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By Hon Aden Duale
Leader of Majority
The 20/9/15*

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
TANATHI WATER SERVICES BOARD**

**FOR THE YEAR ENDED
30 JUNE 2015**





KENYA NATIONAL AUDIT OFFICE
EMBU HUB

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TANATHI WATER SERVICES BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2015

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



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I. KEY ENTITY INFORMATION AND MANAGEMENT

KEY ENTITY INFORMATION

Background information

Tanathi Water Services Board was established by the Water Act, 2002 vide legal notice no. 69 of Parliament on 4th June 2008. At cabinet level, the Board is represented by the Cabinet Secretary for Water and Irrigation, who is responsible for the general policy and strategic direction of the Board.

Principal Activities

The principal activity of Tanathi Water Services Board is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in the area of its jurisdiction.

Tanathi Water Services Board has the key and central role in water and sewerage management and its mandate covers four counties namely Kitui, Machakos, Makueni and Kajiado.

Main functions of the Board include:-

- Ownership and holding of water and sewerage Assets/ Infrastructure.
- Planning, development and expansion of water and sewerage services Infrastructure.
- Contracting out water and sewerage services provision to Water Service Providers (WSPs).
- Monitoring and supervision of water and sewerage Services provision to water service providers.

Directors

The Directors who served the entity during the year/period were as follows:

1. Hon. Peter NJeru Ndwiga	Chairman	Appointed on 10 th January 2014
2. Eng. Nicholas K. Muthui	Chief Executive Officer	Re-appointed on 1 st April 2015
3. Florence Malla	Member	Left on 9 th February 2015
4. Rehana Ismail	Member	Appointed on 15 th February 2013
5. Jeremiah Onchiri	Rep, PS, The National Treasury	
6. Mr. Jeremiah Matoke	Rep, PS, Ministry of Environment, Water and Natural Resources	
7. Mr. James Mwanzia	Rep, PS, Ministry of Devolution and Planning	

The following Board members were appointed with effect from 2nd October 2015

1.	Stephen Lukeine Nkabashi	Chairman
2.	Titus Mavuui Ngumu,	Member
3.	Jane Mwendu Kibati	Member
4.	Ann Nduku Mutisya	Member
5.	Annastacia Wayua Victor	Member
6.	John Silas Puleiy	Member
7.	Kimuyu Titus Kaloki	Member
8.	Robert Murage Kinyua	Member
9.	Galma Dominic Diba	Member
10.	Bernard Mulwa	Rep, PS, Ministry of Water and Irrigation
11.	Damaris Kiamba	Rep, PS, The National Treasury

Registered Office

Tanathi Water Services Board
KIDP Building,
Kalawa Road,
Private Bag
KITUI, KENYA

Corporate Headquarters

Tanathi Water Services Board
KIDP Building
Kalawa Road
Private Bag
KITUI, KENYA

Corporate Contacts

Telephone: (+254) 044-4422416
E-mail: tanathiusb@gmail.com
Website: www.tanathiusb.go.ke

Corporate Bankers

1. Kenya Commercial Bank
Kitui Branch
P.O Box 683 – 90200
KITUI.

Co-operative Bank
Kitui Branch
P.O Box 1432-90200
KITUI

Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GPO-00100
Nairobi, Kenya

Principal Legal Advisers

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

II. THE BOARD OF DIRECTORS



Hon. Peter Njeru Ndwiga

Professional/ Academic Qualification.

Associated computer programmers Diploma in computer programming –Cobol

Hon. Peter Njeru Ndwiga was born 4th January 1954.

Work Experience

- 1975—1976 Joined Coca-Cola (A) ltd as an accounts assistant.
- 1977 Joined American Life Insurance co. as a Sales representative.
- 1979 contested Langata Parliamentary seat
- 1979 promoted to unit manager (ALICO)
- 1984 Promoted to Agency Manager in charge of Mount Kenya region.
- 1992 Elected Member of Parliament Runyenjes Constituency
- 1993 Appointed Shadow Minister for Agriculture. Member of departmental committee of Agriculture
- 1997 Elected member of Parliament Manyatta Constituency. Shadow Minister for Agriculture
- 2002 Elected Member of Parliament Manyatta Constituency. Appointed Cabinet Minister for Co-operative Development and Marketing.
- 2008—2011 Appointed Chairman Export Promotion Council.



Rehana Ismail

Professional/ Academic Qualification.

- Master of Arts in Project Planning and Management from University of Nairobi (2009-2011).
- Diploma in Project Management-Kenya Institute of Management(2007-2008)
- Bachelor of Arts in Business studies – Moi University (1990-1995)

Ms. Rehana Ismail was Born on 9th July 1972.

Work Experience

Rehana Ismail a skilled Masters of arts in project management graduate with professional experience in finance, audit, administration and management. Ms. Ismail current works as a consultant on offices of finance, audit, administration, strategic management, corporate governance and project management.



Florence Malla





Professional/ Academic Qualification.

- B.A: Business Administration – emphasis on management and marketing. Minor: Economics -

Ms. Florence Malla was Born on 5th July 1958.



Work Experience



- Coffee Board of Kenya – Nairobi System Analyst. Duties included preparation of payroll, payment to planters, general ledger, budget, cashflow and marketing computer systems.(2009)
- Christian Health Care Centre, Wyckoff, New Jersey, U.S.A. Administrative Assistant. Supervised in admission office. Duties included admission of patients after interviews with patient’s relatives. Liased with Medicare (Government Body) dealing

<p>William Paterson State College, School of Management, Wayne New Jersey – U.S.A. (1983)</p> <ul style="list-style-type: none"> • Computer Processing Institute, Paramus New Jersey, U.S.A. Diploma: Business Computer programming, emphasis in Cobol, Programing-(1985) 	<p>with Government sponsored patients (1985)</p>
 <p>Jeremiah Onchiri</p>	<p>Representative, Permanent Secretary, The National Treasury</p>
 <p>Mr. Jeremiah Matoke</p>	<p>Representative, Permanent Secretary, Ministry of Environment, Water and Natural Resources.</p>
 <p>Mr. James Mathuva Mwanzia</p>	<p>Representative , Permanent Secretary , Ministry of Devolution and Planning</p>
	<p>Eng. Nicholas K. Muthui was born in 1968</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Tanathi Water Services Board-Chief

<p>Eng. Nicholas K. Muthui</p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none"> • BSC (civil engineering) 	<p>Executive Officer (01/04/2012 todate)</p> <ul style="list-style-type: none"> • Tanathi Water Services Board-Ag. Chief Executive Officer (September 2010 to March 2012) • National Irrigation Board-Principal Irrigation Engineer (May 2008 to September 2010) • National Irrigation Board-Senior Schemes manager (June 2005 to May 2008) • National Irrigation Board-Senior Irrigation Engineer (September 2004 to July 2005) • National Irrigation Board-Works Engineer (April 1996 to September 2004)
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III. MANAGEMENT TEAM

 <p>Eng. Nicholas K. Muthui</p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none"> • BSC (civil engineering) 	<p>Chief Executive Officer</p>
 <p>Paul. K. Daudi</p>	<p>Chief Manager-Corporate planning and Strategic Management</p>

<p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none"> • MA (Project planning Management), • BSC(Sociology) 	
 <p>Dennis Kiilu Mulu</p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none"> • MBA (finance), • BA(Economics), • CPA(K) 	<p>Chief Manager-Finance and Administration</p>
 <p>Fredrick Tito Mwamati.</p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none"> • MBA(strategic management) • HND (Building & Civil Engineering) • Diploma in Water Technology 	<p>Chief Manager-Infrastructure Development</p>



Samuel K. Oruma

Chief Manger-Utilities and Community
Development

Professional/ Academic Qualification.

- BT in civil engineering

IV. CHAIRMAN'S STATEMENT

It gives me great pleasure and honour to present the annual report and financial statements for the Financial Year ended 2014/15. The Board was incorporated under the Water Act 2002 vide legal notice 69 of 4th June 2008, as part of the Water Sector reforms that aim at improving water service delivery through decentralisation of services and introduction of commercial tenets in service delivery towards achieving efficiency and economy in water service delivery. The Board in the year under review has continued in its tradition of strong performance and carrying out its strategies focusing on its client service delivery objectives.

The water sector in general has in the year under review witnessed a lot of changes with the advent of devolution and the approval by the Transition Authority to transfer the water and sanitation services including the Water Service Providers to the County Governments. As a result we have held Annual General Meetings (AGMs) jointly with the respective counties and we were able to change the Memorandum and Articles of Association (Memoart) to include the Counties. By June 2015 we managed to conduct 5 AGMs at Oololaiser WSP, Matungulu Kangundo WSP, Yatta WSP, Wote WSP and Kibwezi Makindu WSPs. In July 2015 we held AGMs for Mbooni WSP, Kathiani WSP, Machakos WSP and Nol-Turesh Loitokitok WSP. The AGMs are planned to continue in the new financial year. We were also able to send to the Transition Authority a comprehensive report of all the details of projects implemented, ongoing, under feasibility Studies and proposed projects awaiting funding which further lead to Naivasha and Nairobi meetings in July and September 2015 respectively to explain further on our functions and the county functions being implemented by the Board.

Financially during the year under review the Board has successfully resource mobilised for various projects like Manooni Water Supply Project, Kangonde Water Supply Project, Masinga-Ikaatine-Ekalakala Market pipeline extension and Kiambere-Mwingi water supply and sanitation project which will be implemented in financial year 2015/16FY. The World Bank through Athi Water Services Board at Kshs. 280 million is drilling and equipping 21 boreholes and the associated works was done up to 65% and continues to the following year. Installation of guttering systems for rainwater harvesting in 130 rural government schools in the 4 Counties is ongoing by the same World Bank Programme at a cost of Kshs. 14 million and was at 20% complete and it flips over to financial year 2015/16. All the above activities have been undertaken with cognisance to the need for progressive realisation of the right safe water in adequate quantities, as enshrined in the Constitution Article 43 (1)(d). This right requires the government to take legislative, policy and other measures,

including the setting of standards, to achieve the progressive realization of the rights guaranteed under Article 43.

