

REPUBLIC OF KENYA



*PAPER LAID*  
*By the Hon A. Swale -*  
*Leader of Majority on*  
*Thurs 19/6/14*  
*[Signature]*



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE 2013**



**TANA WATER SERVICES BOARD**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2013**



**TANA WATER SERVICES BOARD  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

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**TANA WATER SERVICES BOARD  
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**Vision Statement**

“To provide sustainable access to quality water and enhanced sanitation for socio-economic prosperity.”

**Mission Statement**

To ensure sustainable provision of safe water and enhanced sanitation services by developing, rehabilitating and leasing quality utilities and contracting effective WSPs for life-long enrichment of our stakeholders.

**Core Values**

TWSB core values constitute the fundamental bedrock beliefs that drive the Board. These beliefs are essential and must be upheld because they shape TWSB culture as it seeks to achieve leadership in quality service delivery. TWSB therefore upholds the following core values;

1. **Competence:**

We shall strive to uphold high level of capability and innovativeness in all our activities.

2. **Teamwork:**

We shall strive to value and promote team spirit.

3. **Quality:**

We shall strive to emphasize on excellence to comply and exceed the set standards.

4. **Integrity:**

We shall be transparent and accountable in all our undertakings.

5. **Customer Focus:**

We shall strive to deliver exceptional service, ensure customers profitability, deliver customer life time value and grow customer equity.

**RESULTS FOR THE YEAR**

The deficit for the year was Ksh.135,786,471 as presented on page 17.

**TANA WATER SERVICES BOARD  
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**CORPORATE INFORMATION**

**BOARD MEMBERS**

Mr. Nelson N. Karanja	Chairman - Appointed on 8th October 2012
Mr. Dominic C. Muthuuri	Member - Appointed on 3 <sup>rd</sup> September 2010
Ms. Mary Igoki Kavinda	Member - Appointed on 3 <sup>rd</sup> September 2010 and resigned on 3 <sup>rd</sup> September 2012
Mr. Hudson Ngaire Ikinya	Member - Appointed on 3 <sup>rd</sup> September 2010 and resigned on 3 <sup>rd</sup> September 2012
Ms. Dorothy Nditi Muchungu	Member - Appointed on 3 <sup>rd</sup> September 2010 and resigned on 3 <sup>rd</sup> September 2012
Mr. Geoffrey W. Mahinda	Member - Appointed on 20 <sup>th</sup> May 2011
Permanent Secretary, Ministry of Environment, Water and Natural Resources	
Permanent Secretary, Ministry of Devolution and Planning	
Permanent Secretary, National Treasury	
Eng. Moses M. Naivasha	Chief Executive Officer and Secretary to the Board

**SENIOR MANAGEMENT**

Eng. Moses M. Naivasha	Chief Executive Officer
Mr. John Mbogori	Ag. Technical Services Manager
Mr. Timothy W. Kibaki	Planning and Strategy Manager
Mr. Nicholas M. Kanyeke	Finance Manager

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**BOARD COMMITTEES**

**1. AUDIT COMMITTEE**

Mr. Geoffrey W. Mahinda - Chairman

PS National Treasury

PS Ministry of Devolution and Planning

Mr. Peter Gichaaga - Internal Audit Manager/Secretary

**2. FINANCE & ADMINISTRATION COMMITTEE**

Mr. Dominic C. Muthuuri - Chairman

PS National Treasury

PS Ministry of Environment, Water & Natural Resources.

Eng. Moses M. Naivasha - Chief Executive Officer/Secretary

**3. TECHNICAL, PLANNING & STRATEGY COMMITTEE**

Ms. Mary Igoki Kavinda - Chairperson

PS Ministry of Environment, Water & Natural Resources.

PS Ministry of Devolution and Planning

Eng. Moses M. Naivasha - Chief Executive Officer/Secretary

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**ESTABLISHMENT**

The Board was incorporated in Kenya under the Water Act 2002, legal notice No. 1329 of February 2004.

**OFFICES**

Registered Office

Maji House, Nyeri

Baden Powell road

P. O. Box 1292 - 10100

NYERI

Tel: 061- 2032282

Fax: 061- 2034118

Email address : [info@tanawsb.or.ke](mailto:info@tanawsb.or.ke)

Website: [www.tanawsb.or.ke](http://www.tanawsb.or.ke)

**AUDITORS**

Auditor General

Kenya National Audit Office

P. O. Box 30084 - 00100

NAIROBI.

**BANKERS**

Kenya Commercial Bank Limited

Nyeri Branch

P. O. Box 215- 10100

NYERI.

**TANA WATER SERVICES BOARD  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**REPORT OF THE BOARD OF DIRECTORS**

The Board Members present their annual report together with un audited financial statements for the year ended 30 June 2013.

**PRINCIPAL OBJECTIVE**

The principal objective of the Board is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in the area of jurisdiction. TWSB area covers 6 Counties i.e. Nyeri, Meru, Tharaka-Nithi, Kirinyaga, Embu and Murang'a within 36 administrative districts in parts of Central and Eastern Provinces of Kenya. These include Kieni East, Kieni West, Nyeri Central, Tetu, Mukurwe-ini, Nyeri South, Mathira East, Mathira West, Murang'a East, Kandara, Kigumo, Murang'a South, Kiharu, Kangema, Mathioya, Kirinyaga West, Kirinyaga East, Kirinyaga South, Kirinyaga Central, Embu West, Embu North, Embu East, Mbeere North, Mbeere South, Meru Central, Imenti North, Imenti South, Buuri, Igembe North, Igembe South, Tigania East, Tigania West, Meru South, Maara, Tharaka North and Tharaka South.


The Board's mandate as prescribed by the Water Act 2002 are:-

- i. Managing and Developing water supply and sewerage assets;
- ii. Contracting and monitoring performance of Water Service Providers;
- iii. Supporting communities in the area of provision of water and sanitation services.

**BOARD MEMBERS**

The Board Members who served during the report period are set out on pages 3 to 4.

**BY ORDER OF THE BOARD**



**CHIEF EXECUTIVE OFFICER**

**DATE.....22/01/2014.....**

**TANA WATER SERVICES BOARD  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**THE CHAIRMAN'S STATEMENT**

**STAKEHOLDERS**

I am delighted to present the annual report and financial statements of our Board, Tana Water Services Board, for the year ended 30 June 2013. The year 2013 was yet another year of outstanding performance. This remarkable improved performance is testable to the great potential that the Board has and emphatically stamps Tana Water Services Board's financial strength. Some of the instruments that guided the achievements realized during the year include the 4 years strategic plan (2009 - 2012).

**OVERVIEW OF OPERATING ENVIRONMENT**

The water sector and other sectors of the economy in our region and the country in general have experienced turbulence due to the unfavourable weather conditions. Despite the consequences of this unfavourable development that reduced and curtailed the operations in our region, leadership at the Board and commitment to good corporate governance by the

Board of Directors and the management ensured that the Board sustained an upward growth in the year. Aggressive resource mobilization and revenue collection efforts had indeed a positive impact that resulted to completion and good progress in several development projects, commissioning of new ones and proposals that have moved pretty close to attracting substantial external funding.

**TANA WATER SERVICES BOARD  
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Tana Water Services Board continued to seize opportunities and to address the challenges to strengthen its position in line with its vision of ensuring Sustainable access to quality water and enhanced sanitation for socio-economic prosperity.

