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KENYA NATIONAL AUDIT OFFICE

REPORT  
OF  
THE CONTROLLER  
AND AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
COAST WATER SERVICES BOARD  
FOR THE SIXTEEN MONTHS ENDED  
30 JUNE 2006

KENYA NATIONAL AUDIT OFFICE  
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**COAST WATER SERVICES BOARD**



**ANNUAL REPORT AND  
FINANCIAL STATEMENTS  
FOR THE SIXTEEN MONTHS ENDED  
30<sup>TH</sup> JUNE 2006**

# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006

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# **COAST WATER SERVICES BOARD**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006**

### **INSTITUTIONAL DETAILS/INFORMATION**

#### **Establishment**

The Coast Water Services Board is a body corporate established under the provisions of the State Corporation Act, Cap 446 of the laws of Kenya and it is domiciled in Kenya.

#### **Registered Office and principal Place of Business**

KAUNDA STREET  
KIZINGO AREA  
DAR-ES-SALAAM ROAD  
P.O BOX 90417,80100  
MOMBASA

#### **Bankers**

KCB BANK  
TREASURY SQUARE  
P.O. BOX 90254, 80100  
MOMBASA

#### **Independent Auditors**

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

# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006

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### BOARD MEMBERS

#### CHAIRMAN

Mr. Jonathan D. Mturi  
P. O. Box 34051 - Nyali  
**Mombasa**

#### MEMBERS

Eng. Mwalimu K. Musau  
P. O. Box 3261 - 00506  
Nyayo Stadium  
**Nairobi**

Mr. Ismail M. Yunis  
P. O. Box 80443  
Wajir Street, Stadium area  
**Mombasa**

Mr. Mohammed Hersi  
Kenya Association of Hotel Keepers and Caterers  
P. O. Box 90173  
**Mombasa**

Mr. Andrew K. Mattaza  
Kenya National Chambers of Commerce & Industry  
P. O. Box 566  
**Malindi**

The Director of Water  
Ministry of Water and Irrigation  
P. O. Box 49720  
Maji House  
**Nairobi**

# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006

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Town Clerk  
Mombasa Municipal Council  
P. O. Box 90440  
**Mombasa**

County Clerk  
**Malindi County Council**  
P. O. Box 580  
**Malindi**

County Clerk  
Lamu County Council  
P. O. Box 74  
**Lamu**

County Clerk  
Taita Taveta County Council  
P. O. Box 1066  
**Wundanyi**

County Clerk  
Kwale County Council  
P. O. Box 4  
**Kwale**

**N.B** The Chief Executive Officer was Eng. Iddi Ali Mwasina.

## COAST WATER SERVICES BOARD

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006

#### STATEMENT OF BOARD MEMBERS RESPONSIBILITIES

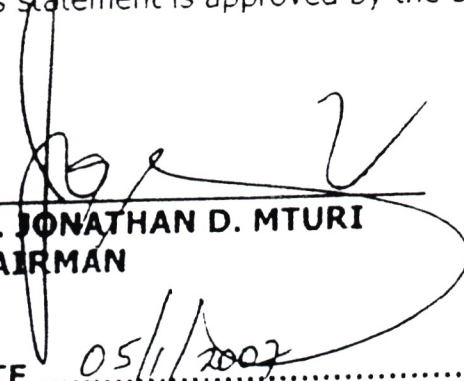
The Board Members are required to prepare financial statements which give a true and fair view of the state of affairs of the board as at the end of each financial year and of its surplus or deficit for that year. The Board Members are required to ensure that the Board maintains proper accounting records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

The Board Members accept responsibility for annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards.

The Board Members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the coast Water Services Board as at 30<sup>th</sup> June 2006 and of its surplus for the year then ended. The Board Members further confirm the accuracy and completeness of the accounting records maintained by the Board which has been relied upon in the preparation of financial statements, as well as adequacy of the internal controls.

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

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



MR. JONATHAN D. MTURI  
CHAIRMAN

DATE 05/1/2007.....



Eng. IDDI ALI MWASINA  
CHIEF EXECUTIVE OFFICER

DATE 05/1/2007.....



## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COAST WATER SERVICES BOARD FOR THE 16 MONTHS ENDED 30 JUNE 2006

I have audited the financial statements of Coast Water Services Board for the 16 months ended 30 June 2006 in accordance with the provisions of 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. The financial statements are in agreement with the books of account.

