

REPUBLIC OF KENYA



*Paper laid by
Leader of Majority Party
Tuesday 14/8/2018
Aph*



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REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2017**

Athi water services board financial statements, for the financial year ended, June 30th, 2017



**ATHI WATER SERVICES BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30TH, 2017**

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

(a) Background information

Athi Water Services Board is a state corporation established under the Water Act 2002 vide Gazette Notice No.1775 of 21st March 2003 and licensed by the Water Services Regulatory Board (WASREB). The current licence is for a term of 10 years commencing 8th February 2010.

(b) Principal Activities

The principal activity of the Board is to ensure efficient, effective and sustainable provision of quality and affordable water services (defined to include sewerage) in its area of jurisdiction - Nairobi County, Kiambu County and Gatanga Sub County of Muranga County.

The key responsibilities of Athi Water Services Board therefore include:

- i) Ownership and holding of water and sewerage assets/infrastructure on behalf of the National Government.
- ii) Planning, development and expansion of water and sewerage infrastructure on behalf of the National Government.
- iii) Assisting the County Governments within its jurisdiction, during the transition period, in contracting out water and sewerage services provision to Water Services Providers (WSPs) and in the monitoring of water and sewerage services provision.

(c) Key Management

The *entity's* day-to-day management is under the following key organs:

- Chief Executive Officer
- Head of Planning and Engineering Services
- Head of Corporate Services
- Head of Finance and Strategy

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Eng. Michael M. Thuita
2.	Head of Planning and Engineering Services	Eng. Joseph Kamau
3.	Head of Finance and Strategy	Ms. Rose Nyaga

(e) Fiduciary Oversight Arrangements

The ultimate oversight authority of Athi Water Services Board is exercised by the Board of Directors through the Full Board. To ensure that good corporate governance is enhanced and that power is properly exercised in the stewardship of the corporation's total portfolio of assets and resources to maintain stakeholder value, the Board of Directors has established three committees:

- (i) Finance, Human Resource and General Purpose Committee
- (ii) Audit, Risk and Governance Committee
- (iii) Planning and Development Committee

(f) Entity Headquarters

Athi Water Services Board
P.O. Box 45283-00100 GPO
Africa-Re Centre, 3rd Floor
Hospital Road-Upper Hill
NAIROBI

(g) Entity Contacts

Telephone: (254) 020 2724292/3
E-mail: info@awsboard.go.ke
Website: www.awsboard.go.ke

(h) Entity Bankers

- | | |
|---|---|
| 1. Kenya Commercial Bank
Kipande House Branch
NAIROBI | 2. Cooperative Bank of Kenya
University Way Branch
NAIROBI. |
| 3. NIC Bank
Upper Hill
NAIROBI | 4. Chase Bank
Upper Hill
NAIROBI |

(i) Independent Auditors







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

(j) Principal Legal adviser


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

II. THE BOARD OF DIRECTORS




The Board of Directors who held office during the year were:

 <p>Wachira M. Keen</p>		<p>Chairman of the Board; Born 1970; Holds Bachelor of Business Administration and currently undertaking an MBA. Appointed 22nd January 2016</p>
 <p>Mr. Joe Kinuthia Kibochi</p>		<p>Born 1955, A successful businessman. Has Experience in the Construction Industry and has served in the Economic Stimulus Program and CDF at the constituency level. Appointed on 17th April 2015</p>
 <p>Mr. Samson Ojiayo</p>		<p>Born 1967; IT specialist with specialization in data processing. Has worked in the Motor Vehicle Industry. Appointed on 17th April 2015</p>
 <p>Eng. Lawrence Simitu</p>		<p>Born 1965; Director of Water Services in the State Department of Water, Ministry of Water and Irrigation. Holds MSc in Civil Engineering, is professionally qualified, and has over 24 years' experience. Appointed 17th April 2015</p>
 <p>Mr. Francis Anyona – (Representing Dr. Kamau Thugge PS National Treasury)</p>		<p>Born 1965, An Economist. Alternate Director representing the Principal Secretary of the National Treasury. Appointed 17th April 2015</p>
 <p>Mr. Billy Arocho Otunga</p>		<p>Born 1976 and a successful businessman; Has experience in the security industry. Appointed 9th October 2015.</p>