**FUTURE OUTLOOK**

We will continue our growth strategy by focusing on our mandate to enhance our revenue and significantly contribute positively to the stakeholders' interests. We will concentrate on building capacities of our Water Services Providers and the internal capacity of the Board to monitor them. Our other priority will be to improve and upgrade the level of operations of our water service providers through metering, continued rehabilitation of existing water supplies, quality control of domestic water and sewerage effluent.

**APPRECIATION**

On behalf of the Board of Directors, I wish to take this opportunity to congratulate and acknowledge the tireless efforts exhibited by the entire Tana Water Services Board (TWSB) fraternity in working towards achieving ISO 9001:2008 certification.

The attainment of the ISO 9001:2008 certification is an important landmark in the history of Board and a testimony that TWSB has embraced international best practices for efficiency in service delivery and customer satisfaction through provision of quality services and continual improvement. The Board members are well aware that it has been a long journey that started way back in mid 2007, but with determination and hard work, all our efforts have not been in vain. The Board of TWSB shall provide the necessary support to the management to ensure continual improvement in service delivery, process re-engineering, customer focus, leadership and staff involvement. To support

**TANA WATER SERVICES BOARD  
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these initiatives, the Board shall ensure availability of required resources for maintenance and improvement of TWSB's Quality Management System.

I take this opportunity to sincerely thank our Ministry of Environment, Water & Natural Resources, Water Services Regulatory Board, other water sector institutions, our development partners and the stakeholders for the continuous support of all our activities. The Board remains committed to provide the necessary leadership to facilitate continual improvement of TWSB's operations.

I remain confident that we have the skills and resources necessary to manage the significant opportunities and challenges that lie ahead.

May I also take this opportunity to thank all our stakeholders for their support without which our remarkable performance would not have been achieved.

Finally, I sincerely thank the Government of Kenya, particularly the Ministry of Environment, Water and Natural Resources, The National Treasury, Ministry of Devolution and Planning, our Development Partners, Water Services Regulatory Board and all other State Corporations under the Ministry of Environment, Water and Natural Resources for their guidance, continued support and co-operation.

**CHAIRMAN:** .....



**DATE:** 22/01/2014.....

**TANA WATER SERVICES BOARD  
ANNUAL REPORT & FINANCIAL STATEMENTS  
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**REPORT OF THE CHIEF EXECUTIVE OFFICER**

It is a great honour to report the continued growth in our operations and financial performance. The annual report and financial statements as at 30 June 2013 are an indication of a successful year. I am indeed elated to be part of the team that delivered such results. We have refocused our strategic direction to concentrate on our core business and enhanced capacities at all levels which has strengthened management systems for continued service delivery to all our customers. During the year, the Board made tremendous achievement in the following areas:

**PROJECTS IMPLEMENTATION**

In the financial year 2012/2013, the Board made remarkable achievements in project implementation and collaboration with our development partners. The Board commenced the implementation of Murang'a Bulk Water Supply Project, Kyeni Water Supply Project and Improvement of Water Supply system in Embu and surrounding areas. In addition, the Board drilled and equipped 7 boreholes namely: Kalundu in Mukurweini district, K.K. Nanga & Ugoti in Igembe South, Kaelo, Mutuati & Theera Primary schools in Igembe North and Wiyumiririe IDP Camp.

The Board also maintained an active engagement with the already established alliances with development partners to enhance resources mobilisation for expanding the water and sanitation infrastructure to the unserved areas.

**IMPROVED MANAGEMENT PRACTICES**

In line with the Government Reforms initiatives, the Board continued to adopt Performance Contract Management Approach. During the financial year, the Board signed a performance contract with the Ministry of Environment, Water & Natural Resources for implementation by the Board and cascaded the set

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targets to Departmental Managers, the District Water Officers and the contracted Water Service Providers.

This approach improved the utilization of available resources leading to better service delivery and better value for money in the Board activities.

**CHALLENGES**

As reported in the previous years' report, the Board inherited water infrastructure from National Water Conservation and Pipeline Corporation and Ministry of Environment, Water & Natural Resources Schemes and Local Authorities which were in a dilapidated state. This has led to high unaccounted for water; low connections; and sub-optimal access to quality water even in many areas that are serviced by the existing systems. Other challenges identified include: degraded catchment areas which affect the quality and adequacy of water resources which was further compounded by drought situation; numerous and unsustainable community water schemes that are poorly managed, over -abstraction of water due to poor enforcement of apportionment regulations and polluted sources of water with the attendant risks to consumers. The main challenge to the Board is to seek for funding to upgrade water and sewerage infrastructures to ensure quality and sustainable service delivery.

**FUTURE OUTLOOK**

As a way forward to sustained operations in the face of the challenges mentioned above, the Board will continue to implement our Ministry's policies and the Water Services Regulatory rules and guidelines and adhere to good corporate governance in our functional approaches to deliver on our mandate.

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We will also continue to maintain service value addition to our clients by conducting effective monitoring and evaluation to our Water Service Providers, expanding our infrastructure network, continue supporting communities and rededicate to service innovations in the provision of water and sanitation services.

**APPRECIATION**

Once again, good performance during the financial year 2012/13 would not have been possible without the good policy guidance from the Board of Directors and the continued commitment and dedication of the management and entire staff of the Board. I thank them all for this support that is not taken for granted.

My sincere thanks also go to our stakeholders, our parent Ministry of Environment, Water and Natural Resources, Water Services Regulatory Board, our Development partners, other Water Service Boards, our WSPs and other institutions whose support was instrumental to our success.

I therefore take this opportunity to sincerely thank all those not named above but have given us moral and/or material support to get to where we are today from our humble beginning.

  
**Eng. M. M. NAIVASHA**  
**CHIEF EXECUTIVE OFFICER**

DATE: 22/01/2014

**TANA WATER SERVICES BOARD  
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**CORPORATE GOVERNANCE STATEMENT**

The Structure of Tana Water Services Board starts with the Board Members comprising of nine members representing various stakeholder interests. The Board has established a governance culture built on the principles of integrity, accountability and transparency. The Board is managed under the direction of the Board Members whose responsibility is to maximize long-term economic value for all stakeholders. The Chairman and members of the Board oversee the corporate governance, advises management in developing financial plans, corporate strategy, goals and objectives as well as evaluating management's performance in pursuing and achieving those goals.

**BOARD COMMITTEES**

To further enhance corporate governance, the Board has three committees namely; Finance and Administration, Technical Planning & Strategy and Audit committees.

**Finance and Administration Committee**

The Finance and Administration committee is responsible for ensuring that the Corporation's financial and administrative policies are adequate and has the right staff, at the right place and doing the right thing. The committee is also responsible for reviewing the corporation's annual budget and quarterly financial reports among others.

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**Technical Planning and Strategy Committee**

The committee is responsible for strategic planning, developing proposals for funding and investment programs for the corporation.

This committee has oversight responsibility of ensuring that water service providers are complying with the agreements signed between them and the Board being the asset holder. It ensures that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.

**Audit Committee**

The committee is charged with the responsibility of reviewing the financial, Internal controls and recommends appropriate remedial action where necessary. The committee reviews all areas of risk to the Institution and considers the Internal Audit reports. The committee also ensures that appropriate action has been taken on the recommendations of the Internal and external Auditors and the same is implemented.

**TANA WATER SERVICES BOARD  
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**STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES ON  
THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
2013**

The State Corporations Act, the Exchequer and Audit Act and the Public Audit Act requires the Board Members to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Board as at the end of the financial year and of the operating results for that year. It also requires the Board Members to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board. They are also responsible for safeguarding the assets of the Board.

