor compliance with standards including the design, construction, operation and maintenance of facilities for the provision of water services by the water works development bodies and the water services providers;
- (vii) Advise the cabinet secretary on the nature, extent and conditions of financial support to be accorded to water services providers for providing water services;
- (viii) Monitor progress in the implementation of the water strategy and make appropriate recommendations.
- (ix) Maintain a national database and information system on water services;



## **KEY ENTITY INFORMATION AND MANAGEMENT(CONTINUED)**

### **Principal Activities (continued)**

- (x) Develop guidelines on the establishment of consumer groups and facilitate their establishment;
- (xi) Inspect water works and water services to ensure that such works and services meet the prescribed standards;
- (xii) Report annually to the public on issues of water supply and sewerage services and the performance of relevant sectors and publish the reports in the gazette;
- (xiii) Make regulations on water services and asset development which shall include business, investment and financing plans in order to ensure efficient and effective water services and progressive realization of the right to water services;
- (xiv) Advise the cabinet secretary on any matter in connection with water services; and
- (xv) Make recommendation<sup>20</sup>s on how to provide basic water services to marginalised areas.

### **Vision**

The Vision of the Board is "A proactive and dynamic water services regulator".

### **Mission**

To provide a regulatory environment that facilitates efficiency, effectiveness and equity in the provision of water services in line with the human right to water and sanitation.

### **Strategic Objectives**

The Boards five objectives are as follows: -

- a. Enhance consumer and other stakeholders' confidence in water services regulation
- b. Strengthen governance in water services provision,
- c. Ensure a financially sustainable and socially responsive water services sector.
- d. Enhance compliance with regulations.
- e. Strengthen institutional capacity.

### **(c) Key Management**

The Board/s day-to-day management is under the following organs:

- Board of Directors
- Chief Executive Officer
- Management
- Staff

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**KEY ENTITY INFORMATION AND MANAGEMENT(CONTINUED)**

**(d) Fiduciary Management**

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

S/no	Designation	Name
1.	Ag. Chief Executive Officer (from 16 December 2022)	Dr. Julius Kirimi Itunga
2.	Ag. Chief Executive Officer (up to 16 December 2022)	Joseph K. Keter 'ndc'(K)
3.	Director Corporate Services	Dr. Julius Kirimi Itunga
4.	Director Licensing, Standards and Advocacy (up to May 2023)	Eng. Peter Njaggah
5.	Ag. Director Licensing, Standards and Advocacy	Angela W. Kimani
6.	Director Monitoring and Enforcement	Richard Cheruiyot
7.	Manager Finance and Accounting	David Leleito Kibai
8.	Manager Supply Chain Management	Joyce Moturi

**(e) Fiduciary Oversight Arrangements**

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

**(i) Corporate Services Committee**

This Committee deals with strategic, financial, employment and administrative issues. Its responsibilities include; Performance contract negotiation; Reviewing of Annual Accounts; Reviewing Development and Recurrent Budgets; Recommendation of Board's Strategic Document, monitoring all human resources matters and monitoring the financial management of the corporation and matters of WASREB information, communication and media system and plans.

**(ii) Technical Services Committee**

There is a Technical Services Committee whose responsibilities include; Overseeing development and enforcement of regulations and laws; Approval of tariffs; Reviewing of water service standards and ensuring compliance; Approval of Service Provision Agreements; Recommending issuance of licenses to water service boards and making recommendations as regard setting and determination of fees, levies, premiums and other charges to be imposed for water services.



**KEY ENTITY INFORMATION AND MANAGEMENT(CONTINUED)**

**(iii) Audit and Risk Management Committee**

As per the requirements of the Public Finance Management Act 2012, there is the audit and risk management committee. Its responsibilities include; examining and assessing the effectiveness of the internal control system; approving the Internal Audit programs; carry out special audits, verifying Boards assets and liabilities and receiving reports from the Internal Auditor and to adopt a pro- active risk-based approach in the internal audit system.

**(f) WASREB Headquarters**

P.O. Box 41621 - 00100  
NHIF Building  
Ngong Road  
Nairobi, KENYA

**(g) WASREB Contacts**

TEL: +254 (0) 0202733561  
Email: info@wasreb.go.ke  
Website: www.wasreb.go.ke

**(h) WASREB Bankers**

1. National Bank of Kenya  
Hill Branch  
P.O. Box 45219-00100  
**NAIROBI, KENYA**
2. Kenya Commercial Bank  
Capital Hill-4025  
P.O. Box 69695-00400  
NAIROBI, KENYA
3. Co-operative Bank of Kenya  
Upper hill Branch, Kuscco Centre  
P.O. Box 30415-00100  
NAIROBI, KENYA

**(i) Independent Auditors**



The Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
NAIROBI, KENYA.

**(j) Principal Legal Advisor**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
NAIROBI, KENYA

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**2. THE BOARD OF DIRECTORS**

Ref.	Directors	Details
1.	 <p data-bbox="245 835 584 925">Mr. Job Kipkorir Chirchir</p>	<p data-bbox="608 488 1513 752">He is an independent director appointed on 13<sup>th</sup> October 2023. Job K. Chirchir is a Human Resources Management professional and has worked in various institutions as a board member, most recently, as a Board Chairman, Kenya Forest Services.</p> <p data-bbox="608 770 1513 869">He is serving the Board of Water Services Regulatory Board on a three (3) year term.</p>
2.	 <p data-bbox="245 1379 552 1415">Dr. Edward Kobuthi</p>	<p data-bbox="608 943 1513 1323">Dr. Kobuthi is an independent director appointed on 24<sup>th</sup> September 2020. He holds a PhD in Business Administration in Strategic Management, specializing in corporate governance from the University of Nairobi. He has a Masters Degree in Strategic Management and a Bachelor's degree in marketing and finance both from United States International University.</p> <p data-bbox="608 1341 1513 1778">His vast work experience spans from Project Manager at East African Breweries Limited, Airport Manager at Jomo Kenyatta International Airport, General Manager, Kenya Airways, CEO at AMREF's Meat Processing Plant in Turkana, Part Time Lecturer at KCA University, USIU, to Senior Lecturer at Africa International University. He currently runs EBN Creations Limited as a Safaricom Dealer. He retired from the board on 1<sup>st</sup> February 2023.</p>





**THE BOARD OF DIRECTORS (continued)**

Ref.	Directors	Details
3.	 <p><b>Ms. Gladys Wekesa</b> Alternate Member PS Ministry of Water, Sanitation and Irrigation</p>	<p>Ms. Wekesa is the Director, Department of Transboundary Water Resources under the Ministry of Water, Sanitation and Irrigation. She was appointed to the WASREB Board on 31<sup>st</sup> March 2020 as alternate director to the PS Ministry of Water, Sanitation &amp; Irrigation.</p> <p>She holds a Master's of Science degree in Geology and a Bachelor of Science Degree in Geology from the University of Nairobi. She has held senior positions in the Ministry, among them member of the Nile Technical Committee on the Technical Advisory Committee, member of the Technical Committee of the African Ministers' Council on Water (AMCOW), IGAD Technical Committee on water and the Mara River Basin MoU.</p>
4.	 <p><b>Mr. Godfrey N. Karanja</b> Alternate CS, The National Treasury</p>	<p>Mr. Karanja is a Senior Economic Policy Analyst in Financial and Sectoral Affairs Department. He was appointed to WASREB Board on 30<sup>th</sup> September 2019 as alternate director to the PS National Treasury &amp; Economic Planning. He holds a Master of Business Administration Degree (MBA) specializing in Strategic Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor of Economics Degree from Kenyatta University (KU). He has over 30 years' experience in economic and policy matters. He has held senior positions in the Ministry of Finance, among them, being the Head of Competition matters in the Coast region from 1998 to 2000. He is currently working in the National Treasury.</p>



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**THE BOARD OF DIRECTORS (continued)**

Ref.	Directors	Details
5.	 <p><b>Dr. Julius K. Itunga</b></p>	<p>Dr. Julius K. Itunga assumed the office as the Acting Chief Executive Officer at the Water Services Regulatory Board (WASREB) on 16th December, 2022. He is also the Director Corporate Services. He holds a Doctor of Philosophy (PhD) in Business Administration from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Master in Business Administration and Bachelor of Commerce, Finance Option both from the Catholic University of Eastern Africa (CUEA). He is a Certified Public Accountant of Kenya (CPAK), Certified Public Secretary of Kenya (CPSK); a member of the Institute of Certified Public Accountant of Kenya (ICPAK) and Institute of Certified Public Secretaries of Kenya (ICPSK). Dr. Itunga has over 25 years of experience in public sector management having worked previously in senior positions in Kenya Posts and Telecommunications Corporation/Telkom Kenya, Agricultural Development Corporation and National Biosafety Authority. He also worked as an Associate Lecturer at the Kenya Methodist University and has published extensively in referenced journals.</p>
6.	 <p><b>Joseph K. Keter 'ndc'(K)</b></p>	<p>Joseph K. Keter 'ndc'(K) assumed the office as the Acting Chief Executive Officer at the Water Services Regulatory Board (WASREB) on 13th January, 2022. Mr. Keter is a holder of Master of Business Administration (Project Management) from Kenyatta University and a Bachelor of Arts in International Relations from United States International University of Africa.</p> <p>Prior to joining WASREB, he served as Secretary Administration in the Ministry of Water, Sanitation and Irrigation between 2017 and 2021. During the period, he coordinated the rolling out of three successive Rapid Results Initiatives (RRI) waves which led to completion of over 120 water, irrigation and sanitation projects. He also participated in the preparations of the successful Kenya Sanitation Conference held in October, 2019 at Kenyatta International Conference Centre. While at the Ministry, Mr. Keter was Alternate Director to Principal Secretary at Athi Water Works Development Agency. His tenure as Ag. CEO ended on the 16th of December 2022.</p>



### **3. MANAGEMENT TEAM**

Water Services Regulatory Board re-organized its Organization Structure effective 1<sup>st</sup> June 2020 as follows:


To effectively carry out its functions and fulfil its strategic objectives and mandate, WASREB is structured into three (3) Directorates and five (5) Departments reporting directly to the CEO as shown below:

#### **DIRECTORATES**


1. Licensing, Standards and Advocacy
2. Monitoring and Enforcement
3. Corporate Services

#### **DEPARTMENTS**



1. Corporation Secretary & Legal Services
2. Corporate Communication
3. Research, Planning and Quality Assurance
4. Supply Chain Management
5. Internal Audit

Reference	Management	Details
1.	 <p><b>Dr. Julius K. Itunga</b></p>	<p>Dr. Julius K. Itunga assumed the office as the Acting Chief Executive Officer at the Water Services Regulatory Board (WASREB) on 16th December, 2022. He holds a Doctor of Philosophy (PhD) in Business Administration from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Master in Business Administration and Bachelor of Commerce, Finance Option both from the Catholic University of Eastern Africa (CUEA). He is a Certified Public Accountant of Kenya (CPAK), Certified Public Secretary of Kenya (CPSK); a member of the Institute of Certified Public Accountant of Kenya (ICPAK) and Institute of Certified Public Secretaries of Kenya (ICPSK). Dr.</p>


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Reference	Management	Details
		<p>Itunga has over 25 years of experience in public sector management having worked previously in senior positions in Kenya Posts and Telecommunications Corporation/Telkom Kenya, Agricultural Development Corporation and National Biosafety Authority. He also worked as an Associate Lecturer at the Kenya Methodist University and has published extensively in referenced journals.</p>
2.	 <p><b>Joseph K. Keter 'ndc'(K)</b></p>	<p>Joseph K. Keter 'ndc'(K) assumed the office as the Acting Chief Executive Officer at the Water Services Regulatory Board (WASREB) on 13th January, 2022. Mr. Keter is a holder of Master of Business Administration (Project Management) from Kenyatta University and a Bachelor of Arts in International Relations from United States International University of Africa.</p> <p>Prior to joining WASREB, he served as Secretary Administration in the Ministry of Water, Sanitation and Irrigation between 2017 and 2021. During the period, he coordinated the rolling out of three successive Rapid Results Initiatives (RRI) waves which led to completion of over 120 water, irrigation and sanitation projects. He also participated in the preparations of the successful Kenya Sanitation Conference held in October, 2019 at Kenyatta International Conference Centre. While at the Ministry, Mr. Keter was Alternate Director to Principal Secretary at Athi Water Works Development Agency. His tenure as Ag. CEO ended on the 16<sup>th</sup> of December 2022.</p>