 <p>Mr. Francis Kariuki Muheria</p>	<p>Born 1960 and holds a certificate in computer programming.</p> <p>Appointed 9th October 2015.</p>
 <p>Ms. Bancy Njuguna</p>	<p>Born 1967; Holds a Bachelor of Commerce, currently undertaking a Master in Business Management.</p> <p>Appointed 9th October 2015.</p>
 <p>Mr. Ben O. Kijuu</p>	<p>Born 1962; Holds Bachelor of Commerce (Banking);</p> <p>Appointed 9th October 2015.</p>
 <p>Mr. Richard Kimani</p>	<p>Born 1972; Holds Bachelor of Science Mechanical Engineering and an MBA.</p> <p>Appointed 9th October 2015.</p>
 <p>Ms. Ann Wanjiru Munga</p>	<p>Born 1988; Holds Bachelor of Education.</p> <p>Appointed on 9th October 2015.</p>
 <p>Mr. Joshua Mutoto Werunga</p>	<p>Born 1974; Holds Bachelor of Business Management.</p> <p>Appointed 9th October 2015.</p> <p>Retired in May 2017</p>
 <p>Ms. Margaret Mwago</p>	<p>Born 1969; Holds a Bachelor Degree in Human Resources Management and a Master in Project Planning</p> <p>Appointed on 9th June 2016</p>

 <p>Ms. Emily Muthio Mulatya</p>	<p>Born in 1979; holds a Bachelor in Law, Diploma In Law, Masters In International Conflict Management, Masters In Public Policy Management and is a member of ICPSK member number 3157</p>
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III. KEY MANAGEMENT TEAM

Name	Responsibilities and qualifications
 <p data-bbox="240 595 488 629">Eng. Michael M. Thuita</p>	<p data-bbox="671 376 1382 607">Eng Michael Thuita is the current Chief Executive Officer. He holds a Bachelor's Degree in Agriculture Engineering and is registered with the Engineers Registration Board and Institution of Engineers of Kenya. Eng. Thuita has more than 20 years practical Engineering and management experience in Water, Irrigation and Natural Resources. He was appointed on 6th June 2017</p>
 <p data-bbox="240 898 488 931">Eng. Malaquen Milgo.</p>	<p data-bbox="671 689 1382 857">Eng. Malaquen Milgo was the Chief Executive Officer for the financial year 2016-17 and he retired on June 12th 2017. He holds a Bachelor's Degree in Civil Engineering and is registered with the Engineers Registration Board and Institution of Engineers of Kenya.</p>
 <p data-bbox="240 1178 456 1211">Eng. Joseph Kamau</p>	<p data-bbox="671 969 1382 1193">Eng. Joseph Kamau is the Head of Capital Planning and Engineering. He holds a Bachelor's Degree in Civil Engineering and is registered with the Engineers Registration Board and Institution of Engineers of Kenya. Eng. Kamau has more than 20 year's practical Engineering and management experience in Water.</p>
 <p data-bbox="240 1469 448 1503">CPA Michael Kimotho</p>	<p data-bbox="671 1223 1358 1447">CPA Michael Kimotho is the Acting Head of Finance and Strategy. He holds BA (Economics) and Masters In Business Administration from the University of Nairobi. He is a Registered member of the Institute of Certified Public Accountants and also a certified Information Systems Auditor He has over 15 years' experience in Finance in both Public and private organizations.</p>
 <p data-bbox="240 1753 424 1787">CPA Rose Nyaga,</p>	<p data-bbox="671 1541 1334 1765">CPA Rose Nyaga was the Head of Finance and Strategy. She holds Bachelors of Commerce and Masters In Business Administration from the University of Nairobi. She is a Registered member of the Institute of Certified Public Accountants. She has over 20 years' experience in Finance in both Public and private organizations.</p>
 <p data-bbox="240 2007 528 2040">Ms. Emily Muthio Mulatya</p>	<p data-bbox="671 1805 1294 1995">Emily M. Mulatya is the Ag. Corporation Secretary She holds a Bachelor in Law, Diploma In Law, Masters In International Conflict Management, Masters In Public Policy Management and is a member of ICPSK She has over 10 years' experience in both private and public organizations</p>

IV. STATEMENT BY THE CHAIRMAN

Let me at the outset, say how delighted and with great humility I am to report on the great year it has been for Athi Water Services Board.