The Board plans to undertake further resource mobilization in the financial year 2015/16 for example through the Private Public Partnerships for satellite towns like Mavoko, Machakos, Kitengela and Mwala cluster. The Board is fully cognizance of its role in achieving the right to water and will continue to make strategic decisions towards the realization of the right within its legal mandate.

On a corporate governance level the year under review witnessed a few challenges; in that it was difficult to hold committee meetings after 10th February 2015 when Director Florence Malla's contract ended and only 2 non – Executive Directors (Director Ms Rehana Ismail and myself the Chairman) remained and 4 PS representatives from Ministry of Environment, Water and Natural Resources State Department of Water, The National Treasury, Ministry of Devolution and Planning State Department of Devolution and State Corporations. I am confident in the current Board of Directors and I will continue to provide the strategic guidance needed to achieve our vision of being a Model Water Works and Sewerage Infrastructure Development Board as we wait for new appointment of Directors in financial year 2015/16.

Strategically, the Board is on the right track with the adoption and implementation of new cutting edge tools like Balanced Scorecard and ISO 9001:2008 which continues in financial year 2015/16 aimed at improving and increase the efficiency and effectiveness of the Board towards achieving its mandate.

In conclusion I would like to acknowledge the hard work of the management of the Board under the guidance of the Chief Executive Officer Eng. Nicholas K. Muthui with and through whom all the Board of Directors' policy decision have be actualised. I thank the Cabinet Secretary, Ministry of Water and Irrigation for the appointment of new Board of Directors on 2nd October, 2015 to give strategic direction to the Board. I acknowledge and thank the following partners for continued support to the Board; the African Development Bank, World Bank, Kenya Italy Debt for Development Programme, Italian Governmet, the County Governments of Kitui, Machakos, Makueni and Kajiado and the National Government, all partners who have enabled us achieve our mandate. The Board anticipate the official commissioning of Masinga-Kitui Water Supply and Sanitation Project which had been funded by the National Government and African Development Bank and Kajiado Town Water Supply Project which was funded by the Kenya Italy Debt for Development Program.

SIGNED BY:



Stephen Lukeine Nkabashi

Date.....*3rd*.....February, 2016.

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

Water is life and Sanitation a way of life. The Board is engaged in a noble service which was enshrined in the Constitution in 2010. The Board, its Board of Directors and Management are cognisant of its noble mandate and in all its endeavour has formulated and implemented policies that will actualise the right to safe water in adequate quantities and realistic standards of sewerage and sanitation services in line with the Constitution 2010 and Kenya's Vision 2030.

During the year under review, the Board continue to complete the previous year's projects funded by both GoK and development partners i.e. AfDB and KIDDP. The completed and operationalised projects were; Mutito and Thua Kinakoni Water Supply to benefit 12000 people, Kajiado Town Water Supply project to benefit 18000 people and Masinga – Kitui Water Project now waiting official commissioning which will benefit an additional 80,000 people with safe and clean water and 60,000 people with access to sewerage services in Kitui town thus new connections are ongoing. Ithekethini Water Supply Project was started and completed within the year at a cost of Kshs. 17million to benefit 5,000 people.

Matungulu Water Supply Project is still ongoing and will benefit 15,000 people.

The Board procured the Contractor and signed a Contract of the Works to be undertaken of Kiambere- Mwingi water project during the financial year 2014/2015 to do works estimated to cost KES 1.4 billion. The Contractor will be mobilizing to site during financial year 2015/16.

The Board continued with survey, valuation and Conveyance for the area affected by the Thwake Multipurpose Dam (approx. 9,158 acres) which will cost approximately KES 3.0 billion for compensation and the Dam is estimated to cost KES 21 billion and projected to benefit over 300,000 people with domestic water and provide water to irrigate over 50,000 acres both in Makueni and Kitui Counties. During the year the Board completed designs, made an advert on consultancy, land subdivision and valuation, capacity building & training on livelihoods of persons affected after which the parent Ministry took up from there and did an advertisement for interested Consultants to do the review of the designs of the dam and shortlist of the same was done.

During the year under review, the Board under the National Water Harvesting Programme completed 78 small dams worth Kshs. 348 million.

During the year under review the Board completed the Konza Techno City Water Supply Phase I. Financially the Board has through and with the oversight role of our Board of Directors continued exercising financial prudence and adherence to set international and government set financial management standards.

The management in compliance with its Board of Directors' strategic direction continued with the Balanced Scorecard as a strategic tool in the final stage to increase efficiency and effectiveness in the achievement of our mandate. The management completed the Corporate Strategy which shall be launched during the financial year 2015/2016. The new tool will enable SMART targets and real-time tracking of the progress of their achievement. The Management also initiated the process of applying of ISO 9001:2008 certification was on course.

Due to the Devolution implementation, 5 staff members were devolved to Kitui County. This caused some challenges of timely project implementation by the remaining staff. Our Legal and Corporate Affairs Manager also resigned to look for greener pastures elsewhere.

During financial year 2015/16 we plan/ target to Kiambere – Mwingi Water and Sanitation Project construction, to complete the Yatta canal, to construct Manooni Water Supply Project, to implement Masinga Market- Ikaatine- Ekalakala pipeline and Kangonde Water Supply Project and to procure Non Revenue Water equipment.

As management we acknowledge and thank the Board of Directors for its strategic direction and support that it has continued to provide to the management in achieving the Board's mandate. We also thank all our development partners and the Ministry of Water and Irrigation for their continued policy direction guidance and support.

SIGNED BY:



Eng. Nicholas K. Muthui

Date...*3rd*.....February, 2016.

VI. CORPORATE GOVERNANCE STATEMENT

BOARD COMMITTEES

In ensuring that corporate governance is enhanced and that the power of Tanathi Water Services Board is exercised in the stewardship of the corporation's total portfolio of Assets and resources with the objective of maintaining stakeholder value, the Board of Directors has established the following committees:-

Finance, Administration and General Purposes Committee:

The Finance Committee is the overseer of the financial reporting process and the Board's Internal Control.

The committee is also responsible for efficient allocation and utilization of resources, proposing investment and funding for the board.

The committee is also responsible for general and human resources issues of the board. To this extend, the committee ensures that the Board hires the right staff, at the right place and guarantee staff welfare.

The committee terms of reference include but not limited to human resource planning, employee welfare, recruitment, training, performance appraisal, and discipline, health, safety and HIV/AIDS awareness. Other terms of reference include; Procurement, Finance and Information Communication and Technology.

Audit Committee:

In order to promote good corporate governance, Tanathi Water Services Board constituted an Audit Committee. The committee is charged with the role of monitoring on behalf of the board, the effectiveness of the processes in force with particular focus on:-

Safe guarding the assets

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

Technical, Monitoring and Evaluation Committee:

The Technical, Monitoring and Evaluation Committee has the oversight responsibility of ensuring that Water Services Providers comply with the agreements signed between them and Tanathi Water Services Board for the provision of water and sewerage services.

Tanathi Water Services being an asset owner, the committee ensures that there is adequate asset development maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.

Strategic Planning Committee:

The strategic planning committee has the oversight responsibility of directing the board strategically and planning the future direction of the board. The committee ensures the operations of board are in line with the strategic plan, performance contract and the government blue print of the vision 2030.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Tanathi Water Services Board has realized that safe drinking water and improved sanitation are important for achieving development for our people both in the Urban and Rural areas. In addition, the new constitution recognizes access to adequate water, clean environment and sanitation in the bills of rights. We are therefore no longer looking at environmental and catchment conservation merely as a way of achieving the MDG's, but more towards achieving the constitutional rights of our citizens. Hence, interventions that protect the environment, riparian land and water resources have continued to be crucial in our operations.

Our Corporate Social Responsibility Programme in the just ended year; conservation of the environment at Kiserian dam was done by our Board of Directors and some management staff while on a Board tour thus 2,000 tree seedlings were planted to improve on the catchment area at a cost of Kshs: 390,000.

1,000 textbooks were donated by Korean Government friends and Companies and the Board further issued them to 5 primary schools in Kajiado County namely for Saikeri, Esoit, Ilmotiok, Enkeresuna and Maisikiria.

During our end of year party on 19th December 2014 we visited AIC Kitui Baby Home, Kitui Region and shared with them some clothes and food stuff worth Kshs. 25,000.00.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the Board's affairs.

Principal activities

The principal activity of Tanathi Water Services Board is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in the area of its jurisdiction.

Tanathi Water Services Board has the key and central role in water, and sewerage management and its mandate covers four counties namely Kitui, Machakos, Makueni and Kajiado.

Main functions of the Board include:-

- Ownership and holding of water and sewerage Assets/ Infrastructure.
- Planning, development and expansion of water and sewerage services Infrastructure.
- Contracting out water and sewerage services provision to Water Service Providers (WSPs).
- Monitoring and supervision of water and sewerage Services provision to water service providers.

Results

The results of the entity for the year ended June 30, 2015 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page (ii).

Auditors

The Auditor General is responsible for the statutory audit of the Board in accordance with the Public Finance Management (PFM) Act, 2012, which also empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 24(10) of the Public Finance Management Act, 2012 and State Corporations Act, require the Directors to prepare financial statements in respect of that Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year/period and the operating results of the Board for that year/period. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year (period) ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board'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 and the State Corporations Act. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2015, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Board 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 29th September 2015 and signed on its behalf by:



Chief Executive Officer



Chairman

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X. REPORT OF THE INDEPENDENT AUDITORS ON TANATHI WATER SERVICES BOARD



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON TANATHI WATER SERVICES BOARD FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Tanathi Water Services Board set out on pages 1 to 42, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in reserves and statement of cash flows 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 14 of the public audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

As previously reported, the property, plant and equipment balance of Kshs.1,010,219,927 as at 30 June 2015 include motor vehicle registration number KAU 478L valued at Kshs.1,700,000 transferred from Kenya Water and Sanitation Programme to the Board in September 2008. However, ownership documents had not been regularized as at June 2015.