#### **Respective Responsibilities of the Board members and the Controller and Auditor General**

The Board is responsible for the preparation of financial statements which give a true and fair view of the Board's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

#### **Basis of Opinion**

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the Board members, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

#### **1. Outstanding Transfer of Assets and Liabilities**

The balance sheet reflects total assets of Kshs.180,474,262 and total liabilities of Kshs.37,937,234. However, the balances exclude undetermined value of Assets and liabilities which were to be transferred to the Board by 30 June, 2006 according to legal Notice 101 of 12 August, 2005. The assets were those which immediately before the statutory transfer date were held for or on behalf of the Director of Water, the Government or its statutory Corporation while liabilities were those vested in or imposed or enforceable by or against the Director of Water, the Government or its statutory Corporation. The assets and liabilities figure of Kshs.180,474,262 and Kshs. 37,937,234 respectively are therefore understated to the extent of the value of

# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006

### Income Statement for the sixteen year ended 30<sup>th</sup> June 2006

		2006
	NOTES	Kshs
Income	12	503,962,285
Operations expenses	7	308,374,242
Gross surplus	.	195,588,043
Grants	13	114,318,956
		309,906,999
<b>Expenditure</b>		
Staff costs	2	83,749,385
Establishment Expenses	4	7,854,645
Administration Expenses	6	79,642,115
		171,246,145
<b>Surplus before miscellaneous income and finance charge</b>		138,660,854
Miscellaneous income	16	3,901,129
		142,561,983
Finance charge	9	24,955
<b>Surplus for the year</b>		142,537,028

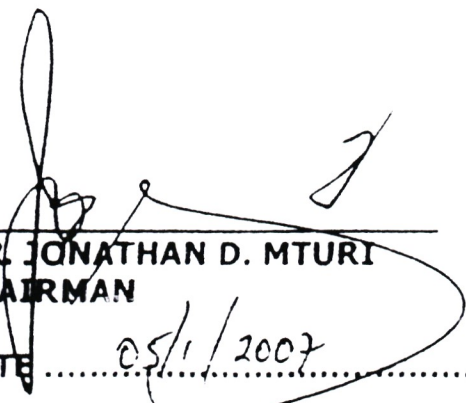
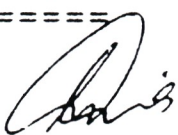
# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006.

### Balance Sheet as at 30<sup>th</sup> June 2006

	Notes	Kshs.
<b>Non- current assets</b>		
Property, Plant and Equipment	8	16,670,977
Projects (work in progress)	3	3,958,029
		-----
		20,629,006
<b>Current assets</b>		
Inventories	5	4,679,399
Prepayments & other receivables	15	144,890
Debtors	14	87,416,976
Customer's deposit	18	1,955,349
Cash at bank	10	65,648,642
		-----
		159,845,256
		-----
<b>Total assets</b>		<b>180,474,262</b>
		=====
<b>Equity &amp; Liabilities</b>		
<b>Capital</b>		
<b>Retained surplus</b>		142,537,028
		=====
<b>Current liabilities</b>		
Creditors and Accruals	11	35,981,885
Customers deposit	18	1,955,349
		-----
		37,937,234
		-----
		<b>180,474,262</b>
		=====

 MR. JONATHAN D. MTURI CHAIRMAN DATE ..... 05/11/2007 .....	 Eng. IDD MWASINA CHIEF EXECUTIVE OFFICER DATE ..... 05/11/2007 .....
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# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2006

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### Statement of changes in owners' Funds For the sixteen months ended 30<sup>th</sup> June 2006

	Board Capital Kshs.	Surplus Earnings Kshs.	Total Kshs.
Surplus for the year	—	142,537,028	142,537,028
	-----	-----	-----
Balance as at the end of the year	—	142,537,028	142,537,028
	=====	=====	=====

## COAST WATER SERVICES BOARD

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006

#### Cash Flow Statement for the sixteen months ended 30<sup>th</sup> June 2006

		2006 Kshs
<b>Operating Activities</b>		
Surplus for the year		142,537,028
<b>Adjustment for:</b>		
Depreciation		2,778,488
		-----
		145,315,516
<b>Changes in working capital</b>	<b>17</b>	(54,304,031)
		-----
Net cash flow from operating activities		91,011,485
<b>Investing Activities</b>		
Projects	3	(3,958,029)
Purchase of computers, furniture & Equipment		(19,449,465)
		-----
Net cash flow used in investing activities		(23,407,494)
		-----
<b>Net Increase in cash &amp; cash equivalents</b>		67,603,991
<b>Cash and Cash equivalents at the Start of year</b>		-
		-----
<b>Cash and Cash equivalent at end of year</b>	<b>11</b>	67,603,991
		=====

# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2006

### Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below:

#### a) Basis of Preparation

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

#### b) Revenue recognition

The Board adopts the modified accrual basis of accounting for grants. Revenue is recognized when grants are received from the Government of Kenya or other donor agencies. Self generating income is recognized when it is earned. Expenses are recognized when incurred.