Reference	Management	Details
3.	 <p data-bbox="316 669 624 705"><b>Eng. Peter Njaggah</b></p>	<p data-bbox="692 262 1465 584">Eng. Peter Njaggah is the Director Licensing, Standards and Advocacy. He holds a Bachelor of Science degree in Civil Engineering from the University of Nairobi and Master of Science degree in Environmental Engineering from the University of New Castle –Upon Tyne in UK.</p> <p data-bbox="692 607 1465 1211">Eng. Njaggah has over 25 years' experience and knowledge in the water sector, having previously worked as a senior manager in several water utilities as the Managing Director of Western Water Services Company; as Head of Water and Wastewater departments in Central District Council, South East District Council and Ghanzi District Council- all in the Republic of Botswana, and also in the then Water and Sewerage Department- Nairobi City Council- Republic of Kenya.</p> <p data-bbox="692 1234 1465 1496">He is a Professional Engineer with the Engineers Board of Kenya, a Corporate Member of the Institution of Engineers of Kenya (I.E.K) and member of Institute of Waste Management of Southern Africa. He retired in May 2023.</p>
4.	 <p data-bbox="316 1933 639 1968"><b>Richard K. Cheruiyot</b></p>	<p data-bbox="692 1525 1465 1955">Richard Cheruiyot is the Director Monitoring and Enforcement. He holds a Bachelor of Science degree in Analytical Chemistry from the University of Nairobi. He is also a holder of two Masters degrees in Environmental Chemistry and Business Administration both from the University of Nairobi. Mr. Cheruiyot has over 23 years' experience in management of water services both at policy</p>

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Reference	Management	Details
		<p>levels, regulation and operations with a bias in regulation, with a specific focus on the development and monitoring of compliance to the regulatory framework. Prior to joining WASREB, he worked with the National Water Conservation and Pipeline Corporation as the Deputy Regional Manager in charge of Technical Services in the Western Region.</p>
5.	 <p><b>David Leleito Kibai</b></p>	<p>David Leleito is the Manager Finance &amp; Accounts. He holds a B.Com (Finance) from Catholic University for Eastern Africa and an MBA (strategic management) from University of Nairobi. He is a Certified Public Accountant of Kenya, CPA (K). He has over 22 years' experience in Finance and Accounting. Mr Leleito is a member of the International Water Association (IWA).</p>



#### **4. CHAIRMAN'S STATEMENT**



The year saw WASREB holding close to 20 public consultation meetings for licensing and about 15 Tariff consultations of various Water Service Providers. Stakeholders comprised County Government, Water Works Development Agencies, Consumers, Business Communities and Religious Groups, while ensuring inclusion of minority groups.

Further, the Regulator held regional workshops with utilities and counties, aimed at building capacities of utility Managers and Boards of Directors, as well as county executives on tenets of good governance.

Turning to IMPACT 15, it has revealed a positive trend in water coverage, with an increase from 60% to 62% for piped water systems in regulated utilities. The report also reveals a positive trend in water coverage, with an increase from 60% to 62% for piped water systems in regulated utilities, highlights an overall improvement in drinking water quality across different size categories. On water quality, the national average was 95%. An improvement was noted in all the size categories. Utilities are obliged to comprehensively plan on water quality monitoring and management, both through developing annual sampling programs and formulation of water safety plans within the first year of licensing.

I wish to congratulate utilities that continue to do well and hope that the momentum that has been realized will be sustained within an environment of compliance.

WASREB commits to monitoring utilities with the sole purpose of improving services to citizens. However, collaboration between the Regulator, National government and County governments is desirable to realize this dream.

A handwritten signature in blue ink, consisting of several loops and a vertical line, positioned above the printed name.

**Mr. Job Kipkorir Chirchir**

**CHAIRMAN OF THE BOARD OF DIRECTORS**



## **5. REPORT OF THE CHIEF EXECUTIVE OFFICER**



Regulation has pushed utilities to ensure that there is equity and non-discrimination in the provision of services, consumers have the correct information and are well informed on their rights and obligations. Under sector development, the gains have been realized in ring fencing of revenues and thus avoiding capital leakage and drain, enhancing and optimizing financing and increasing transparency. In all these areas great developments have been witnessed. On the current reporting of Impact 15, there also has been a marginal improvement in the hours of water supply, increasing from 16 to 17, improvement in revenue collection efficiency, rising from 94% to 95%, this indicator is crucial for sustainable water service operations. This report is meant to spur comparative competition in the sector, thus creating impetus for the institutions to improve their performance whilst encouraging accountability of stakeholders in the water sector to the public.

On Non-Revenue Water, it has remained at 45%. In financial terms, the sector lost slightly more than KShs. 11.2 Billion annually. The amount lost annually in terms of volume is 205 million cubic meters. In furtherance of these efforts, WASREB in collaboration with Ministry of Water, Sanitation and Irrigation launched Operation Linda Maji, Lipa Maji! to curb water theft making it available to citizen. The aim of the operation is to nab those undertaking criminal activities including illegal water connections and vandalism of water utilities and infrastructure in general.

This operation will continue until all illegal water connections are removed in order to allow genuine and legal connections to thrive and improve revenue generation to water utilities not only in Nairobi but across the entire country.

As we look to the future, our focus continues to be formalization of service provision through licensing of all WSPs. Over 35 utilities have submitted applications for licensing with 24 having been licensed, laying a foundation for better services with serious commitment and responsibility for customer satisfaction and driving the progressive realization of the right to water. WASREB remains committed to enforcing high performance in the sector which cannot happen without support from all our stakeholders.



**Dr. Julius K. Itunga**

**AG. CHIEF EXECUTIVE OFFICER**



## **6. STATEMENT OF WASREB's PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023**

WASREB recognizes that the financial health of any institution is a key determinant for sustainability. Therefore, in the review period, the Regulator continued employing measures to ensure that a sound financial base was maintained. Among the measures put in place in the year included increased surveillance of the sector to ensure the payment of the regulatory levy and imposing penalties to those who failed to comply with regulatory requirements. In addition, cost control measures were undertaken to ensure efficiency in all operations.

During the period under review, the total revenue increased from Kshs. 417 million to Kshs 432 million. This facilitated the internal financing of development and operational expenditures.

The approved budget for the period was strictly followed and this, coupled with cost control measures, ensured a healthy cash flow position during the year.

Key Strategic Issues To realize its vision and achieve its purposes, this strategy is premised on four (4) key thematic areas: -

- a) Governance
- b) Access to Water Services
- c) Collaboration
- d) Effective Regulator

### **Governance**

Good stewardship ensures proper deployment of resource and curbs revenue leaks in enterprises. Wasreb will aim at promoting improved governance framework in the country both at National and County levels. To this end, the Board will put in place a licensing and monitoring framework that will ensure proper management of resources towards realization of increased access to water services. The water sector has fundamental characteristics that make it highly sensitive to and dependent on multi-level governance. The Constitution of Kenya 2010 allocated increasingly complex and resource intensive responsibilities to County Governments, resulting in inter-dependencies across levels of government that require co-ordination to ensure efficiency, effectiveness and equity in service delivery. The Board will foster mutual co-



operation with the County Governments on governance of water (WSPs), identify and prescribe solutions for regulatory issues and ensure seamless service delivery to the citizenry. The capacity of WSPs will require enhancement to enable them to carry out effective, efficient and sustainable water services provision. Wasreb will consequently enhance monitoring of licensees and ensure compliance with the regulatory framework.

### **Access to Water Services**

Development and management of water services infrastructure is capital-intensive business. Water utilities are torn between the need to invest in replacing aging infrastructure while at the same time finding the financial resources to expand their coverage in an environment of increased water demand due to rapid urbanization. In light of the funding gaps in the sector, Wasreb will endeavour to enhance the revenue inflows into the sector through diversification of revenue sources. This will be achieved by assessing and implementing justified cost-recovery tariffs (internal financing); building the confidence of development partners in the sector (development partners financing); lobbying for increased resource allocation (exchequer) to the sector (public sector financing), promoting access to private sector financing and ensuring the ring-fencing of water revenues.

In order to enhance equity and the right to water, Wasreb will prescribe suitable models for water service provision in marginalized areas and make recommendations to County Government for targeted subsidy for WSPs whose justified tariffs cannot cover the O+M costs to enhance success. However, the recommendation for subsidies will have to be linked to performance. Additionally, the regulator will encourage Public Private Partnerships (PPPs) and Public Partnerships (PPs) in the management of water service provision. Wasreb will in addition, promote strategies towards building the capacity of the WSPs to ensure that they are managed and run by persons with the requisite skills. Wasreb will also seek to offer technical assistance and develop programs that facilitate knowledge sharing and transfer between and amongst the utilities.

### **Collaboration**

This theme is aimed at creating a framework for engagement with key stakeholders namely; consumers, National Government, County Governments, development



partners, learning/professional institutions, regulatory entities among others. An enabling development environment and stakeholder goodwill in water services provision is greatly influenced by the level engagement with the stakeholder in addition to satisfaction amongst the customers of water service providers. Accordingly, the stakeholder engagement framework will seek to avail information required for necessary advocacy and partnerships; provide for platforms for partnerships and envisage modalities for consumer complaint handling and dispute resolution. Wasreb will enhance consumer protection through the regulated utilities. Knowledge is power and ensuring that all players and actors understand their inter-linked roles and responsibilities in water service provision will be the solution to ensure efficient service delivery. To achieve this objective, Wasreb will seek to strengthen its brand as a valuable leader and resource point in water services provision.

#### **Effective Regulator**

Wasreb recognizes that the employee is integral to the successful achievement of organizational strategy. In line with this, Wasreb will develop optimal staffing structures to enable the effective discharge of its mandate and incorporate a progressive corporate culture that will attract, retain and promote a vibrant workforce. In addition, physical infrastructure necessary to support service delivery will be enhanced, while focused resource mobilization will be undertaken to support to fund the regulatory programs.

WASREB develops its annual work plan based on the 4 strategic pillars. assessment of the Board's performance against its annual workplan is done on quarterly basis. The Board achieved its performance targets set for the FY 2022/2023 for its 4 strategic pillars as indicated below: -

#### **(a) Compliance with License Conditions on Established Standards Monitored**

The Board carried out inspections on 36 WSPs for Water Quality Surveillance and Tariff Implementation Reviews done in 7 WSPs.

#### **(b) Implementation of Non-Revenue Water (NRW) Standards Monitored**

The Board enforced the implementation of NRW standards to reduce the NRW levels through the following activities during the year: -

- Reviewed NRW reports and NRW reduction plans submitted by WSPs

- Ensuring NRW requirements are included in the licensing of the WSPs
- Ensuring all tariffs evaluated have a condition on NRW.

**(c) Advisories in Water Services Provision Provided to National and County Governments**

During the year, two advisories were issued:

- Advisory on Bulk water supply framework under the water act 2016 to all WWDAs
- Advisory on Eligibility Criteria for Board of Directors to all WSPs

**(d) County Engagement Strategy Implemented**

The Board engaged Kajjado county regarding the Nol Turesh Bulk water supply system in May 2022 where the county senior officials were in attendance.

The Board is ensuring constant provision of advisories in identified and emerging issues.

**(e) Consumer Engagement in Water Services Delivery Facilitated**

WASREB facilitated Consumer Engagement in Water Service Delivery by:

- i) Enhancing capacity of utilities to improve on their creditworthiness through 4 workshops and sessions held.
- ii) Having mainstreaming campaigns on Non-Revenue Water reduction.
- iii) Enhancing consumer engagement through media and other communication channels.

**(f) Guidelines on Regulation of On-Site Sanitation (OSS) Developed**

The Board developed the OSS guidelines for regulation and was presented to the Board of Directors by end of the year.