Further, as disclosed under Note 2 to the financial statements, other Board's assets inherited from National Water Conservation and Pipeline Corporation had not been incorporated in the financial statements for the year under review. The assets include water distribution infrastructure of undetermined value held by various district water officers within the jurisdiction of the Board.

In addition, three parcels of land namely Matinyani/Kulia (0.125 acres), Mavoko Municipality (1.5 acres) and Kimuyu Nguti all valued at Kshs.5,345,000 lacked ownership documents.

Also, included in the Property, Plant and Equipment and as analyzed in Note 2(r) are computers and accessories and plant and machinery valued at Kshs.10,274,719 that had been fully depreciated at the beginning of the financial year 2014/2015. However, the assets had not been retired from active use and no effort had been made to revalue them.

Consequently, the existence accuracy, ownership, and security of the property, plant and equipment balance of Kshs. 1,010,219,927 as at 30 June 2015 could not be confirmed.

2.0 Debtors and Prepayments

The debtors and prepayments increased by Kshs.196,232,884 from Kshs.376,225,757 as at 30 June 2014 to Ksh.572,458,641 as at 30 June 2015. Evidently, the Board did not institute proper debt recovery mechanisms during the year under review. Further, the Board has no policy on bad and doubtful debts and no provision for doubtful debts has been made in the financial statements.

In addition, included in the debtors and prepayments balance are staff debtors (imprests) totaling to Kshs.5,651,005 outstanding for the last four (4) years and District water officers debt of Kshs 1,672,425 and former Ministry of Water and Irrigation debt of Kshs 19,896,517 which have been outstanding for long.

In the circumstances, the recoverability of the debtors of Kshs. 572,458,641 as at 30 June 2015 could not be confirmed.

3.0 Construction of Yatta Dam Water Project

The Board, parent Ministry and the African Development Bank proposed to undertake the construction of Yatta Dam Water project at a total cost of Kshs. 2.2 billion.

Further, as at 30 June 2015, the total expenditure taken to work in progress since the project inception was Kshs. 448,992,241 which included Kshs. 33,222,779 for the year 2014/2015.

However, no physical work had started on the project as at the time of this audit in January 2016. In addition, the Board incurred a nugatory expenditure of Kshs.5,780,000 and Kshs.10,029,154 for a bill board and for the official launch by the Deputy President respectively both totaling Kshs. 15,809,154.

In the circumstances, the propriety of the expenditure of Kshs.448,992,241 as at 30 June 2015 could not be confirmed while the Kshs. 15,809,154 was not a proper charge to public funds as value for money has not been realized.

4.0 Construction of Small Earth Dams

During the year under review, the Board advertised for the construction of seventy (70) small earth dams at a total cost of Kshs.302,315,401 within the four counties of its operation. However, a physical inspection of five dams costing a total of Kshs.22,458,436 revealed that minor works costing Kshs.1,521,000 outlined in the bill of quantities were not implemented. The minor works included installation of sign boards and construction of spill ways all costing Kshs.450, 000 and Kshs.1,071,000 respectively. Further, provisional sum totaling to Kshs.1, 525,000 for three dams were not supported by documentary evidence. In the circumstances, the propriety of the expenditure of Kshs.3,046,000 as at 30 June 2015 could not be confirmed.

5.0 Non-Interest Earning Fixed Deposits

The statement of financial position reflects cash and cash equivalents balance of Kshs.231, 181,277 as at 30 June 2015. However, included in the cash and cash equivalents balance is Kshs.101, 972,575 in Kenya Commercial Bank which earned no interest in twenty months from 8 January 2014 to 8 August 2015. Further, Board approval and terms of fixed deposit were not availed for audit review.

In the circumstances, the propriety of the fixed deposit of Kshs 101, 972,575 could not be confirmed as at 30 June 2015.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Tanathi Water Services Board as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2002.

Other Matter

Financial Performance

Although the statement of financial position shows that the Board's going concern is not threatened, the statement of financial performance reflects an income and expenditure of Kshs.193,494,894 and Kshs.510,393,141 respectively resulting to a deficit of Kshs 316,399,086. The financial statements also reflects creditors and accruals balance of Kshs.440,232,380. If this trend is not reversed, the Board's future financial stability cannot be ascertained.

My opinion is not qualified in respect to this matter.



FCPA Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

27 July 2016

XI. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2015

	Notes	AMOUNT (Kshs) 2014-2015	AMOUNT (Kshs) 2013-2014
Revenue from non-exchange transactions			
Grants	note 3(a)	129,999,670	209,565,899
W.S.P Fee (Net of Wasreb levy)	note 3(b)	<u>63,495,224</u>	<u>45,767,290</u>
Total Revenue from non-exchange transactions		193,494,894	255,333,189
Revenue from exchange transactions			
Miscellaneous income	note 4	<u>499,161</u>	<u>3,607,133</u>
Total Income		<u>193,994,055</u>	<u>258,940,322</u>
EXPENDITURES			
Staff costs	note 5	68,867,071	63,856,540
Board Expenses	note 6	5,517,274	9,974,009
Administration and General Expenses	note 7	105,487,618	104,745,053
Finance charges	note 8	262,388,113	37,386,000
Development costs	note 9	<u>68,133,065</u>	<u>135,629,318</u>
Total Expenses		<u>510,393,141</u>	<u>351,590,920</u>
Deficit		<u>(316,399,086)</u>	<u>(92,650,598)</u>

XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

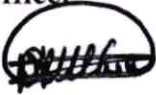
	Notes	AMOUNT (Kshs) 2014/2015	AMOUNT (Kshs) 2013/2014
NON CURRENT ASSETS			
Property, Plant and Equipment	note 10(a)	1,010,219,927	529,878,545
Work in progress	note 10(b)	3,562,072,332	2,199,351,910
Intangible asset	note 10(c)	=	135,466
TOTAL NON CURRENT ASSETS		<u>4,572,292,259</u>	<u>2,729,365,921</u>
CURRENT ASSETS			
Debtors and prepayments	note 11	572,458,641	376,225,757
Cash and Bank Balances	note 12	<u>231,181,277</u>	<u>482,403,609</u>
TOTAL CURRENT ASSETS		<u>803,639,918</u>	<u>858,629,366</u>
TOTAL ASSETS		<u>5,375,932,177</u>	<u>3,587,995,287</u>
RESERVES AND LIABILITIES			
CURRENT LIABILITIES			
Creditors and accruals	note 13	440,232,380	275,915,918
Deferred income-Short term		=	=
TOTAL CURRENT LIABILITIES		<u>440,232,380</u>	<u>275,915,918</u>
LONG TERM DEBT			
ADB Loan	note 14	<u>2,877,707,708</u>	<u>1,480,478,708</u>
TOTAL LIABILITIES		<u>3,317,940,088</u>	<u>1,756,394,626</u>
FINANCED BY: RESERVES			
Accumulated fund		(419,601,420)	(103,202,334)

Revaluation Reserve		23,908,600	23,908,600
Capital Reserve	note 15	<u>2,453,684,904</u>	<u>1,910,894,395</u>
TOTAL RESERVES		<u>2,057,992,084</u>	<u>1,831,600,661</u>
TOTAL RESERVES AND		<u>5,375,932,177</u>	<u>3,587,995,287</u>
LIABILITIES			

These Financial Statements are signed on behalf of the Board of Directors by:

Chief Executive Officer

Chairman


 Date. 3rd.....February, 2016


 Date.....3rdFebruary, 2016

XIII. STATEMENT OF CHANGES IN RESERVES

For the year ended 30 June 2015

	Revaluation Reserve Kshs	Capital reserve Kshs	Accumulated surplus Kshs	Total Kshs
Balance as at 30 JUNE 2012	-	1,022,541,073	41,038,272	1,063,579,345
Surplus/(deficit) for the period	23,908,600	263,561,940	(51,590,008)	235,880,532
Transfers to/from accumulated surplus	-	-	-	-
Balance as at 30.06.2013	23,908,600	1,286,103,013	(10,551,736)	1,299,459,877
For the year	-	624,791,382	(92,650,598)	532,140,784
Transfers to/from accumulated surplus	=	=	=	=
Balance as at 30.06.2014	<u>23,908,600</u>	<u>1,910,894,395</u>	<u>(103,202,334)</u>	<u>1,831,600,661</u>
For the year ended 30.06.2015	=	<u>542,790,509</u>	<u>(316,399,086)</u>	<u>226,391,423</u>
Balance as at 30.06.2015	<u>23,908,600</u>	<u>2,453,684,904</u>	<u>(419,601,420)</u>	<u>2,057,992,084</u>

XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30.06.2015

	notes	AMOUNT (Kshs) 2014/2015	AMOUNT (Kshs) 2013/2014
Deficit for the period		(316,399,086)	(92,650,598)
Adjustment for non cash items:			
Depreciation	Note 10(a)	46,999,434	52,469,730
Amortization	Note 10 (c)	135,466	135,467
Revaluation Reserve		-	-
Operating surplus before working capital changes		(269,264,186)	(40,045,401)
Increase/Decrease in debtors	Note 11	(196,232,884)	173,563,770
Increase in deferred Income-Short Term		-	(76,353,304)
Increase/Decrease in creditors	Note 13	164,316,462	85,781,248
Cash flow from operating activities		(301,180,608)	142,946,313
Investing Activities			
Purchase of fixed assets	Note 10 (a)	(527,340,817)	(223,353,896)
Work in progress	Note 10(b)	(1,362,720,422)	(921,739,872)
Purchase of intangible asset	Note 10 (c)	-	-
Net Cash flow from investing activities		(2,191,241,847)	(1,002,147,455)
Cash Flow from Financing Activities			
Increase in capital reserves	Note 15	542,790,509	624,791,382
Long term loan-ADB	Note 14	1,397,229,000	600,661,808
Net increase in cash and cash Equivalent during the year		<u>(251,222,338)</u>	<u>223,305,735</u>
Cash and cash equivalents at the beginning of the period	Note 12	482,403,609	259,097,881
Cash and cash equivalents at the end of the period	Note 12	231,181,277	482,403,609

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual	on	Performance
	2014-2015	2014-2015	2014-2015	2014-2015	comparable basis	difference
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Gok Development Grants	450,000,000	-	450,000,000	633,785,591	183,785,591	
Gok Recurrent Grant	18,695,541	-	18,695,541	18,695,541	-	
KIDDP Grant	82,000,000	-	82,000,000	9,004,918	(72,995,082)	
Loan-Development Partners	350,000,000	-	350,000,000	1,397,229,000	1,047,229,000	
Water Service Providers Fee	49,620,239	-	49,620,239	63,495,224	13,874,985	
Miscellaneous Income	1,200,000	-	1,200,000	499,161	(700,839)	
Gok/Unicef Programme Grant	-	-	-	11,304,129	11,304,129	
Total income	951,515,780	-	951,515,780	2,134,013,564	1,182,497,784	
Expenses						
Staff costs	81,529,000	-	81,529,000	68,867,071	12,661,929	
Board Expenses	16,634,000	-	16,634,000	5,517,274	11,116,726	
Administration and General Expenses	96,320,000	-	96,320,000	105,487,618	(9,167,618)	
Development costs	782,033,000	-	782,033,000	1,958,194,304	(1,176,161,304)	
Finance charges	-	-	-	262,388,113	(262,388,113)	
Total expenditure	976,516,000	-	976,516,000	2,400,454,380	(1,423,938,380)	
Surplus for the period	(25,000,220)	-	(25,000,220)	(266,441,146)	2,606,436,494	

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The Board's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

- i. Under Non exchange transaction, Lease fee income is recognized in the month in which it is due.
- ii. Under Exchange transactions, Grants from the Government of Kenya and other income are recognized when received.

b) Budget information – IPSAS 24

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. Material variance between the budget figures and actual amount are discussed as below:

i. Gok Development Grant;

The Board received Kshs: 156,785,591 for implementation of small dams under the National water harvesting programme and further Kshs: 27,000,000 for construction of small dams and borehole equipping in three constituencies in Kitui County.

ii. KIDDP Grant:

The Board had budgeted for Kshs: 60 Million, for implementation of Migwani water supply project and Kshs: 22 million for implementation of Matungulu water supply project under the Kenya Italy Debt for Development Programme. The Board received Kshs: 6,797,600 for drilling of 2 No. boreholes for the Migwani water supply project. There was a delay in implementation of the other associated civil works and hence no further disbursements within the year. The Board received Kshs: 2,207,318 as the remaining amount for the Mutitu/Thua-Kinakoni Water supply project which was outside budget for the year.

iii. Loan Development Partners:

The Board had budgeted for Kshs: 200 Million for Thwake Multi-Purpose dam, Kshs: 50 Million for Loitoktok Rehabilitation water supply and Kshs: 100 Million for Kiambere - Mwingi Water Supply and Sanitation Project-Technical supplier/equipment, technical staff training, supervision and construction works. Kiambere - Mwingi Water Supply and Sanitation Project and Thwake Multi-Purpose dam did not kick off during the year hence no disbursement were made while Loitoktok Rehabilitation water supply was moved from Tanathi Water Services Board to Athi Water Services Board hence no Loan disbursement for the project within the year. The Loan received is for Masinga-kitui water supply and sanitation project and Yatta Canal Rhabilitation Project which was outside budget for the year.

iv. Revenue from Water Service Providers

Revenue from water service providers is recognized on accrual basis. Though there is a positive variance of Kshs: 13.88 Million but actual collection was far below target at Kshs: 11.7 million against budgeted figure of Kshs: 49.62 Million. This has been contributed due to high pumping costs of the Water Service Providers making so many of them not to break even and further due to such water service providers being devolved to counties.

v. Miscellaneous Income:

The Board had budgeted to collect Kshs: 1.2 Million from sale of tenders. The Board realized only Kshs: 499,161 since the tenders are currently sold at Kshs: 1,000 unlike previously where they were being sold at Kshs: 3,000 or Kshs: 5,000, due to the new the new guidelines by Public Procurement Oversight Authority which further directs that annual prequalification's should be free of charge.

vi. Staff Costs:

The Board had budgeted to recruit one accountant during the year and implement salary review recommendations of the DPM report which did not materialize due to government guidelines (SRC) which froze recruitments and salary reviews. Also, during the year, five (5) seconded staff were recalled by Kitui County Government, one (1) staff resigned from the Board and two (2) staff passed away and were not replaced.

vii. Board Expenses:

The Board had budget to incur Kshs: 16.63 million (Boards allowances of Kshs 9.1 M based on planned meetings, Kshs 2.5M for Boards mileage , Kshs 4.0 M foreign travel , Kshs 0.96M for Chairperson Honoraria and Kshs 0.02M for airtime allowance for the Chairperson) on Board expenses with the retired board of during the 2013/2014 FY being replaced but they were not. Further, the budget foreign trip of Kshs: 4 Million, did not materialize hence the positive variance.

viii. Development Costs:

Development budget was Kshs: 782 million. However, the actual development cost stood at Kshs. 1.9 Billion with Kshs: 1.3 Billion relating to African Development Bank funded projects which had not been budgtd for. The Board also implemented small dams which had not been budgeted for.

ix. Finance charges.

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those

at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

The general loss of the Kenyan shilling against foreign currencies (Euro and US dollar) has contributed to this.

c) Property, plant and equipment – IPSAS 17

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

▪ Computers and Accessories	33.3%
▪ Furniture and fittings	12.5%
▪ Motor Vehicles	25%
▪ Plant and Machinery	20%
▪ Buildings	2.5%
▪ Water Supply Infrastructure	2.5%

d) Intangible assets – IPSAS 31

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. The intangible assets are amortized over a period of 3 years at the rate of 33.33% per annum on a straight line basis.

e) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

N/B Inventory is made up of consumables whose value was insignificant. These consumables were expensed at the time of purchase.

f) Provisions – IPSAS 19

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.

Contingent liabilities

The Board 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.

KPMG was contracted to review TAWSB's list of pending bills that fall on before the year ending 31st March 2011 and come up with the following report.

Category	Amount
Payable	75,674,204.01
Payable subject to claim	24,070,208.50
Not payable	91,468,329.24

Legal	52,474,435.67
Pending	34,126,182.00
Total	277,813,359.42

The report is awaiting opinion of the Attorney General for full adoption.

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.

g) Nature and purpose of reserves

The Board creates and maintains reserves in terms of specific requirements. These capital reserve is composed of Government and donor Grants received for the purchase of fixed assets or donated assets. They are recognized as deferred income and transferred to the surplus or deficit over the expected useful lives of the respective assets.

h) Changes in accounting policies and estimates – IPSAS 3

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

i) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting

of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

j) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

k) Cash and cash equivalents

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

l) Comparative figures

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

m) Significant judgments and sources of estimation uncertainty – IPSAS 1

In the process of applying the Board accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities within the next financial year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision

only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Equipment

Critical estimates are made by the Directors in determining depreciation rates of equipment.

Impairment

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

Provisions and contingent liabilities

The organization reviews its obligations at each balance sheet date to determine whether provisions need to be made and if there are any contingent liabilities.

Going Concern

Nothing has come to the attention of the Board's that it would cease to exist atleast for the next 12 months hence going concern concept do apply. These financial statements are thus prepared on historical basis.

n) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

o) Related parties – IPSAS 20

The Board 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 Board, or vice versa.

Key Management Staff

Members of key management are regarded as related parties and comprise the the Board of Directors, The Chief Executive Officer and the four Chief Managers. During the year under review, the Board of director expenses amounted to Kshs: 5,517,274 while Chief Executive Officer and the Chief Managers Remuneration amounted to Kshs: 20,047,448 translating to 29% of the total staff cost.

National Government:

The board recognizes the role played by the National Government through the ministry of water and irrigation and the national treasury. The government acts as the guarantor of all the board's loan facilities and also support the operations of the board through grants and interms of policy formulation and guidance.

p) Taxes – IAS 12

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

q) Financial Risk Management

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

The Board's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and equity/price risk), credit risk and liquidity risk. It seeks to minimize the potential adverse effects of these financial risks. Risk management is carried out under policies approved by the Board of Directors.

Market Risk

Market risk is the risk that the value of an investment will decrease due to movement in market factors. The Board has no exposure to market risk.

Foreign exchange rate risk

Foreign exchange rate risk is a form of risk that arises from the change in price of one currency against another. The Board's policy with respect to transactions is to record in Kenya shillings at the rate in effect at the date of the transaction whatever the currency of the original transaction.

Risk arises where there is a significant fluctuation between the currency of the donor contracts signed and the currency of spend

The Board's policy with respect to monetary assets and liabilities denominated in other currencies is to translate at the rate of exchange in effect at the reporting date. All gains or losses on changes in currency exchange rates are accounted for in the income statement.

	AMOUNT (Kshs)	AMOUNT (Kshs)
	2014/2015	2013/2014
Exchange loss	<u>262,388,113</u>	<u>37,386,000</u>

Credit Risk

Credit risk is the loss that would arise due to a debtor's non-payment of a loan or other line of credit. The largest concentrations of credit exposure arise from grants receivable, trade receivables, deposits held with service providers, prepayments, term deposits and cash and cash equivalents held with banks.