#### c) Property and Equipment

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

	% per Annum
Equipment (office & water)	12.5
Furniture, Fittings	12.5
Computers	30

#### d) Receivables

Accounts receivable are recognized and carried at original cost less any unrecoverable amounts.

#### e) Reporting currency

All transactions are reported in Kenya shillings

# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006

### Notes to the Financial Statements

	2006
<b>2. STAFF COSTS</b>	
Salaries & wages	75,587,067
Staff leave allowances	223,005
Other staff allowances	916,041
Staff training	7,023,272
	-----
	83,749,385
	-----
<b>3. PROJECTS.</b>	
Kizingo pipeline extension	3,958,029
	-----
	3,958,029
	-----
<b>4. ESTABLISHMENT EXPENSES</b>	
Rent	1,571,000
Insurance	902,856
Security expenses	5,380,789
	-----
	7,854,645
	-----
<b>5. COST OF SPECIALISED MATERIALS</b>	
Water treatment chemicals	
	22,782,917
Less closing stock	4,679,399
	-----
	18,103,518
	-----

N.B Security expenses the Board has for the period of reporting acquired the services of security firms to man all its water plants and equipment in the Coast Region.



# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006

### Notes to the Financial Statements

#### 8. PROPERTY, PLANT AND EQUIPMENT

	Computer Kshs	Office Equipment Kshs	Furniture & fitting Kshs	Water Equipment Kshs	Total Kshs
<b>COST</b>	1,984,597	811,475	1,879,364	14,774,029	19,449,465
<b>DEPRECIATION</b>					
Charge for the period	595,379	101,434	234,921	1,846,754	2,778,488
<b>NET BOOK VALUE</b>					
<b>As at 30/6/06</b>	1,389,218	710,041	1,644,443	12,927,275	16,670,977

#### 9. FINANCE COST

Finance charge 24,955

#### 10. CASH AT BANK

ACCOUNT NO.	Amounts ksh
012-	3,228,384
988-	6,454,761
041-	25,818,225
992-	30,147,272

TOTAL KSH **65,648,642**

# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006

### Notes to the Financial Statements

#### 8. PROPERTY, PLANT AND EQUIPMENT

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	=====	=====	=====	=====	=====

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TOTAL KSH

**65,648,642**

# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006

### Notes to the Financial Statements

<b>11. PAYABLES</b>	<b>2006</b>
	<b>Kshs</b>
Creditors and accruals	35,981,885
<b>12. REVENUE</b>	
Water sales	458,929,721
Lease fees	45,032,564
	-----
	503,962,285
	-----
<b>13. GRANTS</b>	
GOK	
Revenue	21,723,750
Development	49,039,206
KWSP	43,556,000
	-----
	114,318,956
	-----

**N.B KWSP** is an acronym for Kenya Water and Sanitation Programme.

# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006

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### Notes to the financial statements

	2006
	Kshs
<b>14. DEBTORS</b>	
MOWASCO	
-Lease fees	2,662,233
-Bulk water sales	81,765,534
MALIWASCO	2,989,212
	-----
	87,416,976
	-----

**N.B** The bulk water sales owed by MOWASCO concerns correctly issued water bills but which the company for unknown reasons has refused to pay.

MOWASCO is an acronym for Mombasa Water And Sewerage Company, While MALIWASCO is an acronym for Malindi Water and Sewerage Company.

### 15. PREPAYMENTS & OTHER RECEIVABLES

	Kshs
Salary advances	54,500
Rent prepaid	15,000
Internet services	70,390
Electricity deposits	5,000
	-----
	144,890
	-----

# COAST WATER SERVICES BOARD

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE SIXTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2006

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### Notes to the financial statements

#### 16. MISCELLANEOUS RECEIPTS

The board has for the last financial year earned miscellaneous income from sale of water by water boozers, rent collection from its houses at Sabaki and from sale of tender documents.

#### 17. Changes in working capital

	Kshs
Increase in other assets	(5,000)
Inventories	(4,679,399)
Prepayments & other receivables	(139,890)
Increase in creditors & accruals	35,981,885
Increase in customers deposit	1,955,349
Increase in debtors	(87,416,976)
	-----
	(54,304,031)
	-----

18. Customer's deposit Ksh 1,955,349 is money held on behalf of customers for water-deposits.

19. The Coast Water Services Board in February 2004 and started its operations in March 2005. Being its first year of operations, the Board has prepared its first report and financial statements for sixteen months ended 30<sup>th</sup> June 2006.