**(g) Annual Sub-Sector Performance Report Developed and Published**

Data collection and analysis for 90 WSPs and Rural Small Scale Water Service Providers for the year 2021/22 was undertaken. The Board published and disseminated the performance of the water services sector by 30<sup>th</sup> June 2023.



## **7. 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 71 of the Water Act 2016. 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 corporation 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 MWONGOZO, the Public Officers Ethics Act, and signed 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.

### **(a) Board of Directors**

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. The directors met six (6) times during the 2022/2023 financial year.

**(b) Committees of the Board**

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

**i. Corporate Services Committee**

This Committee deals with strategic, financial, employment and administrative issues. Its responsibilities include; Performance contract negotiation; Reviewing of Annual Accounts; Reviewing Development and Recurrent Budgets; Recommendation of Board's Strategic Document, monitoring all human resources matters and monitoring the financial management of the corporation and matters of WASREB information, communication and media system and plans. The Corporate Services Committee met three (3) times during the financial year 2022/2023.

**ii. Technical Services Committee**

There is a Technical Services Committee whose responsibilities include; Overseeing development and enforcement of regulations and laws; Approval of tariffs; Reviewing of water service standards and ensuring compliance; Approval of Service Provision Agreements; Recommending issuance of licenses to water service boards and making recommendations as regard setting and determination of fees, levies, premiums and other charges to be imposed for water services. The Technical Services Committee met three (3) times during the financial year 2022/2023.

**iii. Audit and Risk Management Committee**

As per the requirements of the Public Finance Management Act 2012, there is the audit and risk management committee. Its responsibilities include; examining and assessing the effectiveness of the internal control system; approving the Internal Audit programs; carry out special audits, verifying Boards assets and liabilities and receiving reports from the Internal Auditor and to adopt a pro- active risk-based approach in the internal audit system. The Audit and Risk Management Committee met two (2) times during the financial year 2022/2023.



## **8. MANAGEMENT DISCUSSION AND ANALYSIS**

WASREB operational and financial performance is as follows; -

### **(i) Internal Controls**

WASREB has defined procedures and financial controls to ensure accurate reporting and safeguarding of resources. The system of internal control defines procedures to ensure that assets are safeguarded, transactions are authorized and recorded, and that material errors and irregularities are either prevented or detected within a reasonable period of time. The performance of WASREB is reported regularly to the Board of Directors through performance trends, forecasts, actual performance analysis and budgets. The Board reviews the effectiveness of internal control systems by assessing the work of both internal and external assurance providers. Internal assurance is carried out by the Internal Audit section, which reports to the Audit and Risk management Committee. The section provides confirmation that standards and policies are complied with. External assurance is provided by the Office of the Auditor General.

The Board is responsible for reviewing internal control systems. Over the period of reporting, the Board was satisfied that the system was effective. However, it is recognized that any system of internal control can only provide reasonable but not absolute assurance against material mis-statement or loss. Internal control and risk management systems are designed to mitigate rather than eliminate the risks identified in the financial reporting process.

### **(ii) Risk Assessment and Control Activities**

The risk assessment process related to financial reporting is conducted annually. The significant accounts in the financial statements are identified based on the evaluation of the impact and likelihood of the risks materializing. Internal audit ensures objective and independent assessment of the adequacy, efficacy and quality of internal controls.

Management is responsible for ensuring that internal control activities are performed and documented, and is required to report to the Corporate Services Committee on compliance on a quarterly basis. In addition, WASREB has implemented a formal audit of the strategy, budget and financial performance. The monitoring of internal controls



and risk management systems is performed at multiple levels such as periodical reviews of documentation. The audits are performed by the internal audit and monitored by the Audit Committee. The Audit Committee charter outlines its roles and responsibilities related to supervision and monitoring of internal control and risk management systems. The monitoring is performed on the basis of periodical reporting from Finance, Internal and External Audits.

### **(iii) Challenges**

While it can be reported that the financial health of the institution was generally sound, challenges were encountered in the collection of the regulatory levy as most companies were unable to clear their arrears on time. In addition, water companies did not fully adhere to the tariff condition on the remission of levy provided in the approved tariff.

The Kenya Towns Sustainable Water Supply and Sanitation Program (KTSWSSP) is another key project being implemented with support from the African Development Bank. The project's main objective is to improve access, quality and availability of water supply in 19 towns and wastewater management services in 17 towns.

The Water and Sanitation Development Project (WSDP) being funded by the World Bank, is being implemented in six counties namely; Mombasa, Wajir, Garissa, Kwale, Kilifi and Taita Taveta.

### **(iv) Build Resilience**

It is estimated that approximately 40% of the global population face water scarcity, while floods and other water-related disasters account for 70% of all deaths related to natural disasters. It is therefore evident that climate change will continue to have far reaching effects on drinking water supplies; ranging from quantity to quality aspects. As interventions are being put in place to mitigate the impacts of climate change, the sector should build resilience of the water supply systems. This will act as means of adaptation and hence minimize these impacts. The sector needs to review policies on water storage and flood control; manage water demand, among competing needs. There is need to improve operation and maintenance, to reduce wastage as an intervention to deal with the challenge.



**(v) Increase Investment**

It is appreciated that the gap between the available financial resources for the sector against the investment requirements remains huge. It is however noted that a majority of the investments lack the last mile infrastructure. This presents a challenge since investments on first mile without a supporting last mile, implies that consumers cannot receive the much-needed service. It is also noted that a number of players have a role in asset development and synergies need to be built to avoid duplication. Duplication makes the investments ineffective. To optimise on investments, the sector requires a coordinated approach. The Ministry of Water, Sanitation and Irrigation, is in the process of developing a national investment plan which will guide all investments in the sector.

**(vi) Sanitation is Wanting**

It is estimated that 68% of the population is served through non-sewered sanitation system. This percentage is expected to increase as we move towards 2030. The establishment of a sanitation department at the policy level will go a long way in providing the much-needed policy guidance on NSS. The regulator has developed some standards both technical and operational on NSS. These however, may not realise much impact without a proper policy framework.

Going forward, a number of incentive mechanisms have been proposed to achieve this including:

- a. Monitoring and annual reporting on sewer and on-site sanitation
- b. Cost accounting for water and sewerage/sanitation services
- c. Tariff increases with improved sewer and on-site sanitation
- d. Ranking influenced by engagement in sewer and on-site sanitation
- e. Introduction of a sanitation development levy to support improvement in access to sanitation services
- f. Implementation of CWIS Services Assessment and Planning Tool.

The regulator is considering incorporating sanitation as a ranking KPI in the assessment of utilities in future.

**(vii) Reduce Water Losses**

Non-Revenue Water (NRW) is at 45%. In financial terms and at the current average NRW of 45% and the sector turnover of KShs. 23.2 Billion, against an acceptable sector



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benchmark of 20%, then conservatively, the sector is losing approximately KShs. 10.5 billion. These include:

- a. Incorporating in the license condition a requirement for a strategy to deal with NRW including having the requisite structure and staff.
- b. Revision of the NRW management standards to incorporate the lessons learnt in the last six years of implementation.
- c. Having NRW as a key component in assessing the potential of a utility to turn around.

**(viii) Enhance Inclusivity**

The present population served by the regulated WSPs is just about 53%, implying that the rest of the population is still reliant on services that are not regulated. The Guideline on Provision of Water Services in the Rural and other Underserved Areas aims at driving the objective of uniform standards under the rights to water and sanitation. The current report has provided a baseline of the type of water services that this segment of the population receives. Counties are expected to use the data collected to improve planning and management of water services in these areas. It is therefore incumbent upon the counties and WSPs to develop realistic roadmaps for the implementation of this Guideline. This is important to guarantee the health and safety of consumers by ensuring that operators adhere to standards in terms of quality, cost and customer service.

In furtherance of this obligation, the regulator in partnership with the counties will require all water system operators to register and obtain licenses for their operations. The initiative follows the successful registration of the same in Nairobi County.

**(ix) Improve Governance**

Inadequate governance continues to be an impediment to effective delivery of services by utilities. Preservation and enforcement of proper governance standards is crucial to the stability of the sector. Realizing this, however, takes time and utilities have to be continually engaged to drive this agenda. The regulator has continued to engage with key actors in this area including the top county management, the Boards of the utilities and the top management. A governance handbook is being prepared to assist counties in enforcing governance standards. Further, the regulator will continue to monitor utilities to ensure they adhere to prescribed service standards by means of a collaborative framework that facilitates transparency through proper reporting and makes the activities of each player predictable for a more robust sector.



## **9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

WASREB acknowledges its responsibility to society in its capacity as a corporate citizen; consequently, it endeavours to play an active role in national matters as per its mandate besides contributing to various worthy causes.

WASREB has continued to offer advices to different stakeholders in the sector to facilitate access to quality water services through the following activities;

### **i) Shows and Exhibitions**

WASREB joined the rest of Kenyans in marking this year's World Water Day celebrations held at Lodekejek Pry. School, Mararal Samburu County on 22<sup>nd</sup> March 2023. During the event tree seedlings were planted and a roof catchment commissioned.

WASREB participated at the annual International Trade Fairs by Agricultural Society of Kenya in Mombasa on 2<sup>nd</sup> to 6<sup>th</sup> November and Nairobi on 26<sup>th</sup> September to 2<sup>nd</sup> October 2022, where they did a high consumer engagement on matters water and sanitation.

### **Workshops**

The Ministry of Water, Sanitation and Irrigation held a virtual training for WASREB staff on the Water Sector Reforms under Water ACT 2016. The purpose was to sensitize staff on the expanded mandate of WASREB within the new ACT for effective service delivery. WASREB undertook Mid Term Review of its Strategic Plan 2018-2023.

WASREB conducted a two-day validation workshop on the new Guideline on Sanitation Trade and Effluent in Naivasha from 23<sup>rd</sup>-24<sup>th</sup> March, 2023. MDs from Kisumu, Eldoret, Mavoko, Thika, Malindi, Nyeri were present. Partners WSUP, WRA, NEMA and CECMs from Kisumu and Kericho were in attendance.

WASREB organized a 2-day compliance workshop at Hill Court Resort, Nakuru from 2<sup>nd</sup>-3<sup>rd</sup> March, 2023. The seminar targeted utilities from North Rift, L.Victoria North and L.Victoria South WWDAs. Discussions were on licensing, tariff, governance, Alternative Financing, NRW and sanitation levy.

WASREB in conjunction with UNICEF held a 3-day workshop from 23<sup>rd</sup> -25<sup>th</sup> May, 2023 on Bottleneck Analysis in Water Sector Financing at Morendat Centre, Naivasha. Participants comprised Utilities and County Water chiefs from Nairobi, Nakuru and Homabay Counties CoG Ministry WASPA WWDAs among others.



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**ii) Charitable Events**

WASREB carried out a tree planting exercise at Muruguma Primary School in Meru County, as part of CSR activities and in line with the Presidential Directive on tree planting in March 2023. WASREB donated 2,500 indigenous seedlings towards the venture.

WASREB in collaboration with Eldoret Water (ELDOWAS) planted trees in Kapkaren Dam in Eldoret, Uasin Gishu County on 23rd June, 2023. This was in fulfilment of the Presidential directive to increase Kenya's forest cover. Moi University students, CFA team, Area leaders, Geo Front nursery participated in the exercise. WASREB donated 4,500 tree seedlings.

**iii) County Engagement Activities**

WASREB Board of Directors and Management held workshops besides having face to face engagements with Governors and County Executive Committee Members in 26 Counties between November, December 2021 and April 2023.

WASREB Management held a round table meeting with Murang'a County top brass in line with County engagement strategy on 09/03/2023 at WASREB offices. Governor HE Dr. Irungu Kang'ata, Maragua MP Mary Wamaua and CECM Water Eng. Mary Magochi discussed cross cutting issues affecting water and sanitation provision in the county.