Significant amounts of funds are placed with only recognized financial institutions with strong credit ratings. The Board of Directors does not consider the credit risk exposure to be significant.

r) Gross Carrying amount Fully Depreciated Assets that are Still In Use.

The following assets are fully depreciated though they are still in use. The Board is in the process of revaluing them.

	AMOUNT
	(Kshs)
	2014/2015
Computers	8,127,219
Plant and machinery	<u>2,167,500</u>
Total	<u>10,274,719</u>

3. (a) Grants

	AMOUNT (Kshs) 2014/2015	AMOUNT (Kshs) 2013/2014
Gok Recurrent Grant	18,695,541	18,695,541
Gok Development grant	100,000,000	100,000,000
Water service trust fund grant	-	3,329,920
Gok/Unicef Grant	<u>11,304,129</u>	<u>87,540,438</u>
Total Development Grants	<u>129,999,670</u>	<u>209,565,899</u>

3. (b) WSP Fee

	AMOUNT (Kshs) 2014/2015	AMOUNT (Kshs) 2013/2014
WSP Fee	<u>63,495,224</u>	<u>45,767,290</u>

This is calculated at 9% of the WSPs actual collection per month as per water act 2002.

4. Miscellaneous income

	AMOUNT (Kshs) 2014/2015	AMOUNT (Kshs) 2013/2014
Sale of Tender	499,161	1,169,838
Bank Interest Earned	-	<u>2,437,295</u>
Total Miscellaneous income	<u>499,161</u>	<u>3,607,133</u>

5. Staff Costs

	AMOUNT (Kshs)	AMOUNT (Kshs)
	2014/2015	2013/2014
Salaries and wages	32,487,473	32,755,990
Staff Allowances	19,239,986	19,291,979
Gratuity contribution	2,584,016	930,000
N.S.S.F	87,600	96,200
Staff Insurance Cover	9,868,851	6,607,468
Staff Welfare/other	603,580	166,641
DIT Board Expense	27,800	31,300
Pension	<u>3,967,765</u>	<u>3,976,962</u>
Total Staff Costs	<u>68,867,071</u>	<u>63,856,540</u>

6. Board Expenses

	AMOUNT (Kshs)	AMOUNT (Kshs)
	2014/2015	2013/2014
Board sitting allowance	3,284,939	6,902,898
Board Mileage	1,065,226	1,659,856
Board medical cover	183,109	427,255
Air-time allowance	24,000	24,000
Board Honoraria	<u>960,000</u>	<u>960,000</u>
Total Board Expenses	<u>5,517,274</u>	<u>9,974,009</u>

7. Administration and General Expenses

	AMOUNT (Kshs)	AMOUNT (Kshs)
	2014/2015	2013/2014
Publishing, Printing and stationery	2,278,655	2,798,890
Postal, Telephone and Internet	2,148,626	2,231,751
Hire of Transport	381,465	9,500
Motor vehicle fuel and Oil	4,534,478	3,809,051
Motor Vehicle Maintenance	2,640,747	2,951,945
Motor Vehicle Insurance	763,733	1,561,496
General Repairs and maintenance	2,028,573	4,234,468
Advertising and Publicity	11,648,888	5,549,794
Computer stationery	362,958	707,990
Travelling and accommodation-local	9,976,587	9,560,068
Bank charges	291,719	197,864
Audit Fees	928,000	2,409,222
General office Running Expenses	1,477,164	2,003,431
Conferences, Meetings and Trainings	4,818,552	4,403,656
Education and trainings	7,740,631	2,297,460
Security Services	720,000	721,480
Legal, professional and subscription fees	1,663,887	3,298,402
Depreciation and amortization	47,134,900	52,605,197
Monitoring and Evaluation	3,350,900	2,953,888
Electricity and water	597,155	439,500
Total administration and general expenses	<u>105,487,618</u>	<u>104,745,053</u>

8. Finance charges

	AMOUNT (Kshs)	AMOUNT (Kshs)
	2014/2015	2013/2014
Exchange loss	<u>262,388,113</u>	<u>37,386,000</u>

This arises from differences in transaction exchange rate and closing rates of the African Development Bank Loan.

9. Development Expenses

	AMOUNT (Kshs)	AMOUNT (Kshs)
	2014/2015	2013/214
W.S.P assistance	5,000,000	2,913,250
Consultancy	51,981,836	43,494,609
Water project construction	10,681,763	80,680,285
Water conservancy	390,000	200,000
Drought Mitigation	-	8,341,174
ECOSAN Toilets	<u>79,466</u>	<u>79,466</u>
Total development expenses	<u>68,133,065</u>	<u>135,629,318</u>

10. (a) Property, Plant and Equipment

	Motor Vehicles 25%	Land	Furniture and Fittings 12.5%	Computer and Accessories 33.3%	Plant and Machinery 20%	Water Supply Infrastructure 2.5%	Office Buildings 2.5%	Total
Cost as at 01.07.2014	123,609,862	5,345,000	8,893,233	19,696,777	9,694,876	475,612,931	2,691,407	645,544,086
Additions for the year	-	270,000	-	2,488,880	-	524,581,937	-	527,340,817
Revaluation	(28,223,523)	-	-	-	-	-	-	(28,223,523)
As at 30/06/2015	95,386,339	5,615,000	8,893,233	22,185,657	9,694,876	1,000,194,868	2,691,407	1,144,661,380
Depreciation								
As at 01/07/2014	30,902,466	-	4,916,695	16,269,978	5,449,233	29,701,792	201,855	87,442,019
Depreciation charge	16,790,704	-	1,111,654	2,941,111	1,083,808	25,004,872	67,285	46,999,434
As at 30/06/2015	47,693,170	-	6,028,349	19,211,089	6,533,041	54,706,664	269,140	134,441,453
NBV As at 30/06/2015	47,693,170	5,615,000	2,864,884	2,974,568	3,161,835	945,488,204	2,422,267	1,010,219,927
NBV As at 30/06/2014	64,483,874	5,345,000	3,976,538	3,426,799	4,245,643	445,911,139	2,489,552	529,878,545

10. (b) Work in Progress

	AMOUNT (Kshs)
	2014/2015
Project	Amount
Kaewa-Masinga Water Project	92,198,791
Kiambere-Mwingi Water and sanitation project	5,104,880
Konza Techno City Water Supply Project	45,842,543
Migwani Water Supply Project	7,800,000
Masinga Kitui Water And Sanitation Project	2,359,551,284
Thwake Multi-Purpose Dam	176,018,920
Yatta dam Water Project	564,881,823
Yatta Canal Rehabilitation Works	196,550,777
Matungulu Water Supply Project	105,670,157
Enterprise Resource PLanning Software	5,671,500
Nzeluni Secondary school W/P	<u>2,781,657</u>
Total work in progress as at 30.06.2015	<u>3,562,072,332</u>

10. (c) Intangible Assets

	FMIS	QUICKBOOKS	ICT SOFTWARES	TOTAL
	33.33%	33.33%	33.33%	33.33%
Cost as at 01/07/2014	2,148,288	505,600	406,400	3,060,288
Additions	-	-	-	-
As at 30.06.2015	<u>2,148,288</u>	<u>505,600</u>	<u>406,400</u>	<u>3,060,288</u>
Amortisation as at 01.07.2014	<u>2,148,288</u>	<u>505,600</u>	<u>270,934</u>	<u>2,924,822</u>
Amortization for the year	=	=	135,466	135,466
Accumulated amortization as at 30.06.2015	<u>2,148,288</u>	<u>505,600</u>	<u>406,400</u>	<u>2,924,822</u>
NBV AS AT 30.06.2015	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>
NBV AS AT 30.06.2014	-	-	<u>135,466</u>	<u>135,466</u>

11. Debtors and Prepayments

	AMOUNT (Kshs) 2014/2015	AMOUNT (Kshs) 2013/2014
Trade Debtors	144,737,561	92,348,094
Staff Debtors	5,651,005	2,617,697
Kiambere-Mwingi(Sacco dues)	4,268,792	5,268,792
Ministry of water and irrigation	19,896,517	19,896,517
Prepaid Board airtime	2,000	2,000
Advance payment	391,850,681	246,920,553
Prepaid motor vehicle insurance	276,252	304,720
Prepaid staff airtime	85,500	100,500
Prepaid staff insurance cover	4,017,908	4,156,827
District water officers	<u>1,672,425</u>	<u>4,610,057</u>
Total debtors and prepayments	<u>572,458,641</u>	<u>376,225,757</u>

Advance payment is money paid before actual execution of the works usually as per specific conditions of the contract terms and upon production of an irrevocable advance payment guarantee. The amount is recoverable in subsequent payment certificates of actual works executed