The Board Members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the State Corporation's Act. This responsibility include designing, implementing and maintaining Internal controls relevant to the preparation and fair presentation of Financial statements that are free from material misstatement.

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 Corporation and of its operating results. The Board Members further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements as well as adequate system of internal financial control.

The Board Members accept responsibility for the annual financial statements which have been prepared using appropriate Accounting policies supported by reasonable and prudent judgment and estimates in conformity with International financial reporting standards and the manner required by the State Corporations Act.

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

DIRECTOR .....

Date.....22/01/2014.....

DIRECTOR .....

Date.....22/01/2014.....

**TANA WATER SERVICES BOARD  
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FOR THE YEAR ENDED 30 JUNE 2013**

**REPORT OF THE AUDITOR GENERAL**

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON TANA WATER SERVICES BOARD FOR THE YEAR ENDED 30 JUNE 2013

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Tana Water Services Board set out on pages 17 to 32, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in accumulated fund 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 Financial Reporting Standards 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.

Management is also responsible for the submission of 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 independent 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 the International Standards on Auditing. 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 Company'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. Non - Current Assets**

##### **(i) Inherited Assets**

As reported in 2011/2012, the Board inherited a number of non-current assets previously owned by the Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation and which have not been incorporated in the financial statements. These assets include Maji House in Nyeri and the adjacent land, water and sewerage infrastructure assets spread within its jurisdiction, seven (7) motor vehicles allocated to area managers of water schemes in the region and forty (40) motor vehicles with various Water District Officers. Further and as similarly noted in the previous year, the net book value as at 30 June 2013 includes the value of four (4) motor vehicles still bearing G.K. registration numbers, and which have not been registered in the Board's name. Under the circumstances the value of the noncurrent Assets is understated by the value of the inherited assets not included in these accounts.

##### **(ii) Property, Plant and Equipment – Asset Grants**

The property, plant and equipment balance of Kshs.776,782,974 as at 30 June 2013 excludes the value of a water boozer and several water tanks received from the parent Ministry and which are being used by the Board. This has in effect understated the value of property, plant and equipment in the financial statements and the commensurate depreciation.

In addition, the Japanese International Cooperation Agency (JICA) funded a water project under Embu Water and Sanitation Company Limited, a Water Service Provider (WSP) under the jurisdiction of the Board. Although the Board indicates the

cost of the project to be Kshs.2.3 billion, the assets developed under the project have not been included in the financial statements and no documentary evidence was provided in support of this cost. Consequently, the accuracy and completeness of property, plant and equipment balance of Kshs.776,782,974 as at 30 June 2013 could not be ascertained.

**(iii) Water Projects**

As reported in 2011/2012, the Property, Plant and Equipment balance of Kshs.776,782,974 as at 30 June 2013 includes an amount of Kshs.26,252,205 in respect of Kiambere-Mwingi Water Supply Project which is under the jurisdiction of Tanathi Water Services Board but whose initial development cost was borne by Tana Water Services Board. Although the Board does not draw any benefits from Kiambere-Mwingi Water Supply Project, the Board continues to hold the cost of these assets in its books and claim depreciation of the assets. In addition, no documentary evidence in respect of transfer of the project asset from Tana Water Services Board to Tanathi Water Services Board was availed for audit verification.

Consequently, the accuracy and validity of the property, plant and equipment of Kshs.776,982,974 as at 30 June 2013 could not be confirmed.

**(iv) Infrastructure funded by Water Services Trust Fund (WSTF)**

The Water Services Trust Fund (WSTF) has over the years been funding water distribution projects through Water Service Providers (WSP) licensed by Tana Water Services Board to enhance water distribution. The grant Agreement provides that Tana Water Services Board shall be the owner of the water infrastructure developed through the grant. However, the Board has not included in the financial statements assets amounting to Kshs.40,006,333 in respect of infrastructure developed by the WSTF and spread in three Water Services Provider as detailed below:

<b>Water Service Provider</b>	<b>Amount (Kshs)</b>
Nyeri Water & Sewerage Co. Ltd	20,948,271
Tetu Water & Sanitation Co. Ltd	4,278,260
Embu Water & Sanitation Co. Ltd	<u>14,779,802</u>
<b>Total</b>	<b><u>40,006,333</u></b>

Consequently, the accuracy and completeness of property, plant and equipment balance of Kshs.776,782,974 as at 30 June 2013 could not be confirmed.

## **2. Water Projects Funded by African Development Bank**

### **(i) Small Towns and Rural Water Supply Projects Detailed Design and Supervision Costs**

The Board through funding from African Development Bank (ADB), Loan No. 2100150021543 contracted a firm to carry consultancy for detailed design and supervision of four (4) projects under the Small Towns and Rural Water Supply and Sanitation Project at a cost of Kshs.96,836,775. However, at the time of tendering and awarding of the works, the scope of all the four projects was scaled down due to budgetary constraints. The reduction of works for all the four projects would translate to reduction of consultants' supervision works. Despite the reduction in scope of work of consultant, the consultancy fee remained unchanged at Kshs.96,836,775 for all the four projects.

Under the circumstances, it has not been possible to confirm that there was value for money in respect of expenditure of Kshs.96,836,775 incurred on consultancy fees.

### **(ii) Nugatory Project Cost – Kshs.20,058,944**

During the year under review, the Board delayed in settling fifteen (15) certified works certificates leading to the contractors to raising interest claims amounting to Kshs.20,058,944 in accordance with Sections 14.8.1 of the contract agreement as of 30 June 2013. Although quantified and billed, the amount has not been included in these financial statements. This nugatory expenditure could have been avoided had the bills been settled within the stipulated time.

### **(iv) Delay in Completion of Murang'a Bulk Water Supply Project LOT II – Contract No. WSB/ADF/003/2010-2011**

The contract for construction of Murang'a bulk water supply was granted to a contractor with project completion date of 7 January 2013. However, the project was not completed on time and two extensions were granted. The first extension was granted 56 days up to 4 March 2013 and the second extension was granted 120 days up to 2 July 2013. However, as of February 2014, the project had not been completed even though there was no subsequent extensions granted to the contractor.

No explanation was given for the continued delay in completion of the project.

## **Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Opinion paragraphs, the financial statements present fairly, in all material respects, the

financial position of Tana Water Services Board as at 30 June 2013, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Water Act 2002.



**Edward R. O. Ouko, CBS**

**AUDITOR-GENERAL**

**Nairobi**

**30 April 2014**

**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 30 JUNE 2013**

	NOTE	2012/13 Ksh.	2011/12 Ksh.
<b><u>INCOME</u></b>			
GOK Recurrent Grant	14	20,064,913	28,602,525
Board Administrative Costs Fees	15	178,124,562	164,345,331
Other Income	16	7,512,249	5,923,088
<b>TOTAL INCOME</b>		<b>205,701,724</b>	<b>198,870,944</b>
 <b><u>EXPENDITURE</u></b>			
<b>Admin. &amp; General Expenses:</b>			
Staff Costs	17(i)	57,554,235	53,215,074
Board Expenses	17(ii)	6,241,914	6,910,375
Motor Vehicle running costs	17(iii)	10,644,939	6,122,076
Administrative expenses	17(iv)	132,532,478	53,931,016
General expenses	17(v)	73,192,802	93,438,152
Other Operational Costs	18	20,843,534	13,877,870
Financial Charges	19	40,478,293	28,123,054
<b>TOTAL EXPENSES</b>		<b>341,488,195</b>	<b>255,617,617</b>
 <b>DEFICIT</b>	 - Note 1g (i) & Annex V	 <b>(135,786,471)</b>	 <b>(56,746,673)</b>