A governance workshop organized by WASREB in conjunction with Gatsby Africa and Council of Governors-Kenya took place at the Travelers' Beach hotel, Mombasa from 4th -6th April, 2023. Participants included CECMs Water Affairs from 47 Counties, Ministry of Water & Sanitation and Irrigation Water Sector Trust Fund among others. The workshop was opened by PS MWSI Dr. Kiprono Ronoh and addressed by Taita Taveta Governor HE Andrew Mwadime who is chair to Water Caucus at CoG.

WASREB Management had a meeting with Kajiado County on enforcing good governance on 9<sup>th</sup> May, 2023 at the Office of the County Governor. Leading the team was Ag. CEO WASREB Dr. Julius Itunga and it comprised Governor HE Joseph Ole Lenku, German Bank KFW, Ministry of Water, Sanitation and Irrigation, Athi Water Works Development Agency, Oloo Laiser Water Management and BoD.



## **10. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of Water Services Regulatory Board (WASREB) affairs.

### **i. Principal activities**

The principal activity of WASREB is to protect the interests and rights of consumers in the provision of water services.

### **ii. Results**

The results of the entity for the year ended June 30, 2023 are set out on page 1-6

### **iii. Directors**

The members of the Board of Directors who served during the year are shown on page vii-x

### **iv. Surplus remission**

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. WASREB declared a surplus of **Kshs. 23,785,384** during the FY 2022/2023 and hence will remit **Kshs. 16,585,025** to The National Treasury after adjustment for capital expenditure incurred on purchase of property, plant and equipment (PPE) worth **Kshs. 5,373,634.00**.

### **v. Auditors**

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

By Order of the Board

  
**JOHN HOSEA MURUKA**  
**CORPORATE SECRETARY/SECRETARY TO THE BOARD**



## **11. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, water Act 2016, require the Directors to prepare financial statements in respect of WASREB, which give a true and fair view of the state of affairs of WASREB at the end of the financial year/period and the operating results of WASREB for the year ended 30 June 2023. The Directors are also required to ensure that WASREB keeps proper accounting records which disclose with reasonable accuracy the financial position of WASREB. The Directors are also responsible for safeguarding the assets of the WASREB.

The Directors are responsible for the preparation and presentation of WASREB 's financial statements, which give a true and fair view of the state of affairs of WASREB 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of WASREB; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for WASREB'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 and (the State Corporations Act), Water Act 2016. The Directors are of the opinion that WASREB's financial statements give a true and fair view of the state of WASREB's transactions during the financial year ended June 30, 2023, and of WASREB's financial position as at that date.

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

Nothing has come to the attention of the Directors to indicate that WASREB's 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 Board's financial statements were approved by the Board on 27<sup>th</sup> September 2023 and signed on its behalf by:



**CPA DR. JULIUS ITUNGA**  
**AG. CHIEF EXECUTIVE OFFICER**  
**ICPAK NO 8541**

**DATE:** 12/2/24



**CPA DAVID KIBAI LELEITO**  
**MANAGER FINANCE & ACCOUNTS,**  
**ICPAK NO 7983**

**DATE:** 12/2/24

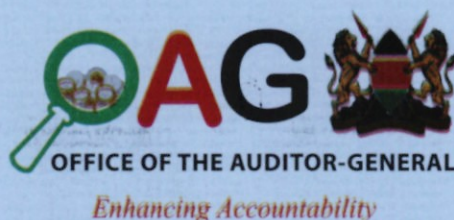


**JOB KIPKORIR CHIRCHIR**  
**CHAIRMAN**

**DATE:** 12/2/24



# REPUBLIC OF KENYA



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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON WATER SERVICES REGULATORY BOARD 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 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, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Water Services Regulatory Board set out on pages 02 to 36, 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 Water Services Regulatory Board 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 Legal Notice No.252 of 18 December, 2015 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unreconciled Debit Entries in Licenses, Fees and Permits**

The statement of financial performance reflects licenses, fees and permits amount of Kshs.349,176,506 as disclosed in Note 7 to the financial statements. Included in this amount are debit balances totalling Kshs.8,180,574 in respect of Kiambere - Mwingi Water Company Kshs.1,104,160 and Kikuyu Water Company Limited Kshs.7,076,414, whose credit balances have not been reconciled. Further, these balances had no corresponding reconciling credits.

In the circumstances, the accuracy and completeness of the licenses, fees and permits revenue of Kshs.8,180,574 could not be confirmed.

#### **2. Inaccuracies in Receivables from Non-Exchange Transactions**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.29,303,588 as disclosed in Note 18 to the financial statements. However, circularization carried out on three (3) trade debtors revealed unexplained and unreconciled variances as summarized below:

<b>Water Service Provider</b>	<b>Financial Statements (Kshs.)</b>	<b>Third Party Confirmation (Kshs.)</b>	<b>Variance (Kshs.)</b>
Mombasa Water Company	30,355,459	180,344,928	(149,989,469)
Tavevo Water Company	1,504,364	49,153,565	(47,649,201)
Kwale Water Company	5,590,666	36,160,675	(30,570,009)

In the circumstances, the accuracy and completeness of receivables from non-exchange transactions balance of Kshs.29,303,588 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Water Services Regulatory Board 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. Undisclosed Contingent Liabilities Relating to Legal Cases**

Review of the court cases against the State Corporation revealed that legal cases were not disclosed in the Board's financial statements. This is contrary to International Public Sector Accounting Standards 1, Presentation of financial statements Paragraph 27.

#### **2. Budgetary Control and Performance**

The statement of comparison of budget and actual performance reflects a final receipts budget and actual on comparable basis of Kshs.452,698,565 and Kshs.431,875,071 respectively, resulting to an under-collection of Kshs.20,823,494 or 5% of the budget. Similarly, the Board spent Kshs.408,089,687 against an approved budget of Kshs.448,033,687 resulting to under-expenditure of Kshs.39,944,000 or 9% of the budget. Further, the budget is not balanced.

The underfunding and under-performance affected the planned activities of the Board and may have impacted negatively on service delivery to the public.

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 financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **Unresolved Prior Years Matters**

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

### **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. Unjustified Foreign Training**

The statement of financial performance reflects use of goods and services expenditure of Kshs.241,652,013 as disclosed in Note 13 to the financial statements. This amount includes foreign travel and subsistence allowance of Kshs.21,897,307. On 16 September, 2022, Management approved a training program for fifteen (15) officers on public and donor funded procurement procedures from 26 September, to 07 October, 2022 at Eastern and Southern Management Institute (ESAMI) headquarters in Arusha. Review of records revealed that the board incurred Kshs.8,584,718 on foreign travel and subsistence allowances during the training. However, this expenditure could have been avoided had the Management done a feasibility study on locally available training institutions for the program.

In the circumstances, value for money was not achieved during the training.

### **2. Delay in Appointment of a Substantive Chief Executive Officer (CEO)**

Review of records revealed that during a Board meeting held on 01 December, 2022, a resolution was made to appoint the current acting CEO as the Acting Chief Executive Officer with effect from 13 December, 2022. The appointment was for a period of six (6) months or until the recruitment of a substantive CEO. However, as at the time of audit in December, 2023, the current acting CEO has been acting for more than twelve (12) months after being appointed on an acting capacity. Further, Management failed to provide evidence of extension of the appointment after the first six (6) months which lapsed in June, 2023. The appointment has exceeded the maximum six (6) months stipulated in Section C.14(1) of Public Service Human Resource Policies and Procedures Manual, 2016.

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

### **3. Anomalies in Procurement Processes**

#### **3.1 Unfair Award of Printing Services**

The Board invited and sent quotations to sixteen (16) firms to apply for quotation for design and printing of 1,000 copies of IMPACT 15 report. Among the criteria set vide document dated 17 May, 2022, was that the bidder should have experience in design and layout of the publications and reports, proven experience with publications of 80 pages and above. The Board awarded the quotation to a local company having quoted Kshs.870,000 and was scored by evaluators an average of 10 points for evidence of similar assignments even though the firm did not provide any evidence or experiences for similar works. Another local company that had quoted Kshs.570,000 had attached proof of similar experience with publications of eighty (80) pages and above was scored an average of zero (0) points. Also, the awarded firm scored an average of ten (10) points on timeliness and flexibility having only indicated in a quotation schedule that the delivery is 5 days. The firm which had quoted the lowest price was awarded an average of 7.5 points having stated the same as the awarded firm. Had the procurement process been fair, Management could have saved Kshs.300,000.



### **3.2 Unjustified Supply of Branded T-Shirts**

Review of procurement documents for quotation Ref No. WASREB/QT/49/2022-2023 for supply and delivery of branded polo T-shirts revealed that the firm that was awarded did not meet the set criteria of proven experience of similar works and delivery of goods within five (5) days after LPO is issued. Further, the awarded company quoted Kshs.650,000 denied the lowest bidder who had attached similar documents and having quoted Kshs.459,500 with no justification from the evaluation report. Had the evaluation exercise been fair, then Management could have saved Kshs.190,500.

### **3.3 Failure to Meet set Criteria**

Review of procurement documents for quotation Ref No. WASREB/QT/39/2022-2023 revealed that the firm which was awarded to supply and deliver another consignment of branded polo T-shirts and umbrellas at a cost of Kshs.380,000 did not meet the set criteria as the firm did not submit samples of designs for each item and proven experience of similar works.

### **3.4 Lack of Notification of Award, Regret Letters and Letter of Acceptance from the Winning Bidder**

Review of procurement file for tender No. WASREB/RFP/03/2022-2023 amounting to Kshs.2,810,689 for media advertising agent revealed that the procurement unit did not notify in writing, the person submitting the successful tender that his or her tender had been accepted. Further, the successful bidder did not signify in writing the acceptance of the award nor did the Accounting Officer notify in writing all other persons who submitted the tenders that their tenders were not successful. This is contrary to Section 87(1, 2 and 3) of the Public Procurement and Asset Disposal Act, 2015 on notification of intention to enter into a contract.

In the circumstances, the procurement processes were not competitive and value for money was not realized. Further, Management was in breach of the law.

## **4. Comingling of Project Account Funds**

The statement of financial performance reflects transfers from other Government entities of Kshs.78,033,095 as disclosed in Note 6 to the financial statements which includes Kshs.73,451,797 relating to Water and Sanitation Development Project (WSDP) Grants. However, review of bank statements for the project operated at a local bank revealed that the Board did not run the operations of the WSDP projects from a designated account but instead, all funds were transferred to WASREB operations account maintained at the National Bank. This is contrary to the guidelines stipulated by the World Bank regarding the management of WSDP funds disbursed to WASREB.

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

## **5. Irregular Payment of Bonus**

The statement of financial performance reflects Kshs.148,120,998 in respect to employee costs as disclosed in Note 11 to the financial statements. The amount includes bonus



payments of Kshs.3,058,636 that were irregularly paid to all the employees in the month of December, 2022. However, the following unsatisfactory issues were noted:

- i. Management submitted WASREB salary structure, including the rates of allowances to the Salaries and Remuneration Commission (SRC) on 25 May, 2022 which was in response to the implementation of the allowance policy guideline by SRC.
- i. In a letter Ref No. SRC/TS/24/5 (97) and dated 24 August, 2023 SRC advised Management to retain the rates of allowances. Further, SRC instructed Management to submit proposals on productivity and performance-based bonus payment to SRC for advice.
- ii. However, Management did not provide documentary evidence of Salaries and Remuneration Commission advice on the payment of annual bonus.
- iii. The payment of the bonus was not sufficiently supported by the Board's resolutions and Accounting Officers approval. Instead, Management provided the performance contract evaluation report which supported the payment of bonus during the financial year 2018/2019.
- iv. Section 8.14.5 of the WASREB Human Resource Policy and Procedures Manual, 2020 lists annual bonus as one of the employee rewards. However, it does not specify the nature, rules, and control measures of the reward scheme. Further, it is not clear whether the nature and rules of the reward scheme was communicated to all employees.

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

## **6. Imprest Management**

### **6.1 Issuance of Multiple Imprest**

The statement of financial performance reflects use of goods and services expenditure of Kshs.241,652,013 as disclosed in Note 13 to the financial statements. Included is domestic travel and subsistence of Kshs.30,618,084 and foreign travel of Kshs.21,897,307. However, review of the imprest register revealed that, members of staff were issued with multiple imprests before accounting for previous ones.