12. Cash and cash equivalents

Bank	Account	AMOUNT	AMOUNT
		(Kshs)	(Kshs)
		2014/2015	2013/2014
Kenya Commercial Bank Limited-Kitui Branch	GOK Recurrent a/c	541,738	106,039
Kenya Commercial Bank Limited-Kitui Branch	GOK development a/c	54,217,686	95,402,500
Kenya Commercial Bank Limited-Kitui Branch	Konza Techno City Project a/c	15,264,780	-
Co-operative Bank Limited-Kitui Branch	Deposits a/c	158,111	2,879,205
Kenya Commercial Bank Limited-Kitui Branch	KYEP A/C	-	17,554
Kenya Commercial Bank Limited	GOK/ Unicef Bank a/c	1,014,679	5,475,239
Kenya Commercial Bank Limited-Kitui Branch	CPC A/C	66,534	67,534
Kenya Commercial Bank Limited-Kitui Branch	ECOSAN/CPC a/c	53,728	203,414
Kenya Commercial Bank Limited-Kitui Branch	Fixed Deposit a/c	101,972,575	101,973,685
Kenya Commercial Bank Limited-Kitui Branch	Tanathi WSB 10% Retention a/c	48,053,872	41,938,737
Kenya Commercial Bank Limited-Kitui Branch	TAWSB/ADB Small Towns a/c	1,005	2,039,056
Kenya Commercial Bank Limited-Kitui Branch	TAWSB/NYS Programme a/c	2,958,646	182,059,873
Kenya Commercial Bank Limited-Kitui Branch	TWSB Gok/ADB Project a/c	6,007,588	29,243,772
Cash in hand	Petty Cash	650	-
Kenya Commercial Bank Limited-Kitui Branch	Kenya Italy Debt for Development Programme	<u>869,685</u>	<u>20,997,001</u>
Total Cash and cash equivalents		<u>231,181,277</u>	<u>482,403,609</u>

13. Creditors and Payables

	AMOUNT (Kshs)	AMOUNT (Kshs)
	2014/2015	2013/2014
Trade Creditors	166,980,147	117,287,217
10% retention	247,387,328	130,922,494
Payroll	194,351	1,982,223
Kenya Revenue Authority	<u>25,670,554</u>	<u>25,723,984</u>
Total Creditors and accruals	<u>440,232,380</u>	<u>275,915,918</u>

14. African Development Bank Loan

PAYEE	APPLICATION NUMBER	CURRENCY	AMOUNT	CLOSING RATE	AMOUNT
CAS CONSULTANTS	DP NOTAWSB-01	KES	11,298,000.00	1	11,298,000
SALEH & HEGAB	DP NOTAWSB-02	EURO	24,500.00	110.3953	2,704,685
CAS CONSULTANTS	DP NOTAWSB-03	KES	11,298,000.00	1	11,298,000
SALEH & HEGAB	DP NOTAWSB-04	EURO	24,500.00	110.3953	2,704,685
CAS CONSULTANTS	DP NOTAWSB-05	KES	11,298,000.00	1	11,298,000
SALEH & HEGAB	DP NOTAWSB-06	EURO	24,500.00	110.3953	2,704,685
APEX CONSULTING AFRICA LTD.	DP NOTAWSB-07	USD	24,940.00	98.6394	2,460,067
SPECIAL ACCOUNT REQUEST	RF NO TAWSB-08	USD	92,075.13	84.48	7,778,507
APEX CONSULTING AFRICA LTD.	DP NOTAWSB-09	USD	12,470.00	98.6394	1,230,033
NORCONSULT	DP NOTAWSB-10	EURO	249,440.00	110.3953	27,537,004
SALEH & HEGAB	DP NOTAWSB-11	USD	60,900.00	98.6394	6,007,139
CAS CONSULTANTS	DP NOTAWSB-12	KES	5,853,760.00	1	5,853,760
CAS CONSULTANTS	DP NOTAWSB-13	KES	5,649,000.00	1	5,649,000
SALEH & HEGAB	DP NOTAWSB-14	EURO	12,250.00	110.3953	1,352,342

GENERAL MOTORS EAST AFRICA LTD.	DP 15	NOTAWSB-	KES	12,000,000	1	12,000,000
SINOHYDRO CORPORATION LTD. Lot A	DP 16	NOTAWSB-	KES	21,299,854.52	1	21,299,855
SINOHYDRO CORPORATION LTD. Lot A	DP 17	NOTAWSB-	USD	2,043,933.30	98.6394	201,612,354
SINOHYDRO CORPORATION LTD.	DP 18	NOTAWSB-	KES	19,327,466.50	1	19,327,467
SINOHYDRO CORPORATION LTD.	DP 19	NOTAWSB-	USD	2,181,956.49	98.6394	215,226,879
APEX CONSULTING AFRICA LTD.	DP 20	NOTAWSB-	USD	31,175	98.6394	3,075,083
APEX CONSULTING AFRICA LTD.	DP 21	NOTAWSB-	USD	31,175	98.6394	3,075,083
NORCONSULT	DP 22	NOTAWSB-	EURO	49,888	110.3953	5,507,401
SINOHYDRO CORPORATION LTD. Lot A	DP 24	NOTAWSB-	USD	718,009.65	98.6394	70,824,041
SINOHYDRO CORPORATION LTD. Lot A	DP 25	NOTAWSB-	KES	7,482,387.54	1	7,482,388
SINOHYDRO CORPORATION LTD. Lot B	DP 26	NOTAWSB-	USD	464,845.64	98.6394	45,852,095
SINOHYDRO CORPORATION LTD. Lot B	DP 27	NOTAWSB-	KES	4,117,537.89	1	4,117,538
SALEH & HEGAB	DP 28	NOTAWSB-	USD	91,350	98.6394	9,010,709
CAS CONSULTANTS	DP 29	NOTAWSB-	KES	8,780,640.00	1	8,780,640
CAS CONSULTANTS	DP 30	NOTAWSB-	KES	1,870,200.00	1	1,870,200
CAS CONSULTANTS	DP 31	NOTAWSB-	KES	2,805,300.00	1	2,805,300
SINOHYDRO CORPORATION LTD. Lot A	DP 32	NOTAWSB-	KES	4,873,824.18	1	4,873,824
SINOHYDRO CORPORATION LTD. Lot A	DP 33	NOTAWSB-	USD	467,692	98.6394	46,132,858
SINOHYDRO CORPORATION LTD. Lot B	DP 34	NOTAWSB-	KES	4,854,493.14	1	4,854,493

SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-35	USD	548,043.52	98.6394	54,058,684
TAWSB DEVELOPMENT A/C	DP	NOTAWSB-36	KES	5,237,685.00	1	5,237,685
SINOHYDRO CORPORATION LTD. Lot A	DP	NOTAWSB-37	KES	5,954,792.75	1	5,954,793
SINOHYDRO CORPORATION LTD. Lot A	DP	NOTAWSB-38	USD	571,421.71	98.6394	56,364,695
SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-39	KES	4,393,027	1	4,393,027
SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-40	USD	495,946.95	98.6394	48,919,910
CAS CONSULTANTS	DP	NOTAWSB-41	KES	11,523,960.00	1	11,523,960
SALEH & HEGAB	DP	NOTAWSB-42	EURO S	24,990.00	110.3953	2,758,779
SINOHYDRO CORPORATION LTD. Lot A	DP	NOTAWSB-43	KES	4,891,546	1	4,891,546
SINOHYDRO CORPORATION LTD. Lot A	DP	NOTAWSB-44	USD	469,392.62	98.6394	46,300,606
SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-45	KES	3,484,278.90	1	3,484,279
SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-46	USD	393,354.45	98.6394	38,800,247
SINOHYDRO CORPORATION LTD. Lot A	DP	NOTAWSB-47	KES	4,523,567.30	1	4,523,567
SINOHYDRO CORPORATION LTD. Lot A	DP	NOTAWSB-48	USD	434,081.36	98.6394	42,817,525
SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-49	KES	3,796,761.20	1	3,796,761
SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-50	USD	428,631.85	98.6394	42,279,989
DR ENG. SEAN AVERY	DP	NOTAWSB-51	USD	67,932.00	98.6394	6,700,772
GRAEME WATSON	DP	NOTAWSB-52	USD	91,420.00	98.6394	9,017,614

CAS CONSULTANTS	DP	NOTAWSB-53	KES	10,975,800	1	10,975,800
SALEH & HEGAB	DP	NOTAWSB-54	USD	91,350	98.6394	9,010,709
APEX CONSULTING AFRICA LTD.	DP	NOTAWSB-55	USD	24,940	98.6394	2,460,067
CAS CONSULTANTS	DP	NOTAWSB-56	KES	15,409,862	1	15,409,862
CAS CONSULTANTS	DP	NOTAWSB-57	KES	10,785,071	1	10,785,071
SALEH & HEGAB	DP	NOTAWSB-58	EURO	23,388	110.3953	2,581,925
SINOHYDRO CORPORATION LTD. Lot A	DP	NOTAWSB-59	KES	2,027,682	1	2,027,682
SINOHYDRO CORPORATION LTD. Lot A	DP	NOTAWSB-60	USD	194,576.27	98.6394	19,192,887
SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-61	KES	3,177,356	1	3,177,356
SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-62	USD	358,704.71	98.6394	35,382,417
SINOHYDRO CORPORATION LTD. Lot A	DP	NOTAWSB-63	KES	4,942,804.80	1	4,942,805
SINOHYDRO CORPORATION LTD. Lot A	DP	NOTAWSB-64	USD	474,311.37	98.6394	46,785,789
SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-65	KES	658,352.80	1	658,353
SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-66	USD	74,324.13	98.6394	7,331,288
SINOHYDRO CORPORATION LTD. Lot A	DP	NOTAWSB-67	KES	3,439,052.50	1	3,439,053
SINOHYDRO CORPORATION LTD. Lot A	DP	NOTAWSB-68	USD	330,011.35	98.6394	32,552,122
SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-69	KES	1,394,110.20	1	1,394,110
SINOHYDRO CORPORATION LTD. Lot B	DP	NOTAWSB-70	USD	157,386.78	98.6394	15,524,538