**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013**  
**2012/13**

**2011/12**

<b>ASSETS</b>	<b>NOTE</b>	<b>Ksh.</b>	<b>Ksh.</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	2	776,782,974	653,994,683
Work in Progress	3	2,052,022,691	970,448,567
Infrastructure Development	4	773,431,692	570,185,969
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,602,237,357</b>	<b>2,194,629,219</b>
 <b>CURRENT ASSETS</b>			
Accounts Receivable	5	128,647,688	111,465,067
Inventories	6	225,144	667,365
Prepayments	7	2,262,095	2,067,974
Cash and Cash Equivalents	8	25,362,379	40,069,162
<b>TOTAL CURRENT ASSETS</b>		<b>156,497,306</b>	<b>154,269,568</b>
 <b>LESS CURRENT LIABILITIES</b>			
Payables and Accruals	9	102,117,929	29,435,999
<b>WORKING CAPITAL</b>		<b>54,379,377</b>	<b>124,833,569</b>
<b>NET ASSETS</b>		<b>3,656,616,734</b>	<b>2,319,462,788</b>
 <b>FINANCED BY:</b>			
Accumulated Fund	10	373,815,120	509,581,117
Capital Reserves	11	1,650,210,620	1,110,938,732
<b>LONG TERM LIABILITY</b>			
ADB Loan - Murang'a Bulk	12	1,033,220,098	662,972,899
ADB Loan - Small Towns	13	599,370,896	35,970,040
<b>TOTAL FINANCING</b>		<b>3,656,616,734</b>	<b>2,319,462,788</b>

The Financial Statements on pages 17 to 32 were approved for release by the Board members on 23/08/2013

**CHIEF EXECUTIVE OFFICER** .....

**DATE**..... 22/01/2014

**CHAIRMAN**.....

**DATE**..... 22/01/2014



**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013**

<b>CASHFLOW FROM OPERATING ACTIVITIES:</b>	<b>2012/13</b>	<b>2011/12</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Deficit for the Period	(135,786,471)	(56,746,673)
Adjustment for:		
Depreciation	39,850,419	26,520,812
<b>Operating Deficit before working capital</b>	<b>(95,936,052)</b>	<b>(30,225,861)</b>
<b>Working Capital Changes</b>		
Increase in Receivables and deposits	(17,182,621)	(76,937,242)
Increase in Prepayments	(194,121)	(627,058)
Decrease in Inventories	442,221	(334,913)
Increase in Payables and Accruals	72,681,930	(5,549,118)
<b>Net cash generated from operating activities</b>	<b><u>(40,188,643)</u></b>	<b><u>(113,674,191)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Work in progress	(1,081,574,124)	(795,159,851)
Infrastructure development	(203,245,723)	(220,564,759)
Purchase of assets	(162,638,710)	(30,054,750)
<b>Net cash flows from Investing activities</b>	<b><u>(1,447,458,557)</u></b>	<b><u>(1,045,779,360)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loan - ADB Murang'a Bulk	370,247,199	535,330,021
Loan - Small Towns	563,400,856	35,970,040
Gratuity	20,474	(3,059,850)
Capital Reserves	539,271,888	540,778,025
<b>Net cash flows from financing activities</b>	<b><u>1,472,940,417</u></b>	<b><u>1,109,018,236</u></b>
Net (decrease)/increase in cash and cash equivalents	(14,706,783)	(50,435,310)
Cash and cash equivalents at the beginning	40,069,162	90,504,472
<b>CASH AND CASH EQUIVALENTS AT 30 June 2013</b>	<b><u>25,362,379</u></b>	<b><u>40,069,162</u></b>



**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**STATEMENT OF CHANGES IN ACCUMULATED FUND  
FOR THE YEAR ENDED 30 JUNE 2013**

	<b>SURPLUS FOR THE YEAR (Ksh.)</b>	<b>ADB LOAN (Ksh.)</b>	<b>CAPITAL RESERVES (Ksh.)</b>	<b>TOTAL (Ksh.)</b>
<b>Balance on 01.07.11</b>	569,387,639	127,642,878	570,160,707	<b>1,267,191,224</b>
<b>Surplus for the year</b>	(56,746,673)			<b>(56,746,673)</b>
<b>Transfer during the year - Gratuity &amp; Deferred Income</b>	2,797,919			<b>2,797,919</b>
<b>Payment during the year - Gratuity</b>	(5,857,769)			<b>(5,857,769)</b>
<b>ADB Loan</b>		571,300,061		<b>571,300,061</b>
<b>Capital Reserves</b>			540,778,025	<b>540,778,025</b>
<b>Balance on 30.06.12</b>	509,581,117	698,942,939	1,110,938,732	<b>2,319,462,788</b>

<b>Balance on 01.07.12</b>	509,581,117	698,942,939	1,110,938,732	<b>2,319,462,788</b>
<b>Surplus for the year</b>	(135,786,471)			<b>(135,786,471)</b>
<b>Transfer during the year - Gratuity</b>	2,508,210			<b>2,508,210</b>
<b>Payment during the year - Gratuity</b>	(2,487,736)			<b>(2,487,736)</b>
<b>ADB Loan</b>		933,648,055		<b>933,648,055</b>
<b>Capital Reserves</b>			539,271,888	<b>539,271,888</b>
<b>Balance on 30.06.13</b>	373,815,120	1,632,590,994	1,650,210,620	<b>3,656,616,734</b>

**TANA WATER SERVICES BOARD  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Basis of Preparation and form of presentation**

The financial Statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial Statements are presented in Kenya Shillings (Kshs.) and are prepared under historical cost conventional and accrual system of accounting.

**(a) Revenue**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Board and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized:-

**(i) Grants**

Grant from Government and Development partners is recognized as capital reserves.

**(ii) Board Administrative Costs Fees**

This relates to Water Service Providers (WSPs) share of Board administrative costs.

**(iii) Interest**

Interest income is accrued on a time proportion basis, by reference to the principal amount outstanding and the effective interest rate applicable.

**(b) Inventories**

Inventories are stated at lower of cost and net realizable value.

**TANA WATER SERVICES BOARD  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**(c) Trade Debtors**

Trade Debtors are recognized and carried at the net Board's Administrative costs fee less a general provision for bad and doubtful debts at 10% as at the balance sheet date. The general practice in the Industry reveals that revenue collection rate ranges between 90 – 95 % of the billing.

**(d) Property, Plant and Equipment**

Property, Plant and Equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a reducing balance basis over the expected useful life of the assets. The annual rates of depreciation are as follows: -

Motor Vehicles, motor bikes and boats	25%
Furniture and Fittings	12.5%
Plant and Equipment	20%
Computer and Accessories	33.3%
Water Schemes	2.5%

**(e) Amortization for Capital Grants**

Capital grants relates to various assets which were donated by KWSP, GTZ and MWI at the formation of the Board. Amortization is calculated on a reducing balance basis using the respective asset items annual rate as follows:-

Motor Vehicles and motor bikes	25%
Furniture and Fittings	12.5%
Computer and Accessories	33.3%

**(f) Employees Benefits - Pension Obligations**

The Board contributes to the National Social Security Fund (NSSF) at a rate of Ksh.200 per month per employee and Water Sector Institutions Pension scheme (WSIPS) at the rate of 15% of the basic salary. This amount is charged to the Statement of Comprehensive Income.