We maintained our focus on executing our mandate based on our key strategic objectives and strategic intent of maintaining leadership of Athi Water as a premier institution and centre of best practice in bulk water infrastructure development.

In this financial year we achieved great milestones which include but not limited to:

- Preparation of a New strategic plan 2017-2022 which articulates a comprehensive roadmap for the next five years, and outlines the short and medium strategies for AWSB.
- Enhancing the quality management system of Athi Water Services Board and crowning it with the ISO 9001:2015 certification.
- Mobilising resources for construction of two new large dams which will increase the water available by 100,000cubic meters.

Economic review

Kenya's Gross Domestic Product (GDP) in the year 2016 was reported as 5.8 per cent compared to a revised growth of 5.7 per cent in 2015. The performance was driven by a stable macroeconomic environment and significantly improved performance of agriculture, construction, finance, insurance and real estate sectors. This was despite inflationary pressures and volatility in foreign exchange rates. We remain upbeat of monetary policy measures currently in place which continue to support the local unit and to anchor inflation expectations. The overall expenditure on water and related services is expected to increase by 32.2 per cent from Ksh 41.3 billion in the 2015/16 to Ksh 54.6 billion in the 2016/17.

Economic growth in 2017 was influenced more by the domestic factors than external ones. The long rains were delayed and depressed in 2017, and this had a direct negative impact on growing of crops, production of livestock and its products, electricity generation and water supply.

It is worth noting that industries that include the water supply, sewerage, waste management and remediation activities, recorded growth in employment of 14.3 per cent.

Key Regulatory Highlights

The regulatory environment remains an area of significance to our operations. During the period under review The Government enacted the Water Act 2016 with a focus on improving water storage, strengthening regulation, creating viable water utilities and improving sector planning. Under the Act, sector coordination between the National Government and the County Governments under devolved water services provision will be enhanced.

Corporate Governance

The Board has conducted its business with the objectives of ensuring that AWSB is properly managed to protect and enhance stakeholder interests, and that AWSB, its directors, officers and employees operate in an appropriate environment of corporate governance.

The Board has continued to improve its framework for governing AWSB which includes adopting internal controls, risk management processes and corporate governance policies and practices, designed to promote responsible management and ethical conduct.

Our stakeholders both internal and external are a key pillar to our survival and therefore on behalf of the AWSB board of directors I would like to thank each and every one of them for the confidence they have shown in Athi Water Services Board. I also wish to appreciate and thank the Government of Kenya for its goodwill and invaluable support to make our goals a reality.

Implementing our Strategy

Developing innovative and sustainable water services solutions that transform life and inspire progress underpins our corporate mission. In the period under review, we continued implementation of our water Masterplan, specifically the 4th Nairobi Water supply to improve water supply to Nairobi City by 140,000 cubic meters of water per day. Additional financing for large storage capacity dams were finalised with various financiers and its anticipated they will be rolled out in the Financial year 2017-18.

Stakeholder Relations

The Board consults regularly with a variety of stakeholders, including consumers, community leaders, the public, water sector players, County Governments, water service providers, development partners, National Government and State/Public Agencies. Our stakeholders are integral participants in the long-term planning and solutions of all our initiatives. We have a rigorous stakeholder engagement process based on principles of inclusiveness, accessibility, transparency and positive contribution.

These principles provide the foundation on which all our stakeholder endeavours are based. Our trust-based approach to stakeholder relations provides continued support for our operations and the opportunity to grow our business. Being a good neighbour is a responsibility we take seriously. Earning the trust and support of stakeholders is fundamental to meeting this responsibility.

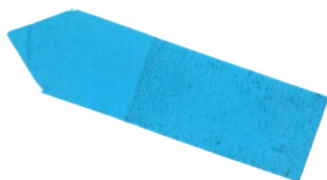
Looking Forward

We closed the financial year having surpassed our targets in the previous strategic plan. We have developed a new strategic plan full of hope for the future. The Water Act 2016 gives us hope that we have a prosperous future ahead of us that is full of opportunities. The strategic direction adopted by the AWS Board and management will continue to transforming lives and inspire progress.