### **6.2 Unaccounted for Imprest**

The statement of financial position reflects other current assets balance of Kshs.8,546,141 as disclosed in Note 19 to the financial statements. The balance includes staff debtors of Kshs.1,125,145, out of which Kshs.52,370 is in respect to outstanding staff imprests which have not been accounted for, contrary to the provisions of Regulation 93(4)(b) of Public Finance Management (National Government) Regulations, 2015 which requires that before issuing temporary imprests, the Accounting Officer shall ensure that the applicant has no outstanding imprests.

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



## **7. Unbudgeted Receipts of Donor Funds**

The statement of financial performance reflects transfers from other Government agencies of Kshs.78,033,095 as disclosed in Note 6 to the financial statements. However, the funds were not included in the Board's final approved budget. Further, there was no evidence of notification to the Cabinet Secretary and the National Treasury regarding the budgetary change arising from the additional revenue. This is contrary to provisions of Section 47(1) of the Public Finance Management (National Government) Regulations, 2015, which require such disclosure.

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

## **8. Unbalanced Budget**

Review of the statement of comparison of budget and actual amounts revealed that the Management prepared an unbalanced budget that reflects budgeted income of Kshs.452,698,565 and expenditure of Kshs.448,033,095 resulting to an unexplained variance of Kshs.4,665,470. This is contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 which states that the budget shall be balanced.

## **9. Unapproved Board Retreat**

The statement of financial performance reflects Board expense of Kshs.8,944,537 as disclosed in Note 12 of the financial statements. The amount includes Kshs.634,387 incurred by five (5) board members during a board retreat held for three (3) days from 22 to 24 January, 2023 at a lodge to plan on hiring of a substantive CEO. However, no approval for the retreat was provided for audit.

In the circumstances, the regularity and value for money incurred during the Board retreat could not be confirmed.

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

## **10. Non-Preparation of Pre-Numbered Receipt Vouchers**

The statement of financial performance reflects total revenue from non-exchange transactions balance of Kshs.427,209,601 as disclosed on Note 6 and 7 to the financial statements. However, review of revenue records revealed that Management recorded revenue receipts in the general ledger without creating pre-numbered receipt vouchers, and no such vouchers were provided for audit. This non-compliance with the stipulations for preparing receipt vouchers is a violation of Regulation 104(1) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, mitigation of risks associated with collection and banking of all revenue 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 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, except for the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Weak Controls in Enforcement of Collection of Regulatory Levy**

Review of records relating to licenses revenue revealed that Water Service Providers were not compliant with the requirement of remitting a license operation fee of four percent (4%) of turnover on or before the 15th day of each month to the regulator. Further, Water Service Providers have not been complying with licensing conditions and prevailing service level agreements. In addition, Management has not implemented adequate controls and policies in the collection of regulatory levies and have not demonstrated efforts to enforce licensing conditions, thereby failing to fulfill its statutory obligation as outlined in Section 72(1)(d) of the Water Act, 2016.

In the circumstances, the Board may be losing realizable revenue from regulatory levies due to non-compliance.

#### **2. Lack of an Approved Strategic Plan**

Review of documents revealed that the Board lacks a current and approved strategic plan. The strategic plan for the Board, which covered the period from 2018-2022, had lapsed one year ago. The absence of a current and approved strategic plan raises concerns regarding the Board's capacity to effectively manage and align its activities with its long-term objectives.

In the circumstances, the Board's strategic plans and strategies for the next five (5) years could not be confirmed.

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



## **Responsibilities of Management and Board of Directors**

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

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

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

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

The Board of Directors is responsible for overseeing the Board'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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 Board's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**21 March, 2024**



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

	Notes	2022-2023 Kshs	2021-2022 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other government Agencies	6	78,033,095	5,380,870
Licenses, Fees & Permits	7	349,176,506	403,503,779
		<b>427,209,601</b>	<b>408,884,649</b>
<b>Revenue exchange transactions</b>			
Sale of goods	8	1,101,421	20,000
Finance income	9	25,842	138,477
		<b>1,127,263</b>	<b>158,477</b>
<b>Total revenue</b>		<b>428,336,864</b>	<b>409,043,126</b>
<b>Expenses</b>			
Employee costs	11	148,120,998	133,324,711
Board expenses	12	8,944,537	21,029,935
Use of goods and services	13	241,652,013	154,492,558
Depreciation	14	7,776,246	1,394,513
Repairs and maintenance	15	1,595,893	2,351,321
<b>Total expenses</b>		<b>408,089,687</b>	<b>312,593,038</b>
<b>Other Gains/(Losses)</b>	10	3,538,207	8,823,342
<b>Surplus/(Deficit) for the period</b>		<b>23,785,384</b>	<b>105,273,430</b>
Transfer to Mortgage facility	16	-	50,000,000
Remission to National Treasury	30	16,585,025	26,981,571.60
<b>Net Surplus for the year</b>		<b><u>7,200,359</u></b>	<b><u>78,291,858.40</u></b>

The notes set out on pages 7 to 33 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:



CPA DR. JULIUS ITUNGA  
AG. CHIEF EXECUTIVE OFFICER  
ICPAK NO 8541

DATE: 12/2/24



CPA DAVID KIBAI LELEITO  
MANAGER FINANCE & ACCOUNTS  
ICPAK NO 7983

DATE: 12/2/24



JOB KIPKORIR-CHIRCHIR  
CHAIRMAN

DATE: 12/2/24



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

	Notes	2022-2023 Ksh	2021-2022 Ksh
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	352,363,909	417,773,752
Receivables from Non- Exchange Transactions	18	29,303,588	32,841,794
Other current assets	19	8,546,141	7,711,303
<b>Total Current Assets</b>		<b>390,213,638</b>	<b>458,326,849</b>
<b>Non-current assets</b>			
Property, Plant and Equipment	20	42,235,467	36,842,212
<b>Total Non- Current Assets</b>		<b>42,235,467</b>	<b>36,842,212</b>
<b>Total Assets</b>		<b>432,449,105</b>	<b>495,169,061</b>
<b>Liabilities</b>			
Trade and Other Payables	21	29,085,524	85,406,019
Refundable Deposits from Customers	23	215,419,764	204,865,085
Deferred Income	24	9,922,124	25,157,905
<b>Total Liabilities</b>		<b>254,427,412</b>	<b>315,429,009</b>
<b>Net Assets</b>			
Capital Fund	25	47,967,577	36,487,577
Revaluation Reserve	26	(814,133)	2,460,000
Accumulated Surplus	27	130,868,249	140,792,475
<b>Total Net assets</b>		<b><u>178,021,693</u></b>	<b><u>179,740,052</u></b>
<b>Total Net Assets and Liabilities</b>		<b><u>432,449,105</u></b>	<b><u>495,169,061</u></b>

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



CPA DR. JULIUS ITUNGA  
AG. CHIEF EXECUTIVE OFFICER  
ICPAK NO 8541  
DATE: 12/2/24



CPA DAVID KIBAI LELEITO  
MANAGER FINANCE & ACCOUNTS  
ICPAK NO 7983  
DATE: 12/2/24



JOB KIPKORIR CHIRCHIR  
CHAIRMAN  
DATE: 12/2/24



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

	Capital Fund	Accumulated Surplus	Revaluation Reserve	Total
	Kshs	Kshs	Kshs	Kshs
<b>Balance as at 1<sup>st</sup> July 2020</b>	<b><u>36,487,577</u></b>	<b><u>190,106,852</u></b>	<b><u>4,200,000</u></b>	<b><u>230,794,429</u></b>
Revaluation Reserve	-	-	600,000	<b><u>600,000</u></b>
Amortisation of revalued assets	-	-	(1,170,000)	<b><u>(1,170,000)</u></b>
Surplus/ (Deficit) for the year	-	22,988,966	-	22,988,966
<b>Balance as at 30<sup>th</sup> June 2021</b>	<b><u>36,487,577</u></b>	<b><u>213,095,818</u></b>	<b><u>3,630,000</u></b>	<b><u>253,213,395</u></b>
Prior year adjustment	-	(2,707)	-	(2,707)
Amortisation of revalued assets	-	-	(1,170,000)	(1,170,000)
Surplus/ (Deficit) for the year	-	28,291,858	-	28,291,858
<b>Balance as at 30<sup>th</sup> June 2022</b>	<b><u>36,487,577</u></b>	<b><u>241,384,969</u></b>	<b><u>2,460,000</u></b>	<b><u>280,332,546</u></b>
Capital Fund -in -Kind	11,480,000	-	-	11,480,000
Amortisation of revalued assets	-	-	(1,170,000)	(1,170,000)
Prior year adjustment on revaluation reserve	-	-	(2,104,133)	(2,104,133)
Prior year adjustment	-	(17,717,739.30)	-	(17,717,739.30)
Trade payables	-	-	-	-
Transfer to Mortgage Fund	-	(99,999,340)	-	(99,999,340)
Surplus/ (Deficit) for the year	-	7,200,359	-	7,200,359
<b>Balance as at 30<sup>th</sup> June 2023</b>	<b><u>47,967,577</u></b>	<b><u>130,868,249</u></b>	<b><u>(814,133)</u></b>	<b><u>178,021,693</u></b>



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**16. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2023**

		2022-2023	2021-2022
	Notes	Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other governments Agencies	6	78,033,095	5,380,870
Licenses, fees and permits	7	349,176,506	403,503,779
Sale of goods	8	1,511,421	20,000
Finance income	9	25,842	138,477
Other gains/(loses)	10	3,538,207	8,823,342
<b>Total receipts</b>		<b>432,285,071</b>	<b>417,866,468</b>
<b>Payments</b>			
Employee costs	11	148,120,998	133,324,711
Board Expenses	12	8,944,537	21,029,935
Use of goods and services	13	241,652,013	154,492,558
Repairs and maintenance	15	1,595,893	2,351,321
Transfers to Mortgage facility	16	-	50,000,000
Grants and subsidies	30	16,585,025	26,981,572
<b>Total payments</b>		<b>416,898,466</b>	<b>388,180,097</b>
<b>Working capital changes</b>			
(Increase)/Decrease in Receivables & other Current Assets	18 & 19	1,536,702	5,929,347
Increase/ (Decrease) in Payables	22 & 24	(45,765,816)	104,975,878
Increase/ (Decrease) in Deferred Income	25	(15,235,781)	18,137,105
<b>Cash flow from changes in working capital</b>		<b>(59,464,895)</b>	<b>129,042,330</b>
<b>Net cash flows from/(used in) operating activities</b>	29	<b>(44,078,290)</b>	<b>158,728,701</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE and Intangible assets		(5,373,634)	(28,655,556)
<b>Net cash flows from/(used in) investing activities</b>		<b>(49,451,924)</b>	<b>130,073,145</b>
<b>Cash flows from financing activities</b>			
Increase in long term mortgage facility		(10,450,925)	-
Decrease in revenue reserve		(17,717,739)	(2,707)
Mortgage Account Funds Movement		(45,058,153)	2,624,874
<b>Net cash flows from financing Activities</b>		<b>(73,226,817)</b>	<b>2,622,167</b>
<b>Net increase/(decrease) in cash &amp; Cash equivalents</b>		<b>(122,678,741)</b>	<b>132,695,312</b>
Cash and cash equivalents at 1 July	17	475,042,650	342,347,338
<b>Cash and cash equivalents at 30 June</b>	17	<b>352,363,909</b>	<b>475,042,650</b>



**STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

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



**CPA DR. JULIUS ITUNGA**  
**AG. CHIEF EXECUTIVE OFFICER**  
**ICPAK NO 8541**  
**DATE:** 12/2/24



**CPA DAVID KIBAI LELEITO**  
**MANAGER FINANCE & ACCOUNTS,**  
**ICPAK NO 7983**  
**DATE:** 12/2/24



**JOB KIPKORIR CHIRCHIR**  
**CHAIRMAN**  
**DATE:** 12/2/24



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**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