**TANA WATER SERVICES BOARD  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**(g) Nature and purpose of Fund Account**

- (i) Deficit for the year** – This relates to expenses recognized in the Comprehensive Income Statement whose corresponding income is a grant reflected in the capital reserves account.
  - (ii) Capital Grant** – This relates to various assets which were donated by KWSP, GTZ and MWI at the formation of the Board.
  - (iii) Gratuity Fund** – This is a sinking fund set for the purposes of payment of staff gratuity at expiry of contract.
- (h) Cash and Cash Equivalents** – For the purposes of presentation in the cash flow statement the cash and cash equivalent comprises of cash and bank balances.
- (i) Capital Reserves** – This relates to the development grants allocated by the government including the grants from development partners.

**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**2A. PROPERTY, PLANT AND EQUIPMENT**

	Land & Buildings	JICA I & II Water Projects, Embu & Mwingi-Kilambere Water Supply Projects and Kiieni, Ngorano & Kandara Boreholes	Kahuti Scheme	Motor Vehicles and Boat	Furniture and Fittings	Plant and Equipment	Computers and Accessories	Total Kshs
<b>COST/VALUATION</b>								
Balance on 01.07.12	15,288,185	626,453,724	17,770,088	33,506,030	4,249,741	10,287,572	31,398,177	738,953,517
Additions/(Adjustment)	8,549,867	96,564,743	-	57,034,000	117,200	-	372,900	162,638,710
Balance as at 30.06.13	23,838,052	723,018,467	17,770,088	90,540,030	4,366,941	10,287,572	31,771,077	901,592,227
<b>DEPRECIATION</b>								
Balance as at 01.07.12	-	32,896,620	2,504,368	24,972,629	1,971,009	3,140,122	19,474,086	84,958,834
Charge for the year	-	17,253,046	381,643	16,391,850	299,492	1,429,490	4,094,898	39,850,419
Balance as at 30.06.13	-	50,149,666	2,886,011	41,364,479	2,270,501	4,569,612	23,568,984	124,809,253
Net Book Value as at 30.06.13	23,838,052	672,868,801	14,884,077	49,175,551	2,096,440	5,717,960	8,202,093	776,782,974
Net Book Value as at 30.06.12	15,288,185	593,557,104	15,265,720	8,533,401	2,278,732	7,147,450	11,924,091	653,994,683

**NB:**

(i) The assets in the financial statements are only the ones which the Board acquired since it started operations and those which were donated by the development partners. It is worth to note that the Board acquired other assets from the MOWI and NWCP as per the transfer plan within its area of operation. These assets have been omitted from the financial statements because valuation process has not been finalised.

(ii) During the Financial Year 2012/13 the Board received a donation of INO. Water Booser, Collapsible water tanks: 1No. 5,000 litres, 22No. of 10,000 litres and 20No. of 15,000 litres from the Ministry of Environment, Water & Natural Resources, which has not been reflected in the PPE as the valuation process has not been finalised.

(iii) During the Financial Year 2012/13 JICA Project (Improvement of Water Supply System in Embu and Surrounding area) was declared substantially complete at a cost of Ksh 2.3Billion. This is not included in the Financial Statements as the valuation process has not been finalised.



**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2B. AMORTIZATION OF CAPITAL GRANT**

<b>COST/VALUATION</b>	<b>Motor Vehicles Kshs</b>	<b>Furniture and Fittings Kshs</b>	<b>Computers and Accessories Kshs</b>	<b>Total Kshs</b>
<b>Balance on 01.07.12</b>	9,506,000	984,960	2,769,822	13,260,782
Additions	-	-	-	-
<b>Balance as at 30.06.13</b>	9,506,000	984,960	2,769,822	13,260,782
<b>AMORTIZATION</b>				
Balance as at 01.07.12	8,237,103	613,997	2,607,305	11,458,405
Charge for the year	317,224	46,370	54,118	417,712
<b>Balance as at 30.06.13</b>	<b>8,554,327</b>	<b>660,367</b>	<b>2,661,423</b>	<b>11,876,117</b>
<b>Net Book Value as at 30.06.13</b>	<b>951,673</b>	<b>324,593</b>	<b>108,399</b>	<b>1,384,665</b>
<b>Net Book Value as at 30.06.12</b>	<b>1,268,897</b>	<b>370,963</b>	<b>162,517</b>	<b>1,802,377</b>

Capital grant relates to various assets which were donated KWSP, GTZ and MWI at the formation of the Board. Amortization is calculated on a reducing balance basis using the respective asset items annual rate.



**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2012/13</b> <b>Ksh.</b>	<b>2011/12</b> <b>Ksh.</b>
<b>3 WORK IN PROGRESS</b>		
KIDDP - Tigania	-	75,980,384
KIDDP - Kyeni	95,502,298	71,423,482
Maua Boreholes	-	1,084,000
Karundu Boreholes	-	3,151,090
Igembe North Boreholes	-	2,111,931
UNICEF - Boreholes	-	1,831,000
ADB - Murang'a Bulk	346,106,722	121,256,588
ADB - Small Towns	52,154,077	-
Refurbishment of Maji House	1,312,150	-
<b>Sub-total</b>	<b><u>495,075,247</u></b>	<b><u>276,838,475</u></b>
<b>ADB Murang'a Bulk</b>		
Loan Revenue - Special Account	15,900,053	10,570,353
<b>Direct Payments</b>		
Services: Consultancy for Detailed Design and Supervision	59,760,929	36,775,098
Works: Construction of Bulk Water Supply and Rehabilitation & Expansion of Sewerage	890,410,931	583,260,601
Goods: Water Testing Benches, Meters and Leak Detection Equipments	40,111,038	27,034,000
<b>Sub-total</b>	<b><u>1,006,182,951</u></b>	<b><u>657,640,052</u></b>
<b>ADB Small Towns</b>		
Loan Revenue - Special Account	6,104,297	-
<b>Direct Payments</b>		
Services: Consultancy for Detailed Design and Supervision	64,810,985	35,970,040
Services: Public Health Education & Gender Mainstreaming	3,227,307	-
Works: Construction of Water Supply and Sewerage Systems	469,629,713	-
Goods: Correlator Operated Leak Detection Equipments	6,992,191	-
<b>Sub-total</b>	<b><u>550,764,493</u></b>	<b><u>35,970,040</u></b>
<b>TOTAL</b>	<b><u><u>2,052,022,691</u></u></b>	<b><u><u>970,448,567</u></u></b>
<b>4 INFRASTRUCTURE DEVELOPMENT - Annex IV</b>	<b>773,431,692</b>	<b>349,621,210</b>

**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2012/13</b>	<b>2011/12</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>5 ACCOUNTS RECEIVABLES</b>		
Trade debtors - Annex I (a)	122,094,177	106,547,648
Centralised Billing Debtors - Annex I (b)	2,214,382	824,390
Receivables - GWAST	2,022,779	2,022,779
Staff imprest - Annex II	297,860	51,760
Deposits	18,490	18,490
Deposit - WASREB*	1,000,000	1,000,000
Deposit - Fuel Cards**	1,000,000	1,000,000
	<b><u>128,647,688</u></b>	<b><u>111,465,067</u></b>

\*This relates to a bank guarantee to WASREB for service provision guarantee and is refundable.

\*\* This relates to deposit made to Total Kenya ltd for implementation of motor fuel card system.