SINOHYDRO CORPORATION LTD. Lot A cert 10	DP	NOTAWSB-71	KES	1,664,855.54	1	1,664,856
SINOHYDRO CORPORATION LTD. Lot A cert 10	DP	NOTAWSB-72	USD	159,759.48	98.6394	15,758,579
SINOHYDRO CORPORATION LTD. Lot B cert 10	DP	NOTAWSB-73	KES	957,725.40	1	957,725
SINOHYDRO CORPORATION LTD. Lot B cert 10	DP	NOTAWSB-74	USD	108,121.52	98.6394	10,665,042
SINOHYDRO CORPORATION LTD. Lot A cert 11	DP	NOTAWSB-75	KES	2,211,518.40	1	2,211,518
SINOHYDRO CORPORATION LTD. Lot A cert 11	DP	NOTAWSB-76	USD	212,217.23	98.6394	20,932,980
SINOHYDRO CORPORATION LTD. Lot B cert 11	DP	NOTAWSB-77	KES	1,256,181.90	1	1,256,182
SINOHYDRO CORPORATION LTD. Lot B cert 11	DP	NOTAWSB-78	USD	141,815.49	98.6394	13,988,595
CAS CONSULTANTS	DP	NOTAWSB-79	KES	8,795,338	1	8,795,338
CAS CONSULTANTS-CORR OF CERT 1 THWAKE	DP	NOTAWSB-80		0	0	0
SALEH & HEGAB CORR OF CERT 1 THWAKE	DP	NOTAWSB-81	USD	0	0	0
CAS CONSULTANS-MASINGA SUPERVISION	DP	NOTAWSB-82	KES	8,622,633.40	1	8,622,633
SALEH AND HEGAB-MASINGA SUPERVISION	DP	NOTAWSB-83	EURO	18,698.10	110.3953	2,064,182
SINOHYDRO CORPORATION LTD. Lot A cert 12	DP	NOTAWSB-84	KES	504,295.15	1	504,295
SINOHYDRO CORPORATION LTD. Lot A cert 12	DP	NOTAWSB-85	USD	48,392.15	98.6394	4,773,373
SINOHYDRO CORPORATION LTD. Lot B cert 12	DP	NOTAWSB-86	KES	2,129,125.60	1	2,129,126

SINOHYDRO CORPORATION LTD. Lot B cert 12	DP	NOTAWSB-87	USD	240,365.67	98.6394	23,709,525
CAS CONSULTANTS	DP	NOTAWSB-88	KES	2,805,300.00	1	2,805,300
CAS CONSULTANTS	DP	NOTAWSB-89	KES	1,870,200.00	1	1,870,200
SINOHYDRO CORPORATION LTD. Lot B cert 13	DP	NOTAWSB-90	KES	1,439,851.22	1	1,439,851
SINOHYDRO CORPORATION LTD. Lot B cert 13	DP	NOTAWSB-91	USD	162,550.67	98.6394	16,033,901
SINOHYDRO CORPORATION LTD. Lot B cert 14	DP	NOTAWSB-92	KES	1,367,490.30	1	1,367,490
SINOHYDRO CORPORATION LTD. Lot B cert 14	DP	NOTAWSB-93	USD	154,381.55	98.6394	15,228,103
CAS CONSULTANTS	DP	NOTAWSB-94	KES	6,148,371	1	6,148,371
SALEH & HEGAB	DP	NOTAWSB-95	EURO	13,332.90	110.3953	1,471,889
SINOHYDRO CORPORATION LTD. Lot A cert 13	DP	NOTAWSB-96	KES	527,224.90	1	527,225
SINOHYDRO CORPORATION LTD. Lot A cert 13	DP	NOTAWSB-97	USD	50,592.48	98.6394	4,990,412
SINOHYDRO CORPORATION LTD. Lot B cert 15	DP	NOTAWSB-98	KES	864,516.40	1	864,516
SINOHYDRO CORPORATION LTD. Lot B cert 15	DP	NOTAWSB-99	USD	97,598.78	98.6394	9,627,085
SINOHYDRO CORPORATION LTD. Lot B cert 16	DP	NOTAWSB-100	KES	2,538,328.90	1	2,538,329
SINOHYDRO CORPORATION LTD. Lot B cert 16	DP	NOTAWSB-101	USD	286,562.30	98.6394	28,266,333
SALEH & HEGAB	DP	NOTAWSB-102		21,682.50	110.3953	2,393,646
Expenditure reimbursement				2,633,569	1	2,633,569
SINOHYDRO CORPORATION LTD. Lot A cert 14	DP	NOTAWSB-103	KES	1,103,784.70	1	1,103,785

SINOHYDRO CORPORATION LTD. Lot A cert 14	DP	NOTAWSB-104	USD	105,919.14	98.6394	10,447,800
SINOHYDRO CORPORATION LTD. Lot B cert 17	DP	NOTAWSB-105	KES	1,960,144.90	1	1,960,145
SINOHYDRO CORPORATION LTD. Lot B cert 17	DP	NOTAWSB-106	USD	221,288.75	98.6394	21,827,790
Gok Development a/c			KES	890,841.05	1	890,841
SINOHYDRO CORPORATION LTD. Lot A cert 15	DP	NOTAWSB-107	KES	598,599.90	1	598,600
SINOHYDRO CORPORATION LTD. Lot A cert 15	DP	NOTAWSB-108	USD	57,441.62	98.6394	5,666,007
SINOHYDRO CORPORATION LTD. Lot B cert 18	DP	NOTAWSB-109	KES	2,377,796.00	1	2,377,796
SINOHYDRO CORPORATION LTD. Lot B cert 18	DP	NOTAWSB-110	USD	268,439.09	98.6394	26,478,671
NORCONSULT	DP	NOTAWSB-111	EURO	99,776.00	110.3953	11,014,801
SINOHYDRO CORPORATION LTD. Lot A cert 16	DP	NOTAWSB-112	KES	975,794.70	1	975,795
SINOHYDRO CORPORATION LTD. Lot A cert 16	DP	NOTAWSB-113	USD	93,637.22	98.6394	9,236,319
SINOHYDRO CORPORATION LTD. Lot B cert 19	DP	NOTAWSB-114	KES	3,294,050.50	1	3,294,051
SINOHYDRO CORPORATION LTD. Lot B cert 19	DP	NOTAWSB-115	USD	371,878.79	98.6394	36,681,901
GRAEME WATSON	DP	NOTAWSB-116	USD	45,710.00	98.6394	4,508,807
UNIPUMPS NIGERIA	DP	NOTAWSB-117	KES	20,862,604.80	1	20,862,605
UNIPUMPS NIGERIA	DP	NOTAWSB-118	USD	1,963,539.28	98.6394	193,682,336
SINOHYDRO CORPORATION LTD. Lot A cert 17	DP	NOTAWSB-119	KES	1,376,955.90	1	1,376,956
SINOHYDRO CORPORATION LTD. Lot A cert 17	DP	NOTAWSB-120	USD	132,132.64	98.6394	13,033,484

SINOHYDRO CORPORATION LTD. Lot B cert 20	DP	NOTAWSB-121	KES	2,188,652.40	1	2,188,652
SINOHYDRO CORPORATION LTD. Lot B cert 20	DP	NOTAWSB-122	USD	247,085.89	98.6394	24,372,404
SINOHYDRO CORPORATION LTD. Lot B cert 21	DP	NOTAWSB-123	USD	110,991.82	1	110,992
SINOHYDRO CORPORATION LTD. Lot B cert 21	DP	NOTAWSB-124	KSHS	983,150.00	1	983,150
SINOHYDRO CORPORATION LTD. Lot A cert 18	DP	NOTAWSB-125	KES	1,161,108.60	1	1,161,109
SINOHYDRO CORPORATION LTD. Lot A cert 18	DP	NOTAWSB-126	USD	111,419.94	98.6394	10,990,396
SINOHYDRO CORPORATION LTD. Lot B cert 22	DP	NOTAWSB-127	USD	425,289.59	98.6394	41,950,310
SINOHYDRO CORPORATION LTD. Lot B cert 22	DP	NOTAWSB-128	KES	3,767,155.90	1	3,767,156
SINOHYDRO CORPORATION LTD. Lot A cert 19	DP	NOTAWSB-129	KES	4,043,879.60	1	4,043,880
SINOHYDRO CORPORATION LTD. Lot A cert 19	DP	NOTAWSB-130	USD	388,050.54	98.6394	38,277,072
SINOHYDRO CORPORATION LTD. Lot A cert 20	DP	NOTAWSB-131	KES	2,221,349.50	1	2,221,350
SINOHYDRO CORPORATION LTD. Lot A cert 20	DP	NOTAWSB-132	USD	213,160.62	98.6394	21,026,036
SINOHYDRO CORPORATION LTD. Lot B cert 23	DP	NOTAWSB-133	KES	698,473.00	1	698,473
SINOHYDRO CORPORATION LTD. Lot B cert 23	DP	NOTAWSB-134	USD	78,853.46	98.6394	7,778,058
SINOHYDRO CORPORATION LTD. Lot A cert 21	DP	NOTAWSB-135	KES	806,806.20	1	806,806
SINOHYDRO CORPORATION LTD. Lot A cert 21	DP	NOTAWSB-136	USD	77,421.09	98.6394	7,636,770