	Original Budget (Kshs)	Adjustments (Kshs)	Final Budget (Kshs)	Actual on comparable basis (Kshs)	Performance difference (Kshs)	% of utilization	
	A	B	C=(A+B)	D	E=(C-D)	F=D/C	
<b>Revenue</b>	<b>2022/2023</b>		<b>2022/2023</b>	<b>2022/2023</b>	<b>2022/2023</b>		
License, Fees and Permits	370,000,000	-	370,000,000	349,176,506	(20,823,494)	94%	<ul style="list-style-type: none"> <li>On the regulatory fees/levies we were short of the target by 6% due to the declined performance of the WSPs during the FY who are our only source of our institutional revenue.</li> </ul>
Deferred Income	-	-	78,033,095	78,033,095	-	100%	<ul style="list-style-type: none"> <li>The Deferred Income relates to donations unutilized last FY and those received during the current financial year, whose conditions were met ( Kshs.. 78,033,095).</li> </ul>
Miscellaneous Income	-	-	1,127,263	1,127,263	-	100%	This was the profits on disposal of bonded motor vehicles during the FY
Other gains/(losses)	-	-	3,538,207	3,538,207	-	100%	This is the reduction in provisions for trade debtors/Receivables.
<b>Total income</b>	<b>370,000,000</b>	<b>-</b>	<b>452,698,565</b>	<b>431,875,071</b>	<b>(20,823,494)</b>	<b>95%</b>	
<b>Expenses</b>							
Employee costs	163,568,135	-	163,568,135	148,120,998	(15,447,137)	91%	<ul style="list-style-type: none"> <li>On the compensations of employees. the underutilization by 9% is within the remit of 10% acceptable levels. This was caused by the retirements of 2 officers and resignation of 1 officer during the FY 2022/23</li> </ul>
Use of goods and services	178,931,865	78,033,095	256,964,960	241,652,013	(15,312,947)	94%	<ul style="list-style-type: none"> <li>The underutilization of the budget by 6% was due to the austerity measures declared during the FY 2022/23.</li> </ul>
Board Expenses	18,500,000	-	18,500,000	8,944,537	(9,555,463)	48%	<ul style="list-style-type: none"> <li>The board expenses was underutilised by 52% due to disbandment of the Board mid-way to the FY 2022/23.</li> </ul>
Other payments – Depreciation & Repair & maintenance	9,000,000	-	9,000,000	9,372,139	372,139	104%	<ul style="list-style-type: none"> <li>The overutilization of provision for depreciation costs by 4% was caused by introduction of new motor vehicles acquired into the PPE.</li> </ul>
<b>Total expenditure</b>	<b>370,000,000</b>	<b>78,033,095</b>	<b>448,033,095</b>	<b>408,089,687</b>	<b>(39,943,408)</b>	<b>91%</b>	
<b>Surplus for the period</b>	<b>-</b>			<b>23,785,384</b>			



**Notes on the statement of Comparison of Budget and Actual Amounts as at 30<sup>th</sup> June 2023**

**Performance difference**

**1. License, Fees and Permits**

- On the regulatory fees/levies we were short of the target by 6% due to the declined performance of the WSPs during the FY who are our only source of our institutional revenue.

**2. Deferred Income**

- The Deferred Income relates to donations unutilized last FY and those received during the current financial year, whose conditions were met ( Kshs.. 78,033,095). The difference (Kshs. 9,922,124) was carried forward to next financial year due to unmet conditions in the current financial year. **(Please refer to note 26)**

**3. Miscellaneous Income**

- This was the profits on disposal of bonded motor vehicles during the FY

**4. Other gains/(losses)**

- This is the reduction in provisions for trade debtors/Receivables.

**5. Employee costs**

- On the compensations of employees. the underutilization by 9% is within the remit of 10% acceptable levels. This was caused by the retirements of 2 officers and resignation of 1 officer in the course of the FY 2022/23

**6. Use of goods and services**

- The underutilization of the budget by 6% was due to the austerity measures declared during the course of the FY 2022/23.

**7. Board Expenses**

- The board expenses were underutilised by 52% due to disbandment of the Board mid-way to the FY 2022/23

**8. Other payments – Depreciation & Repair & maintenance**

- The overutilization of provision for depreciation costs by 4% was caused by introduction of new motor vehicles acquired into the PPE



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**18. Notes to the Financial Statements.**

**1. General Information**

Water Services Regulatory Board (WASREB) is established by and derives its authority and accountability from Water Act 2016. WASREB is wholly owned by the Government of Kenya and is domiciled in Kenya. WASREB's principal activity is to protect the interests and rights of consumers in the provision of water services.

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

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

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

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

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

**i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

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

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</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 Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>



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Standard	Effective date and impact:
<p><b>IPSAS 42:</b> Social Benefits</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 Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

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Standard	Effective date and impact
Other improvements to IPSAS	<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></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial Instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair</p>



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Standard	Effective date and impact
Discontinued Operations	value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii. **Early adoption of standards**

WASREB did not early – adopt any new or amended standards in year 2022/2023.

**4. Summary of Significant Accounting Policies**

**(a) Revenue recognition**

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

**Levies, fines and penalties**

The entity recognizes revenues from levies, penalties, and fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is 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 entity 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 entity and can be measured reliably.

ii) **Revenue from exchange transactions**

**Miscellaneous income**

These include penalties charged, sale of tender and interest income which 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.

**(b) Budget information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**(c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**(d) Property, plant and equipment**

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



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an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**(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.

**(f) Research and development costs**

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- 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) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources

embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**(h) Contingent liabilities**

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**(i) Contingent assets**

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**(j) Nature and purpose of reserves**

WASREB creates and maintains reserves in terms of specific requirements. WASREB maintains both capital and revenue reserves.

**(k) Changes in accounting policies and estimates**

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

**(l) Employee benefits**

**Retirement benefit plans**

WASREB provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays 20% fixed contributions based on the employees' basic salaries and the employee contributes



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10% of their basic salaries into a separate 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.

**(m) Related parties**

WASREB regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the board directors, the chairperson, the CEO, senior managers, Ministry of Water and Sanitation, WSDP, UNICEF and ESAWAS.

**(n) 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 deposits, cash and cash at bank.

**(o) Comparative figures**

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

**(p) 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 30th June 2023.

**5. Significant judgments and sources of estimation uncertainty**

The preparation of WASREB'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.

**a) Provisions for bad debts**

Trade receivables are recognized and carried at original amount less any unrecoverable amount and the general provision for bad debts at 10% of the amount outstanding and specific provision at 50%.

**b) Currency**

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

**c) 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:

- i. The condition of the asset based on the assessment of experts employed by the Entity.
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii. The nature of the processes in which the asset is deployed.
- iv. Availability of funding to replace the asset.
- v. Changes in the market in relation to the asset



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6. Transfers from Other Government Entities**

Description	2022/2023 Kshs	2021/2022 Kshs
ESAWAS Grants	908,313	-
UNICEF Grants-Deferred Income	3,672,985	5,380,870
WSDP Grants-Deferred Income	73,451,797	-
	<b><u>78,033,095</u></b>	<b><u>5,380,870</u></b>

**7. Levies, Fines and Penalties**

Description	2022/2023 Kshs	2021/2022 Kshs
Regulatory Levy	328,580,350	401,023,882
License Application fees	3,199,760	1,500,000
License Fees	16,556,396	979,897
Penalties	840,000	-
<b>Total</b>	<b><u>349,176,506</u></b>	<b><u>403,503,779</u></b>

**8. Sale of goods**

Description	2022/2023 Kshs	2021/2022 Kshs
Profit on disposal	1,101,421	20,000
<b>Total</b>	<b><u>1,101,421</u></b>	<b><u>20,000</u></b>

**9. Finance income**

Description	2022/2023 Kshs	2021/2022 Kshs
Insurance Compensation	-	75,016
Interest Income	25,842	63,461
<b>Total</b>	<b><u>25,842</u></b>	<b><u>138,477</u></b>

**10. Other Gains/Losses**

Description	2022/2023 Kshs	2021/2022 Kshs
Reduction in provision of debtors	3,538,207	8,823,342
<b>Total Other Gains / (Losses)</b>	<b><u>3,538,207</u></b>	<b><u>8,823,342</u></b>



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. Employee costs**

<b>Description</b>	<b>2022/2023 Kshs</b>	<b>2021/2022 Kshs</b>
Salaries and wages	81,644,013	72,571,749
Housing benefits and allowances	20,642,000	18,986,000
Performance and other bonuses	3,058,636	2,608,479
Other employee related costs	9,833,000	8,825,000
Travel, motor car allowances	9,364,000	8,472,000
Contributions to pensions	12,488,171	10,210,245
Gratuity	4,540,052	5,779,336
Leave Allowance	6,551,126	5,871,902
<b>Employee costs</b>	<b><u>148,120,998</u></b>	<b><u>133,324,711</u></b>
<b>No of employees</b>	<b>49</b>	<b>45</b>

**12. Board expenses**

<b>Description</b>	<b>2022/2023 Kshs</b>	<b>2021/2022 Kshs</b>
Chairpersons Honoraria	1,009,032	613,214
Sitting & Accommodation Allowances	7,935,505	20,416,721
<b>Total Board remuneration</b>	<b><u>8,944,537</u></b>	<b><u>21,029,935</u></b>

**13. Use of Goods and services**

<b>Description</b>	<b>2022/2023 Kshs</b>	<b>2021/2022 Kshs</b>
Advertising & Publicity	17,952,105	15,621,397
Audit fees	464,000	464,000
Conferences expenses	12,491,160	12,350,889
Consulting fees	98,450,507	16,450,340
Computer Expense	4,070,965	4,529,238
Insurance expenses	18,438,437	14,229,565
Internet expenses	1,664,627	2,183,160
Printing expenses	3,780,446	1,348,500
Rental expenses	16,875,077	16,676,527
Bank Charges & Other Operating Expenses	236,959	211,727
Telecommunication expenses	290,699	74,342
Capacity building expenses	3,753,274	10,594,787
Domestic travel and subsistence allowances	30,618,084	36,658,287



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<b>Description</b>	<b>2022/2023 Kshs</b>	<b>2021/2022 Kshs</b>
Foreign travel and subsistence allowances	21,897,307	14,856,650
Fuel and oil expenses	3,448,879	2,531,553
Subscription expenses	2,766,391	315,220
Office running Expenses	3,508,096	4,157,337
Covid 19 Intervention expenses	-	524,039
Staff Welfare	895,000	715,000
Corporate social responsibility	50,000	-
<b>Total Use of Goods and services</b>	<b><u>241,652,013</u></b>	<b><u>154,492,558</u></b>

**14. Depreciation**

<b>Description</b>	<b>2022/2023 Kshs</b>	<b>2021/2022 Kshs</b>
Furniture and Fittings	324,706	410,246
Computer and Equipment	2,533,606	984,267
Motor vehicles	4,917,934	-
<b>Total</b>	<b><u>7,776,246</u></b>	<b><u>1,394,513</u></b>

**15. Repairs and Maintenance**

<b>Description</b>	<b>2022/2023 Kshs</b>	<b>2021/2022 Kshs</b>
Motor vehicle maintenance	1,595,893	2,351,321

**16. Transfer to Mortgage Facility**

<b>Description</b>	<b>2022/2023 Kshs</b>	<b>2021/2022 Kshs</b>
Transfer to Mortgage Facility	-	50,000,000

**17. Cash and cash equivalents**

<b>Description</b>	<b>2022/2023 Kshs</b>	<b>2021/2022 Kshs</b>
National Bank of Kenya Account No 01001032110300)	262,807,375	331,108,881
National Bank of Kenya (Account No 01001032110301)	755,978	755,978
National Bank of Kenya (Account No 01071032110300)	0	21,725,945
Kenya Commercial Bank (Account No 1117496953)	51,584,544	37,183,476
Cooperative Bank of Kenya (Account No 01136160928601)	31,640,602	23,493,436
Cooperative Bank of Kenya (Account No 01136160928600)	5,575,410	3,506,036
<b>Total cash and cash equivalents</b>	<b><u>352,363,909</u></b>	<b><u>417,773,752</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**18. Receivables from non-exchange transactions**