**6 INVENTORIES**

Computer Stationeries & Accessories	-	51,500
Office & House Keeping	33,420	10,872
Office Stationeries	166,224	228,993
Centralised Billing Stationeries	25,500	376,000
	<b><u>225,144</u></b>	<b><u>667,365</u></b>

**7 PREPAYMENTS**

Directors medical & life Insurances	104,149	103,162
Staff Insurances - Medical & Life	1,913,000	1,704,791
Motor Vehicles Insurance	186,937	186,944
Work Injury and Staff GPA	44,952	44,955
Property Insurance	13,057	28,122
	<b><u>2,262,095</u></b>	<b><u>2,067,974</u></b>

This relates to insurance premium for the months of July, August & September 2013.

**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2012/13</b>	<b>2011/12</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>8 CASH AND CASH EQUIVALENTS</b>		
Account No. 1101-992-220-GOK Recurrent*	538,500	2,267,488
Account No.1101-996-188-Gratuity	2,771,074	2,985,940
Account No.1101-998-733 -Dev.	186,271	5,125,132
Cash in hand	1,523	213
Account No.1118-087-054 - EU PE 3	-	416,783
Account No.1118-105-931 -ADB WSB Support	3,147	5,332,847
Account No.1115-530-089 -ADB Small Towns	18,606,403	-
Account No.1122-669-275- KIDDP	1,137,717	14,060,418
Account No.1121-637-892- UNICEF	1,049,547	8,082,324
Account No.1127-326-287- Exhauster Services	193,593	39,633
Account No.1130-351-432- WSTF	874,603	1,758,384
	<u><b>25,362,379</b></u>	<u><b>40,069,162</b></u>
* This account receives both disbursements from GOK for recurrent expenditure and AIA revenue funds(WSPs Fees).		
<b>9 PAYABLES AND ACCRUALS</b>		
Trade creditors - Annex III	102,117,929	29,435,999
	<u><b>102,117,929</b></u>	<u><b>29,435,999</b></u>
<b>10 ACCUMULATED FUND</b>		
Balance Brought Forward	509,581,117	569,387,639
Surplus for the Period	(135,786,471)	(56,746,673)
Amortisation of capital grant	417,712	557,096
Capital Grant b/f	(1,802,377)	(2,359,473)
Gratuity Fund	20,474	(3,059,850)
Capital Grant*	1,384,665	1,802,377
	<u><b>373,815,120</b></u>	<u><b>509,581,117</b></u>
<b>Capital Grant</b>		
*This relates to assets donated to TWSB by KWSP, GTZ and MWI at the formation of the Board. The grants have been Amortized as shown in Note 2B.		
<b>11 CAPITAL RESERVES</b>		
Balance b/f	1,110,938,732	570,160,707
GoK Development Grants	415,000,000	250,000,000
UNICEF	-	7,727,929
KIDDP - Tigania	-	23,000,000
ACP-EU Programme	-	18,776,146
Drought Intervention	-	48,764,500
Siakago Grants	-	74,500,000
KIDDP - Kyeni	21,000,000	81,000,000
WSTF	278,668	6,009,450
Igembe North	-	6,000,000

**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

	2012/13 Ksh.	2011/12 Ksh.
Ragati Dam	-	10,000,000
Ndiruni Community Borehole	-	3,000,000
IDP Special Programme	32,500,000	12,000,000
SNV Grants	632,500	-
Kamumu Dam	5,000,000	-
Mwiyogo	8,200,000	-
Iraru Water Supply Project	10,000,000	-
Tuuru Water Supply Project	15,000,000	-
Murugi	6,000,000	-
Murang'a	5,000,000	-
Igokone	20,000,000	-
Athi WSB	660,720	-
	<b><u>1,650,210,620</u></b>	<b><u>1,110,938,732</u></b>
<b>12 ADB MURANG'A BULK PROJECT LOAN</b>		
Loan Revenue - Special Account	15,903,200	15,903,200
Direct Payments	1,017,316,898	647,069,699
	<b><u>1,033,220,098</u></b>	<b><u>662,972,899</u></b>
<b>13 ADB SMALL TOWNS PROJECT LOAN</b>		
Loan Revenue - Special Account	24,710,700	-
Direct Payments	574,660,196	35,970,040
	<b><u>599,370,896</u></b>	<b><u>35,970,040</u></b>
<b>14 GOK RECURRENT GRANTS</b>		
GOK Recurrent	8,199,000	15,000,000
GOK Grants - Salaries	11,865,913	13,602,525
	<b><u>20,064,913</u></b>	<b><u>28,602,525</u></b>
<p>The GOK recurrent allocation of Ksh.15million was based on the printed estimates for the Financial Year 2012/13 to cater for the Board's administration, operation and maintenance expenditure. The total funds disbursed as at 30th June 2013 is ksh8.199million. In addition, MWI paid salaries directly to the seconded staff amounting to Ksh.11,865,913 during the reporting period.</p>		
<b>15 BOARD ADMINISTRATIVE COSTS FEES</b>	179,934,961	165,424,079
Less: WASREB Fees	(112,718)	(98,925)
Asset Owner Lease Fees	(771,803)	(579,517)
KRA Tax	(925,878)	(400,306)
	<b><u>178,124,562</u></b>	<b><u>164,345,331</u></b>
<b>16 OTHER INCOME</b>		
Interest	81,813	246,018
Sale of tender documents	777,000	1,545,500
Centralised Billing Charges	3,790,688	2,431,268
Exhauster Services Charges	2,460,048	1,619,302
Water Boozer Charges	372,500	-
Industrial Training (DIT)	-	81,000
Sale of old tyres	30,200	-
	<b><u>7,512,249</u></b>	<b><u>5,923,088</u></b>
<b>TOTAL INCOME</b>	<b><u>205,701,724</u></b>	<b><u>198,870,944</u></b>

**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTES TO THE ACCOUNTS**

	<b>2012/13</b>	<b>2011/12</b>
	<b>Ksh</b>	<b>Ksh</b>
<b>17 ADMINISTRATION AND GENERAL</b>		
<b>(i) Staff costs</b>		
Salaries and wages	45,332,657	40,191,602
Leave allowance	523,650	356,302
NSSF-Employer contribution	38,800	38,400
Pension	1,176,746	1,176,451
Gratuity	2,508,210	2,416,258
Salary Top Ups	7,974,172	9,036,061
	<b><u>57,554,235</u></b>	<b><u>53,215,074</u></b>
<p>The increase in staff costs during the year is due to increase in staff establishment from 85 to 94 and payment of staff bonuses. The staff costs include salaries amounting to Kshs.11,865,913 paid by the MWI directly to 37 staff seconded to TWSB.</p>		
<b>Staff Establishments</b>	<b>1,921*</b>	<b>1,422**</b>
<b>(ii) Board expenses</b>		
Honoraria	320,000	-
Sitting allowance and accomodation	5,488,877	6,504,815
Directors medical & GPA Insurance	433,037	405,560
	<b><u>6,241,914</u></b>	<b><u>6,910,375</u></b>
<b>(iii) Motor vehicle running costs</b>		
Fuel and Lubricants	5,352,797	1,854,474
Repairs and maintenance	3,048,886	2,168,714
Insurance	2,243,256	2,098,888
	<b><u>10,644,939</u></b>	<b><u>6,122,076</u></b>
<b>(iv) Administrative expenses</b>		
ASK Show costs	4,619,092	979,944
Printing and stationery	3,475,269	1,988,571
Staff training	410,330	445,800
Conferences and Meetings	862,840	913,380
Telephone	1,938,697	1,722,867
Office and House Keeping	2,374,469	1,953,840
Travelling and Subsistence	14,125,863	16,688,083
Foreign Travel	219,040	400,000
Electricity and water	1,126,307	1,254,661
Staff Insurances - Medical, Group Life, Work injury & GPA	7,983,584	6,902,456
Property & Employers liability Insurance	99,237	176,677
Security and Ground maintenance	1,549,798	1,460,730
Advertising and Publicity	2,426,352	1,973,508
Computer Stationery and Accessories	3,747,354	1,952,739
Internet and Networking	578,840	117,400