SINOHYDRO CORPORATION LTD. Lot B cert 24	DP	NOTAWSB-137	KES	965,282.20	1	965,282
SINOHYDRO CORPORATION LTD. Lot B cert 24	DP	NOTAWSB-138	USD	108,974.64	98.6394	10,749,193
TODDY CIVIL ENGINEERING CERT 1	DP	NOTAWSB-139	KES	137,720,256.30	1	137,720,256
TODDY CIVIL ENGINEERING CERT 2	DP	NOTAWSB-140	KES	90,642,438.10	1	90,642,438
UNIPUMPS NIGERIA cert 2	DP	NOTAWSB-141	KES	5,078,564.60	1	5,078,565
UNIPUMPS NIGERIA cert 2	DP	NOTAWSB-142	USD	477,982.55	98.6394	47,147,912
NORCONSULT	DP	NOTAWSB-143	EURO	99,776.00	110.3953	11,014,801
SINOHYDRO CORPORATION LTD. Lot A cert 22	DP	NOTAWSB-144	KES	5,737,880.50	1	5,737,881
SINOHYDRO CORPORATION LTD. Lot A cert 22	DP	NOTAWSB-145	USD	550,606.81	98.6394	54,311,525
SINOHYDRO CORPORATION LTD. Lot B cert 25	DP	NOTAWSB-146	KES	7,168,538.20	1	7,168,538
SINOHYDRO CORPORATION LTD. Lot B cert 25	DP	NOTAWSB-147	USD	809,285.51	98.6394	79,827,437
CAS CONSULTANTS LTD AND SALEH & HEGAB	DP	NOTAWSB-148	KES	13,704,474.00	1	13,704,474
CAS CONSULTANTS LTD AND SALEH & HEGAB	DP	NOTAWSB-149	EURO	29,718.50	110.3953	3,280,783
SINOHYDRO CORPORATION LTD. Lot A cert 23	DP	NOTAWSB-150	USD	693,971.87	98.6394	68,452,969
SINOHYDRO CORPORATION LTD. Lot A cert 23	DP	NOTAWSB-151	KES	7,231,889.50	1	7,231,890
SINOHYDRO CORPORATION LTD. Lot B cert 26	DP	NOTAWSB-152	KES	1,286,190.60	1	1,286,191
SINOHYDRO CORPORATION LTD. Lot B cert 26	DP	NOTAWSB-153	USD	145,203.30	98.6394	14,322,766
SINOHYDRO CORPORATION LTD	DP	NOTAWSB-155	KES	4,180,782.70	1	4,180,783

SINOHYDRO CORPORATION LTD	DP 156	NOTAWSB-	USD	401,187.76	98.6394	39,572,920
SINOHYDRO CORPORATION LTD	DP 157	NOTAWSB-	KES	4,174,228.90	1	4,174,229
SINOHYDRO CORPORATION LTD	DP 158	NOTAWSB-	USD	471,245.71	98.6394	46,483,394
ICPHER CONSULTANTS	DP 159	NOTAWSB-	KES	8,223,260.00	1	8,223,260
SINOHYDRO CORPORATION LTD	DP 160	NOTAWSB-	KES	2,067,104.70	1	2,067,105
SINOHYDRO CORPORATION LTD	DP 161	NOTAWSB-	USD	198,359.29	98.6394	19,566,041
SINOHYDRO CORPORATION LTD	DP 162	NOTAWSB-	KES	2,353,305.60	1	2,353,306
SINOHYDRO CORPORATION LTD	DP 163	NOTAWSB-	USD	265,674.27	98.6394	26,205,951
SALEH & HEGAB / CAS CONSULTANTS	DP 164	NOTAWSB-	KES	571,271.00	1	571,271
ICPHER CONSULTANTS	DP 165	NOTAWSB-	KES	12,334,890.00	1	12,334,890
	Total					2,877,707,708

Note 15. Capital Reserve

	AMOUNT
	(Kshs)
Balance as at 01.07.2013	1,286,103,013
Additions during the year	<u>624,791,382</u>
Balance as at 30.06.2014	<u>1,910,894,395</u>
For the year	<u>542,790,509</u>
Balance as at 30.06.2015	<u>2,453,684,904</u>

These are Grants received from the Government for the purchase of fixed assets. They are recognized as deferred income and transferred to the surplus or deficit over the expected useful lives of the respective assets

16. Events after the reporting period

There are no material non-adjusting events after the reporting date.

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Property, Plant and equipment	As previously reported, the property, plant and equipment balance of Kshs 529,878,545 as at 30 th June 2014 include motor vehicle registration number KAU 478L valued at Kshs 1,700,000 transferred from Kenya Water and Sanitation Programme to the Board in September 2008 but ownership documents had not been regularized as at 30 th June 2014. Further as disclosed under Note 2 to the financial statements other Board Assets inherited from National	<p>i) The Board has obtained the original logbook from the previous owner and it is in the process of transferring the logbook in the Board's name.</p> <p>ii) These assets were to be transferred to the board</p>	Dennis K. Mulu Chief Manager- Finance and Administration	Not Resolved	<p>a. Transfer of KAU 478L to be completed by June 2015.</p> <p>b. Acquisition of Title deeds for the parcels of</p>

	<p>Water Conservation and pipeline Corporation have not been incorporated in the financial statements for the year under review. The assets include water distribution infrastructure of undetermined value held by various district water officers within the jurisdiction of the Board.</p> <p>In addition three parcels of land namely Matinyani/Kulia (0.125 acres), Mavoko Municipality (1.5 acres) and Kimunyu Nguti all valued at Ksh 5,345,000 lack ownership documents.</p> <p>Also included in Property, Plant and Equipment are computers and accessories and Plant and machinery valued at Ksh 10,034,743 that had been fully depreciated at the beginning of the financial year 2013/2014. Audit verification revealed that these assets had not been retired from active use and no effort hitherto been made to revalue them.</p> <p>Consequently, the accuracy, ownership and existence of the property, plant and equipment balance of Ksh 529,878,545 as at</p>	<p>under the transfer plan which has not been completed upto date. Under the circumstances the board could not reflect these assets in its asset register because of lack of ownership documentation and the value of such assets.</p> <p>iii) The Board's is following up to obtain the title deed for the said parcels of land. (See the attached transfer documents).</p> <p>iv) The Board will undertake revaluation of Computers and accessories so that these</p>		<p>land is ongoing and expected to be completed by June 2016.</p> <p>c. The transfer plan under the water act 2002 was never completed in the water sector and further due to enactment of the new constitution 2010, the new water bill is</p>
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	30 th June 2014 could not be confirmed	assets are stated at their fair values in the year 2014/2015.			expected to give clear guidelines for the transfer plan to all sector institutions and county governments.
2. Irregular Inter-Cashbooks Borrowings	The statement of financial position reflects cash equivalents balance of Ksh 482,403,609 as at 30 th June 2014. However a total of Ksh 36,500,000 was transferred from the Development Account to the recurrent Account on diverse dates, but the same had not been refunded as at the closure of the financial year. Further, Ksh 4,000,000 was transferred from retention account to KIDDP Account to, fund activities that are recurrent in nature and the fund had not been refunded as at 30 th June 2014. Similarly, an amount of Ksh 13,000,000 was transferred to KIDDP Account from Development	The amounts transferred from Development Account to Recurrent account were to cater for recurrent expenditures. Development budget has recurrent budget to cater for Board's recurrent expenditures. This budget was catered for and was approved by Board of directors in 2013/2014fy annual budget. This Development money to cater for recurrent budget comes through the Development a/c and the transfer to	Dennis K. Mulu Chief Manager- Finance and Administration	Resolved	September, 2015

	Account but had not been refunded by the end of financial year. In the circumstances, it has not been possible to confirm that cash and bank balance of Ksh 482,403,609 is fairly stated as at 30 th June 2014.	recurrent a/c was duly authorized by the Chief Executive officer and the Chief Manager Finance & Administration. The other amounts borrowed were to facilitate payment of various projects which will be refunded once we receive funds for these projects.			
3. Debtors and prepayment	Included in debtors and prepayment balance of Ksh 376,225,757 as at 30 th June 2014 are staff debtors (imprest) totaling to Ksh 2,617,697 and District Water officers debt amounting to Ksh 4,610,057 and former Ministry of Water and irrigation debt of Ksh 19,896,517 which have been outstanding for long. These imprests has been outstanding for the last three financial years and some of the imprest holders were issued additional imprests without first accounting for the previous ones thus contravening the provision of the existing Government financial regulation and procedures.	The Board would ensure that all government regulations and procedures are followed.	Dennis K. Mulu Chief Manager- Finance and Administration	Resolved	September 2015.

	In the circumstances, the recoverability of the debtors of Ksh 376,225,757 as at 30 th June 2014 could not be confirmed.				
4. Errors in the financial statements	The capital reserve balance of Ksh 1,910,894,395 (Note 15) as at 30 th June 2014 includes an amount of Ksh 624,791,382 referred to as additions during the year has not been explained or disclosed. Also included in the cash flows from financing activities in the statement of the cash flows is an amount of Ksh 624,791,382 described as increase in capital reserve. The amount has not been explained. As a result, it has been possible to confirm the accuracy and origin of the amounts as sources of funds to the Board as at 30 th June 2014.	These are Grants received for the purchase of fixed assets or donated assets , are recognized as deferred income and transferred to the surplus or deficit over the expected useful lives of the respective assets	Dennis K. Mulu Chief Manager- Finance and Administration	Resolved	June 2015
5. Repair of Motor Vehicles	During the year under review, the Board incurred Ksh 1,788,128 on repairs of its motor vehicles. However, no inspection report was availed for audit verification detailing the defects and no cost estimates for the repairs. Further, no reports were issued after the repairs	The Board will ensure in future that before repairs on motor vehicles ,inspection will be carried out by mechanical engineer from of Ministry of Public Works and Inspection report detailing fault, and estimated costs for	Dennis K. Mulu Chief Manager- Finance and Administration	Resolved	June 2015

	<p>showing that the expected repairs have been carried out. Included in the expenditure is an amount of Ksh 994,528 being repairs of GKA 424T that the said repairs were actually done to the benefit of the Board.</p> <p>In the circumstances, the propriety of the expenditure of Ksh 1,788,128 could not be confirmed as at 30th June 2014.</p>	<p>repairs/replacement of worn out parts issued. After repair, post inspection report is will be done to confirm that faults identified have been rectified. However the cost estimates of Kshs 994,528 was done by General Motors East Africa. The vehicle GKA 424T was allocated to Kitui Water and Sanitation company for water trucking. The bill upon request and approval by The Chief Executive officer was settled by the Board on behalf of the Company. The Water Bowser is owned by Ministry of Environment , Water and Natural Resources.</p>			
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Chief Executive Officer



Date... 3rd.....February, 2016

Chairman



Date... 3rd.....February, 2016