Description	2022/2023 Kshs	2021/2022 Kshs
<b>Current receivables</b>		
Trade debtors	58,607,175	65,683,589
<b>Less: impairment allowance</b>	<b><u>(29,303,587)</u></b>	<b><u>(32,841,795)</u></b>
<b>Total current receivables</b>	<b>29,303,588</b>	<b>32,841,794</b>

<b>Reconciliation of impairment of receivables</b>		
As at 1 <sup>st</sup> July 2021	32,841,795	41,665,136
Reduction in provision for impairment	(3,538,207)	(8,823,341)
<b>Impairment Allowance</b>	<b><u>29,303,588</u></b>	<b><u>32,841,795</u></b>

**19. Other Current Assets**

Description	2022/2023 Kshs	2021/2022 Kshs
Car loan Facility	-	275,004
Prepaid Insurance	7,420,996	6,997,020
Staff debtors	1,125,145	439,279
<b>Total</b>	<b><u>8,546,141</u></b>	<b><u>7,711,303</u></b>



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**20. Property, Plant and Equipment**

Description	Motor Vehicles	Furniture & Fittings	Computer & Equipment	Work-In-Progress	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2021</b>	<b>18,834,000</b>	<b>10,597,790</b>	<b>33,322,760</b>	<b>1,326,170</b>	<b>64,080,720</b>
Additions	24,589,671	334,999	5,057,056	(1,326,170)	28,655,556
<b>As at 30<sup>th</sup> June 2022</b>	<b>43,423,671</b>	<b>10,932,789</b>	<b>38,379,816</b>	<b>-</b>	<b>92,736,276</b>
Additions	11,480,000	408,543	4,965,091	-	16,853,634
Disposal	(5,094,000)			-	(5,094,000)
<b>As at 30<sup>th</sup> June 2023</b>	<b>49,809,671</b>	<b>11,341,332</b>	<b>43,344,907</b>	<b>-</b>	<b>104,495,910</b>
<b>Depreciation and impairment</b>					
<b>As at 30<sup>th</sup> June 2021</b>	<b>(13,099,865)</b>	<b>(9,040,246)</b>	<b>(31,189,440)</b>	<b>Nil</b>	<b>(53,329,551)</b>
Charge for the year	Nil	(410,246)	(984,267)	Nil	(1,394,513)
Amortization	(1,170,000)	Nil	Nil	Nil	(1,170,000)
<b>As at 30<sup>th</sup> June 2022</b>	<b>(14,269,865)</b>	<b>(9,450,492)</b>	<b>(32,173,707)</b>	<b>Nil</b>	<b>(55,894,064)</b>
Charge for the year	(4,917,934)	(324,706)	(2,533,606)	Nil	(7,776,246)
Amortization	(1,170,000)	Nil	Nil	Nil	(1,170,000)
Prior year adjustment on amortization	(2,104,133)	Nil	Nil	Nil	(2,104,133)
Transferred to Disposal Account	4,684,000				4,684,000
<b>As at 30<sup>th</sup> June 2023</b>	<b>(17,777,932)</b>	<b>(9,775,198)</b>	<b>(34,707,313)</b>	<b>Nil</b>	<b>(62,260,443)</b>
<b>Net book Values</b>					
<b>As at 30<sup>th</sup> June 2023</b>	<b>32,031,739</b>	<b>1,566,134</b>	<b>8,637,594</b>	<b>-</b>	<b>42,235,467</b>
<b>As at 30<sup>th</sup> June 2022</b>	<b>29,153,806</b>	<b>1,482,297</b>	<b>6,206,109</b>	<b>-</b>	<b>36,842,212</b>
<b>As at 30<sup>th</sup> June 2021</b>	<b>5,734,135</b>	<b>1,557,544</b>	<b>2,133,320</b>	<b>1,326,170</b>	<b>10,751,169</b>

20. (b) Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal Depreciation charge	Annual
Motor vehicles	34,400,048		-
Computers and related equipment	20,467,331.70		-
Office equipment, furniture and fittings	7,478,160		-
<b>Total</b>	<b>62,345,539.70</b>		<b>-</b>



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**21. Trade and Other Payables**

Description	2022/2023 Kshs	2021/2022 Kshs
Trade payables (remission to TNT Note 32)	16,585,025	26,981,572
Audit fees	464,464	928,464
Mortgage facility provision	-	50,000,000
Gratuity	12,034,798	7,494,746
Staff welfare	1,237	1,237
<b>Total trade and other payables</b>	<b><u>29,085,524</u></b>	<b><u>85,406,019</u></b>

**22. Current provisions**

Description	Audit fees	Gratuity	Bad & Doubtful Debts
	Shs	Shs	Shs
<b>Balance B/D (01/07/2022)</b>	<b>928,464</b>	<b>7,494,746</b>	<b>32,691,795</b>
Additional provisions	464,000	4,540,052	-
Provisions utilized	(928,000)	-	(3,388,207)
<b>Total provisions as at 30-06-2023</b>	<b><u>464,464</u></b>	<b><u>12,034,798</u></b>	<b><u>29,303,588</u></b>

**23. Refundable Deposits and Prepayments from Customers**

Description	2022/2023 Kshs	2021/2022 Kshs
Performance Guarantee	215,419,764	204,865,085
<b>Total trade and other payables</b>	<b><u>215,419,764</u></b>	<b><u>204,865,085</u></b>

**24. Deferred Income**

Description	2022/2023 Kshs	2021/2022 Kshs
UNICEF	3,606,942	3,431,960
Water Sanitation Development Project (WSDP)	51,725,852	21,725,945
National Water Supply & Harvesting	8,997,000	-
<b>Carried Forward</b>	<b><u>64,329,794</u></b>	<b><u>25,157,905</u></b>



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The Deferred income Movement is as follows:

Description	Public Contributions and Donations	
	2022/2023 Kshs	2021/2022 Kshs
Balance brought Forward	25,157,905	7,020,800
Additions	64,329,794	25,157,905
<b>(a) Sub-Total-Receipts</b>	<b>89,487,699</b>	<b>32,178,705</b>
Transfers to Income Statement-UNICEF	3,672,985	5,380,870
Transfers to Income Statement-WSDP	73,451,797	
Transfers to Income Statement-ESAWAS	908,313	
<b>(b) Sub-Total-Transfers</b>	<b>78,033,095</b>	<b>5,380,870</b>
(c) Other Transfers	1,532,480	1,639,930
<b>(d) Balance Carried Forward (a-b-c)</b>	<b>9,922,124</b>	<b>25,157,905</b>

**25. Capital Fund**

Description	2022/2023 Kshs	2021/2022 Kshs
Brought Forward	36,487,577	36,487,577
Motor Vehicle A/C	11,480,000	
<b>Carried Forward</b>	<b>47,967,577</b>	<b>36,487,577</b>

**26. Revaluation Reserve**

Description	2022/2023 Kshs	2021/2022 Kshs
<b>Opening Balance</b>	2,460,000	3,630,000
Amortization in the year	(1,170,000)	(1,170,000)
Prior year adjustment on revaluation reserve	(2,104,133)	
<b>Balance Carried Forward</b>	<b>(814,133)</b>	<b>2,460,000</b>

**27. Accumulated Surplus**

Description	2022/2023 Kshs	2021/2022 Kshs
Accumulated Surplus B/F	241,384,969.40	213,095,818.00
Deficit /Surplus for the year	23,785,384	55,273,430.00
Prior year adjustment	(17,717,739.30)	(2,707)
<b>Total</b>	<b>247,468,669.10</b>	<b>268,366,541.00</b>
Remission to The National Treasury (Note 32) 2022/23	(16,585,025)	(26,981,571.60)
Transfer to Mortgage Fund	(99,999,340)	-
<b>Accumulated Surplus C/F</b>	<b>130,868,249.10</b>	<b>241,384,969.40</b>



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**28. Related Party Transactions**

Description	2022/2023 Kshs	2021/2022 Kshs
WASREB's CEO & Senior Management	22,083,550	21,118,440
Board of Directors	8,944,537	21,029,935
ESAWAS-Belinda Gates	8,997,000	-
Ministry of Water and Sanitation (WSDP)	51,725,852	21,725,852
UNICEF	3,606,942	3,431,960
<b>Total</b>	<b>95,357,881</b>	<b>67,306,187</b>

**29. Cash Generated from Operations**

Description	2022/2023 Kshs	2021/2022 Kshs
<b>Surplus for the year before tax</b>	<b>2,418,739</b>	<b>28,291,858</b>
<b>Adjusted for:</b>		0
Depreciation	7,776,246	1,394,513
<b>Working Capital adjustments</b>		0
Increase in receivables	1,521,372	5,929,347
Increase in payables	(45,765,816)	104,975,878
Increase in Deferred Income	(15,235,781)	18,137,105
<b>Net cash flow from operating activities</b>	<b>(44,077,565)</b>	<b>158,728,701</b>

**30. Surplus Remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum (90%) of its surplus funds reported in the audited financial statements after the end of each financial year. In line with this legal requirement WASREB will remit **Kshs. 16,585,025** for the FY 2022/2023 after adjustment for costs incurred on acquisition of PPE.

The Surplus Remission has been computed as follows:

	2022/2023 Kshs	2021/2022 Kshs
Surplus for the period	23,801,439	55,273,430.00
Less: Allowable deductions by NT	(5,373,634)	(28,655,446.00)
<b>Net eligible for remission</b>	<b>18,427,805</b>	<b>26,617,984.00</b>
90% Computation (Included in Statement of Financial Performance)	16,585,024.50	23,956,185.60



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**Surplus Remission Payable**

	2022/2023	2021/2022
	Kshs	Kshs
Payable at the beginning of the year (21/22)	<b>44,699,310.90</b>	17,717,739.30
Charge for the year (22/23) based on 1 <sup>st</sup> draft of the FS 2022/23	16,585,024.50	26,981,571.60
Paid during the year	<b>44,699,310.90</b>	nil
<b>Payable at end of the year</b>	<b>16,585,024.50</b>	<b>44,699,310.90</b>

**31. Financial Risk Management**

WASREB's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Board's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Board 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 Board's financial risk management objectives and policies are detailed below:

**a) Liquidity risk management**

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30 June 2023</b>				
Provisions	-	464,000	464,464	464,464
Employee benefit obligation	-	-	12,034,798	12,034,798
<b>Total</b>	-	<b>464,000</b>	<b>12,499,262</b>	<b>12,963,262</b>
<b>As at 30 June 2022</b>				
Provisions	-	464,000	464,464	928,464
Employee benefit obligation	-	-	5,779,336	5,779,336
<b>Total</b>	-	<b>464,000</b>	<b>6,243,800</b>	<b>6,707,800</b>
<b>As at 30 June 2021</b>				
Provisions	-	464,000	1,392,464	1,856,464
Employee benefit obligation	-	-	3,426,610	3,426,610
<b>Total</b>	-	<b>464,000</b>	<b>4,819,074</b>	<b>5,283,074</b>

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**b) Capital Risk Management**

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

<b>Description</b>	<b>2023/2022 Kshs</b>	<b>2021/2022 Kshs</b>
Revaluation reserve	(814,133)	2,460,000
Retained earnings	130,868,249	241,384,969
Capital reserve	47,967,577	36,487,577
Mortgage Funds	149,999,340	
<b>Total funds</b>	<b>330,141,221</b>	<b>280,332,546</b>
Total borrowings	254,427,412	290,271,104
Less: cash and bank balances	447,422,782	475,042,650
Net debt/(excess cash and cash equivalents)	(192,995,370)	(184,771,546)
<b>Gearing</b>	<b>58.4%</b>	<b>66.1%</b>

**32. Contingent Liabilities**

The board has ongoing cases which might affect the financial statements in future.