**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2012/13</b>	<b>2011/12</b>
	<b>Ksh</b>	<b>Ksh</b>
Library	421,300	387,575
Postage and Courier	358,209	299,178
Catering Services	806,080	925,250
General Provision Bad and Doubtful debts	1,973,434	8,151,829
Specific Prov. Bad and Doubtful debts*	83,436,383	5,236,528
	<b><u>132,532,478</u></b>	<b><u>53,931,016</u></b>

\* This relates to amount billed to five WSPs namely: Embu Water & Sewerage, Kirinyaga Water & Sewerage, Mathira Water & Sewerage, Kahuti Water & Sanitation and Othaya Water & Sewerage companies using RTA (Regular Tariff Adjustment) as approved by WASREB whereas the WSPs base their remittance of Board's Administration Costs fee on the SPA(Service Provision Agreement).

**(v) General expenses**

General repairs and maintenance	2,093,804	2,037,419
Computer repairs & maintenance	623,450	42,920
Professional and Subscriptions fees	251,232	133,800
Staff Uniforms	29,800	-
Staff Welfare	1,412,310	611,221
Centralised Billing charges	2,210,500	975,190
Exhauster services costs	2,434,452	1,702,279
Water Boozer costs	304,999	-
UNICEF Expenses	1,046,495	568,213
SNV Expenses	594,750	-
ACP-EU Expenses	-	13,301,538
ACP-EU GOK Counterpart Expenses	1,076,040	11,315,086
ADB GOK Counterpart Expenses - Murang'a Bulk	36,797,643	51,040,070
ADB GOK Counterpart Expenses - Small Towns	24,317,327	11,710,416
	<b><u>73,192,802</u></b>	<b><u>93,438,152</u></b>
<b>TOTAL ADMIN AND GENERAL</b>	<b><u>280,166,368</u></b>	<b><u>213,616,693</u></b>

**Staff Establishment**

\*During 2012/2013 financial year the total staff establishment in the Board area of operation was 1,921 comprising of 94 staff at the Board's Head Office, 455 staff at District Water Offices (DWO's) and 1,372 staff at the contracted Water Service Providers(WSPs) offices.

\*\*During 2011/2012 financial year the total staff establishment in the Board area of operation was 1,422 comprising of 85 staff at the Board's Head Office, 461 staff at District Water Offices (DWO's) and 876 staff at the contracted Water Service Providers(WSPs) offices.

**18 OTHER OPERATIONAL COSTS**

Workshops and seminars*	13,671,214	7,021,991
Consultancy*	3,733,524	6,855,879
Laboratory Materials & Equipments	153,907	-
Solio Ranch expenses	1,802,789	-
K. K. Nanga Boreholes	1,482,100	-
	<b><u>20,843,534</u></b>	<b><u>13,877,870</u></b>

\*Workshops & Seminars and Consultancy costs includes contracted professional services and implementation of ISO 9001:2008 Quality Management System (QMS).

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	<b>2012/13</b>	<b>2011/12</b>
	<b>Ksh</b>	<b>Ksh</b>
<b>19 FINANCIAL CHARGES</b>		
Bank charges	467,874	602,242
Audit Fee	160,000	1,000,000
Depreciation	39,850,419	26,520,812
	<u><b>40,478,293</b></u>	<u><b>28,123,054</b></u>



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**ANNEX I**

**(A) TRADE DEBTORS AS AT 30 JUNE 2013**

	<b>2012/13</b>
<b>(I) WSP COMPANY</b>	<b>AMOUNT (KSHS.)</b>
Embe	1,625,063
Ewasco	65,436,085
Gatamathi	2,217,986
Gichugu	3,556,494
Kahuti	5,325,620
Kathita Gatunga	39,934
Kathita Kiirua	299,791
Kirinyaga	25,413,823
Kyeni	79,931
Mawasco	52,233,098
Mewass	4,026,687
Murang'a	9,046,331
Murugi Mugumango	176,293
Muthambi 4K	145,904
Murang'a South	1,326,010
Ngagaka	3,881,405
Ngandori Nginda	5,735,863
Nithi	576,709
Nyewasco	1,762,341
Omwasco	31,150,122
Ruiru Thau	400,333
Rukanga	15,766
Teawasco	311,665
Tuuru	4,313,326
<b>SUB TOTAL</b>	<b>219,096,580</b>
<b>LESS: Specific Provision (WSPs Billed as per RTA)</b>	
Ewasco	28,092,744
Kahuti	2,158,500
Kirinyaga	14,826,281
Mawasco	23,278,914
Omwasco	15,079,944
<b>Specific Provision for Bad and Doubtful Debts</b>	<b>83,436,383</b>
<b>SUB TOTAL</b>	<b>135,660,197</b>
<b>LESS:</b>	
10% General Provision for Bad and Doubtful Debts	(13,566,020)
<b>NET TRADE DEBTORS</b>	<b>122,094,177</b>



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**(B) CENTRALISED BILLING DEBTORS AS AT 30 JUNE 2013**

Omwasco	751,978
Kawasco	474,877
Muthambi 4K	511,820
Murugi Mugumango	363,912
Nithi	243,788
Imetha	114,050
<b>SUB TOTAL</b>	<b>2,460,424</b>
<b>LESS:</b>	
10% General Provision for Bad and Doubtful Debts	(246,042)
<b>TOTAL</b>	<b>2,214,382</b>



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**ANNEX 11**

**STAFF OUTSTANDING IMPREST AS AT 30 JUNE 2013**

<b>DETAILS</b>	<b>DATE OF ISSUE</b>	<b>AMOUNT (KSHS.)</b>
<b>A. KWSP</b>		
Ministry of Environment, Water & Natural Resources (G K Mathu)	26-Mar-07	51,760
<b>Sub-total</b>		<b>51,760</b>
<b>B. RECURRENT</b>		
Miriam Ndiritu	20-Jun-13	100,000
Pauline Miriga	5-Jun-13	146,100
<b>Sub-total</b>		<b>246,100</b>
<b>GRAND TOTAL</b>		<b>297,860</b>



**ANNEX III**

<b>LIST OF CREDITORS AS AT 30 JUNE 2013</b>	
<b>DETAILS</b>	<b>AMOUNT (KSHS.)</b>
<b>A. RECURRENT</b>	
PAYROLL LIABILITIES	1,821,425
KENYA NATIONAL AUDIT OFFICE	580,000
ASSET OWNER	343,598
WASREB	30,546
NYERI MODERN GARAGE	29,000
LODAJOTS ENTERPRISES	199,800
STANDARD GROUP LTD	50,490
NATION MEDIA GROUP	97,249
UTUMONI LTD	96,240
<b>SUB-TOTAL</b>	<b>3,248,348</b>
<b>B. DEVELOPMENT</b>	
KING'ONG'O JUNCTION	41,902
G. K. KIBIRA	1,063,181
SILVERSPREAD HARDWARE LTD	126,200
FOURWAY CONSTRUCTION LTD	240,441
SINOHYDRO CORPORATION LTD	56,244,081
CHINA JIANGXI INTERNATIONAL LTD - ADF X	26,316,025
ORIENTAL CONSTRUCTION	8,763,799
CHINA JIANGXI INTERNATIONAL - ADF XI	6,073,952
<b>SUB-TOTAL</b>	<b>98,869,581</b>
<b>GRAND TOTAL</b>	<b>102,117,929</b>



**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**ANNEX IV**

**INFRASTRUCTURE DEVELOPMENT AS AT 30 JUNE 2013**

Meru North	4,806,097
Kandara	2,291,488
Othaya	3,097,470
Kenera	1,556,380
Simbara Amboni	641,288
Kavisuni	5,850,113
Gichugu	5,183,076
Ruiru	1,538,490
Kirimweti	1,581,804
Aguthi	2,136,827
Masinga	93,454
Meru Central	2,841,771
Kiandunyu	790,263
Endarasha	84,948
Mbeere	1,266,315
Kitui	427,172
Karurumo Kiahia	511,665
Gikui Mweru	866,717
Kune	840,000
Kirinyaga - Ngariama	778,895
Kanyuambora	152,260
Solio Ranch	4,486,885
Othaya -Mukurweini & Maua Water & Sewerage Project	25,879,779
Research, Feasibility Study and Design Plans - Chuka & Chogoria Water & Sewerage Project	7,521,010
Drought Intervention Programme	5,806,163
Nyeri Central District - Githiru Irrigation Project	18,513,000
Tigania East District - Tigania East & West Water Supply Project	6,324,474
Makobo Water Project	4,878,900
Iraru Water Project	18,243,425
Hika Water Project	10,394,432
Embu - JICA	52,193,097
Kazi Kwa Vijana	96,539,000
<b>GOK - Development:</b>	
Chuka District - Mwithanga Water Project	4,208,596
Nyeri South District - Othaya Water Project	4,285,367
Kieni West District - Mwiyo Water Project	41,424,851
Kieni West District - Mweiga Water Project	4,284,500
Tharaka Districts	3,464,409
Mbeere South District	6,339,041
Imenti South District - Mwimbi Water Project	15,683,028
Mathira West District - Ngorano Boreholes	1,283,800
Kangema District - Kahuti	10,128,913
Mathira West District - Mathira	48,041,861
Murang'a East & Kangema Districts - Ichichi & Kiharu lines	29,594,925
Nyeri South District - Othaya tank	3,929,316
Tharaka - Kathangachini Water Project	623,250
Tigania District - Tigania East & West Water Supply Project	1,198,501
Tigania Water Supply Project	671,167
Mathira West District - Hombe Dam	21,887,404
Mukurweini District - Mukurweini Water Project	470,308
Mathira East District - Mathira Water Supply Project	5,189,286
Kibunga-Kakimiki Water Project	1,026,750
Meru Central District	1,152,200

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Kyeni Water Supply Project	1,997,383
Kieni East District - Warazo-Jet Water Supply Project	136,626
Ivuvua Dam	195,500
Mwingi-Kiambere	25,000
Igembe North District	2,868,723
Mwea Makima Water Project	449,000
Tharaka South	1,221,651
Iruma - Magutuni Water Project	8,000
Kirinyaga Central District - Gichugu Water Supply Project	3,236,185
Embu West District	1,051,745
Ruiri Water Project	68,550
Gitoro Boreholes	29,080
Kandara District - Machegecha & Gaichanjiru Boreholes	19,515,399
Mbeere North	124,500
Embu East District - Ngagaka Water Supply Project	655,500
Meru South - Nithi Water Supply Project	99,000
Nyeri Central District	382,683
Igembe - Maua	1,748,250
Drought Intervention - Tharaka North	3,032,717
Drought Intervention - Tharaka South	5,645,271
Drought Intervention - Mbeere South	2,223,564
Drought Intervention - Kieni East	3,841,547
Drought Intervention - Kieni West	1,249,426
Drought Intervention - Mbeere North	1,599,700
Drought Intervention - Igembe North	4,044,701
Drought Intervention - Igembe South	573,800
Drought Intervention - Tigania East	3,930,000
Drought Intervention - Tigania West	2,108,013
Drought Intervention - Kirinyaga South	1,000,000
Drought Intervention - Administration	2,376,236
Siakago Water Supply Project	82,609,548
Kirinyaga West - Karima Kiangwaci Water Project	5,920,366
Kirinyaga South	2,520,000
Tuthu Township Water Project	2,999,930
Maara - Kamuene & Kieni Rwanchege Water Project	8,428,789
Ragati Dam	14,637,750
Mwea East - Ndikiki Water Project	5,973,290
Anake Murugi Mugumango Water Project	15,245,320
Mawasco Sewerage	2,508,600
Mathioya - Gitugi-Kariko & Kamacharia Kamune distribution main line	1,200,000
Siakago - Mbeere North Water Project	4,912,250
Kigumo - Muthithi Kangurumo Water Project	7,790,770
IDP Special Programme - Wiyumiririe Boreholes	14,707,371
Mutonga Gituma	1,613,400
Tuuru Water Supply Project - Laare	16,238,799
Meru North - Meru Town Sewerage	143,000
Masinga Dam	33,000
WSTF Projects	5,426,970
Imenti North District - Kithiri W/P	2,413,350
Aguthi	58,000
Kamumu Dam	2,848,979
Kahuro District	1,250,000
Murang'a East	13,688,100
Athi WSB Project	566,830
Embu North	1,255,400
<b>TOTAL</b>	<b>773,431,692</b>

**TANA WATER SERVICES BOARD**  
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**ANNEX V**

**ANALYSIS OF DEFICIT FY 2012/13**

**Ksh.**

**(A) Expenses reflected in Comprehensive Income Statement which have no corresponding cash inflow (Income):**

(i) Depreciation	39,850,419
(ii) General Provision for Bad & Doubtful debts	1,973,434
(iii) Specific Provision for Bad & Doubtful debts	83,436,383
(iv) Audit fee provision	160,000
(v) Board Expenses - accrued	40,000

**(B) Expenses reflected in Comprehensive Income Statement whose cash inflow is from GoK Development grant which is reflected as capital reserves:**

(i) ADB GoK Murang'a Bulk Counterpart Expenses	36,451,187
(ii) ADB GoK Small Towns Counterpart Expenses	22,686,227
(iii) ACP-EU GoK Counterpart Expenses	1,076,040
(iv) Insurances	10,226,840
(v) Trade shows and Exhibitions	2,865,787
(vi) Consultancy	3,408,424
(vii) Workshops and Seminars	11,548,204
(viii) Bank charges - Devpt	347,369
(ix) Travelling & Accommodation	3,463,705
(x) Computer Repairs & Maintenance	940,620
(xi) Computer Stationeries & Accessories	669,000
(xii) Project Fuel & Lubricants	3,905,796
(xiii) Project Vehicle Maintenance	1,013,116
(xiv) Staff Welfare	425,500
(xv) Advertising & Publicity	426,000
(xvi) Solio Ranch Expenses	1,802,789
(xvii) UNICEF Expenses	893,995
(xviii) K. K. Nanga Borehole	1,482,100

**(C) Accrued Income reflected in Comprehensive Income Statement:**

(i) Accrued Board Administrative Costs fee	(90,123,264)
(ii) Centralised Billing charges	(3,183,200)

**Total - Reported Deficit in the Comprehensive Income Statement**

**135,786,471**