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**APPENDIX I: PROJECTS IMPLEMENTED BY THE ENTITY**

Project title	Project Number	Donor	Period/ duration	Donor commitme nt (Kshs)	Separate donor reporting required as per the donor agreeme nt (Yes/No)	Consolida ted in these financial statements (Yes/No)
Water and Sanitation Development Project (WSDP)	P156634-WASREB-134249-CS-QCBS	World Bank	18 months	51,725,852	No	Yes
ESAWAS-Belinda Gates			6 months	8,997,000	No	Yes
UNICEF		UNICEF	6 months	3,602,942	No	Yes

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**APPENDIX II: INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>		<b>WATER SERVICES REGULATORY BOARD</b>		
<b>BREAK DOWN OF TRANSFERS FROM THE MINISTRY OF WATER &amp; SANITATION</b>				
		<b>Bank Statement Date</b>	<b>2022/2023</b>	<b>2021/2022</b>
			Kshs	Kshs
Ministry of Water and Sanitation- WSDP		13-04-2023	51,725,852	21,725,852
Water Sanitation Development Project-ESAWAS		31-10-2022	8,997,000	
UNICEF		08-03-2023	3,602,942	3,431,960
		<b>Total</b>	<b>64,325,794</b>	<b>2021/2022</b>



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

Reference No of the external audit report	Issue/observation from the auditor	Management comments	Status (resolved /not resolved)	Timeframe
1	<p><b>Incomplete Property, Plant and Equipment</b></p> <p>The statement of financial position reflects property, plant and equipment balance of Kshs.10,751, 169 as disclosed in Note 20. A review of the Board's assets established that, the Board had operationalized five (SAP, EDMS, SMART HRS, WASREB leave system &amp; Maji Data) software in various aspects of its operations. The fair values of these software had not been recognized as Intangible Assets in line with paragraph 43 and 74 of International Public Sector Accounting Standards Board (IPSAS) 31. Further, tangible assets at a cost of Kshs.4,272,260 are included under computers and equipment asset class and not as an intangible asset in line with the provisions of IPSAS 31. Under these circumstances, it was not possible to ascertain the accuracy and completeness of the Board's assets amounting to Kshs.10,751, 169</p>	<p>The listed software is third party owned and we pay their annual maintenance/license costs.</p> <p>The board will endeavour to record and disclose any new and owned software as intangible asset accordingly in the financial statement.</p>	Resolved	
2	<p><b>Inconsistencies on Basis of Recognition of Receivables from Non-Exchange Transactions</b></p> <p>The Board adopted revenue recognition criteria where revenue from levies, penalties and fees are recognized when they are received as disclosed in Note 4(a) of summary of significant accounting policies. However, the adoption of this revenue recognition criteria, contradicts clause 11(2) of the licensing guidelines for Water Service Providers (WSPs) which postulates that the license fees to be paid under this license is a one-off license fee of 0.1% of last audited turnover to be paid with issuance of license and a license operation fee of 4% to be paid by the 15th day of each month, which makes revenue recognizable at this point based on the asset recognition criteria issued under IPSAS 23. This inconsistency in adoption of IPSAS 23 has led to the non-recognition of</p>	<p>The board changed its receivables policy in the FY 2019/2020 during which some of the receivables had been recognized under income from non-exchange transactions and reflected in the Statement of Changes in Net assets. Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another</p>	Resolved	

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Reference No of the external audit report	Issue/observation from the auditor	Management comments	Status (resolved /not resolved)	Timeframe
	<p>significant debt obligations owed to the Board by various (WSPs). Consequently, the accuracy and completeness of Kshs.42, 155,677 reported as trade debtors in the financial statements.</p>	<p>entity without directly receiving approximately equal value in exchange. An entity will recognize an asset arising from a non-exchange transaction when it gains control of resources that meet the definition of an asset and satisfy the recognition criteria An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognized as an asset when, and only when: (a) It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and (b) The fair value of the asset can be measured reliably. Therefore, the board only gain control of the asset when we receive it from wsp. The Board is still in a transition period absorbing the already recognized receivables until they are fully utilized.</p>		
3	<p><b>Unsupported Board Expenses</b></p> <p>The statement of financial performance reflects board expenses of Kshs.17,752,058 and as disclosed in Note 13. However, supporting evidence in the form of evidence of travel, mileage claims, attendance registers and/ or journal adjusting vouchers for expenditure amounting to Kshs.12,104,936 was not provided for audit.</p>	<p>The Board expenses have been fully supported and the personal log books, attendance registers and basis of payment of mileage claims is available for your audit verification.</p> <p>The journal entries relating to board expenses adjustments are</p>	Resolved	



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Reference No of the external audit report	Issue/observation from the auditor	Management comments	Status (resolved /not resolved)	Timeframe
	<p>The Management also failed to avail the circulated notice and attendance register for a virtual full board meeting held on the 10 July, 2020 and for which allowances amounting to Kshs.236,574 were paid out under payment voucher number <b>008</b> contrary to Regulation 104 of the Public Finance Management (National Government) Regulations, 2015</p> <p>Consequently, the accuracy and completeness of the expenditure of Kshs.12,104,936 could not be confirmed. During the year under review. However, the funds were not included in the board's final approved budget. Further, there was no evidence that the cabinet secretary, the national treasury was informed of this budgetary change, arising from the additional revenue, contrary to provisions of section 47(1) of the public finance management (National government) regulations, 2015 which require such disclosure.</p> <p>The management was in breach of the regulations.</p>	<p>available for audit verification and review. The invitation for the 98<sup>th</sup> online Board meeting was done via zoom and the links were circulated to each member for purposes of attendance.</p> <p>We also attach minutes of the 98th Board meeting for regarding payment voucher no. <b>008</b> for your reference.</p>		
4	<p><b>Unsupported Motor Vehicles Maintenance, Fuel and Oil Expenses</b></p> <p>The statement of financial performance reflects use of goods and services expenditure of Kshs.57,781,922. Included and as disclosed in Note 14. Included in this expenditure is repairs and maintenance of motor vehicles expenditure of Kshs.3,062, 198, out of which, the Management failed to adequately support an expenditure of Kshs.995,913 with respective invoices, inspection reports and receipts. To that, the Board operates without an approved Transport Policy and motor vehicle logbooks (GP.55) contrary to its Human Resource Policies and Procedures Manual 2020.</p> <p>Consequently, the accuracy and completeness of the expenditure on repairs and maintenance of motor vehicles</p>	<p>The motor vehicle repairs were inspected and GP55 log books were duly filled and are hereby available for your reference.</p>	Resolved	

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Reference No of the external audit report	Issue/observation from the auditor	Management comments	Status (resolved /not resolved)	Timeframe
	amounting to Kshs.995,913 could not be confirmed.			
5	<p><b>Unsupported journal entries</b></p> <p>A review of the books of accounts presented for audit revealed that journal entries made in the system with a net effect of Kshs.16,678,823 and credit memos amounting to Kshs.4,246, 163 were passed in the books of accounts in the year under review in various accounts. However, journal adjusting vouchers supporting these transactions were not availed for audit. This is contrary to provisions of Regulation 103 of the Public Finance Management (National Government) Regulations of 2015(1) Journal entries prepared for all adjustments shall be authorized by the accounting officer or an officer designated by him or her before posting them in a financial record.</p> <p>Consequently, the accuracy and completeness of the journal entries could not be confirmed.</p>	<p>The journal entries (appearing in the system as credit memos) entries correcting payment voucher entries wrongly posted in SAP system and operate under the double-entry system.</p> <p>All these adjustments were taken through authorization as required.</p>	Resolved	
<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>				
1.	<p><b>Exclusion of Notes to the Financial Statements</b></p> <p>The Management failed to make key disclosures on credit risk, capital commitments and surplus remission by way of Notes to financial statements as required by the Annual Financial Reporting Template of 30th June 2021.</p>	The management made applicable key disclosures in the financial statements relating to credit risk ( <b>note 30</b> ) and surplus remission disclosure on ( <b>pages xxx and 13</b> ).	Resolved	
2.	<p><b>Budget Over-Expenditure</b></p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.230,436,678. and Kshs.243,337,477 respectively resulting to an over-funding - funding of Kshs.12,900,799 of the budget.</p> <p>Similarly, the Board spent a total of Kshs.221,563,726 against an approved</p>	The board will endeavour to operate within the approved budget. The Expenditure were all incurred for the purposes for which they were intended. The variances were caused by market price changes due to inflations for some goods and services from what	Resolved	



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Reference No of the external audit report	Issue/observation from the auditor	Management comments	Status (resolved /not resolved)	Timeframe
	budget of Kshs.210,000,000 resulting to an over -expenditure of Kshs.10,348,511 or 5. % of the budget. This is contrary to the provisions of Regulation 43(b) of the Public Finance Management (National Government) Regulations of 2015 which states that the Accounting Officers shall ensure that public funds entrusted to their care are properly safeguarded and are applied for purposes for only which they were intended and appropriated by the National Assembly.	had been planned and therefore incurred in line with Regulation 43(b).		
3.	<p><b>Enforcement of Collection of Regulatory Levy</b></p> <p>Review of the regulatory revenue revealed that only two of forty-seven (47) of the Water Service Providers are compliant with the requirement of remitting a License operation fee of 4% by the 15th day of each month to the regulator. This precludes that the Board lost revenue realizable from regulatory levy due to non-compliance of Water Service Providers to the licensing conditions and prevailing service level agreements.</p> <p>In the absence of enforcement of these licensing conditions, the Board is held in breach of its statutory obligation as provided under Section 72(1) (d) of Water Act (2016).</p>	<p>The board will strive to collect regulatory levies from the water service providers to ensure that the board has enough resources to execute its mandate.</p> <p>Monitoring and Enforcement mechanisms has been applied for non-compliant water companies and to ensure compliance of levy payments.</p>	Resolved	
4.	<p><b>Outstanding Imprest</b></p> <p>A review of the system generated data revealed that a balance of Kshs.25,427,998.80 remained outstanding under the Imprest\ Advance Control Account (3242000) contrary to provisions of Paragraph 3.2 of National Treasury Circular No. AG.3/88Nol.7(16) of 07th May 2021 and for which the Board risks being held in breach.</p> <p>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</p>	<p>The board will endeavour to comply with the regulation 93(5) of the PFM Act 2015 by ensuring that imprests are accounted for within 7 days after return to duty station.</p> <p>posting relating to imprest/ advance control account has since been posted and completed and regularized in the system accordingly.</p>	Resolved	

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Reference No of the external audit report	Issue/observation from the auditor	Management comments	Status (resolved /not resolved)	Timeframe
	evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.			
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>				
1.	<p><b>Non-preparation of Receipt Vouchers for entity receipts</b></p> <p>The Management made postings of entity receipts into the general ledger without preparation of pre-numbered receipt vouchers in the year under review and no such voucher(s) in whatever form were presented for audit review.</p> <p>By not conforming to requirements of preparation of receipt vouchers, the board risks being held in contravention of Regulation 104 of the Public Finance Management (National Government) Regulations of 2015 104. (1) which states that All receipts and payments vouchers of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation. Consequently, the mitigating risks associated with collection and banking of all receipts could not be confirmed.</p>	<p>All incomes are received and posted directly into the SAP system which automatically generates receipt vouchers and the SAP system has pre numbered receipts vouchers for the levies collected in the year.</p> <p>Print out from the system are available for your audit verifications.</p>	Resolved	
2.	<p><b>Incomplete Register of Non-Current Assets</b></p> <p>The Board did not maintain a Register of Non-Current Assets in the form prescribed under Appendix 6 of the Guidelines on Asset and Liability Management in the Public Sector of July 2020 as it did not maintain a separate folios for each class of assets and also failed to capture the details of the Financier/ source of funds, Serial number, Tag numbers, Make &amp; Model of motor vehicles , Date of Delivery I installation, Payment Voucher number, Original Location, Current Location, Replacement Date (if applicable), Date of disposal, Disposal value, Responsible officer, Asset condition, and any other relevant Notes.</p>	<p>The board has maintained the asset register as per the guidelines on asset and liability management in the public service of July 2020.</p> <p>The updated register is available for audit verification.</p>	Resolved	





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