Thank You



**MR. WACHIRA M. KEEN
CHAIRMAN**



V. STATEMENT BY THE CHIEF EXECUTIVE OFFICER

Introduction

I am pleased to present the Athi Water Services Board (AWSB) Annual Report for the year ended 30th June 2017. Dear valued stakeholders, despite 2017 being a challenging year faced by Athi Water Services Board (AWSB), the institution continued to deliver on its promises and is on course to deliver sustainable growth by investing for the future. Ours is an exceptional Institution with an extraordinary heritage and a promising future. Last financial year was a period of profound political and economic change around the world and in the country. AWSB remained steadfast in its dedication to the clients, communities and counties that we serve. We ensured value for money in delivering our mandate to the satisfaction of our stakeholders and development partners. I am glad to confirm that the financial year 2016/2017 was another breakthrough year for Athi Water Services Board.

Maintaining our leadership position

We're proud to be recognized as leaders within our industry. AWSB has consistently achieved excellent score from the Commission of Administrative Justice (CAJ). At the same time, more and more companies are seeing the benefits of saving costs, reducing risk and adding value to their brands by mainstreaming sustainability. To maintain our leadership position, we must raise our commitment to the next level, integrating all relevant aspects – from human rights to service delivery - into the business to build trust with consumers, customers and employees.

Project Implementation

Our ability to successfully plan and implement water projects was evident again in 2017. The Government and Development Partners not only entrusted AWSB to implement projects within its area of jurisdiction (Nairobi, Kiambu and Muranga counties) but also projects in other Water Services Boards' areas. AWSB continued to implement the 4th Nairobi Water Supply Development Project, a Vision 2030 project that will transform the water situation in Nairobi City, the Business Hub for East Africa. The project is being implemented with support from GoK, the IDA/World Bank, the French AFD France and the German KfW. During the Year AWSB was also entrusted by the National Government to implement the Kenya Towns Water and sanitation program financed the African Development bank (AfDB).

Sustainability

Sustainability has been an integral part of our identity for a long time. For us to be successful over the long term, a balance has to be struck between economic, ecological and social aspects in all our decision-making processes and concrete added value has to be generated for the key stakeholders. We realize our social responsibility within the scope of our global social projects relating to the water and sanitation facilities, as well as in cooperation with partners. We aim to transform our society through corporate social investment in education, health and developmental projects; as well as through increased allocation of procurement of goods and services to Kenyan residents and giving more emphasis to gender mainstreaming and marginalized groups. Our direct contribution to the latter is through the rollout of GoK Policy of allocating 30% of tenders to the youth, women and persons with disability. AWSB continues to undertake Strategic Environmental Assessments (SEA) to not only protect the environment, but also promote sustainable development

Capital Resource Management

The staff of AWSB are a critical asset of the institution. Our people management strategy focuses on driving a culture of performance and creating a productive workforce which includes building a strong, skilled and proactive team in order to sustain our business. We aim to recruit, develop and retain appropriately skilled, committed, engaged and accountable employees.

Our human capacity readiness focus aims to close skills gaps by coordinating, integrating and addressing employees' development needs. We acknowledge the importance of training and continue to ensure that our employees are suitably equipped for their roles.

Our commitment

At AWSB we aim to deliver a safe, reliable and value-for-money service for our stakeholders. We must also ensure that we are able to provide adequate returns and Value for Money to the public, our Government and Development Partners as they provide the capital that we require to fund continued investment in developing and maintaining the infrastructure network.

Appreciation

I wish to convey my gratitude and appreciation to the Board of Directors, the Great Athi Team (GAT), the Ministry of Water and Irrigation, the National Treasury, Development Partners, County Governments of Nairobi, Kiambu and Muranga; Development Partners, WSPs and all stakeholders for working with us to move towards our vision. We are committed to operating within our financial means and in a way that does not compromise the sustainability of our AWSB.

Together, and with support of the National Government, we will continue to seek financial solutions that ensure we remain sustainable and able to deliver on our mandate.



ENG. MICHAEL M. THUITA
CHIEF EXECUTIVE OFFICER

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

The Board is committed to maximizing business performance, generating appropriate levels of stakeholder's value and financial returns, and sustaining the growth and success of Athi Water Services Board (AWSB). In conducting business in accordance with these objectives, the Board seeks to ensure that AWSB is properly managed to protect and enhance stakeholder interests, and that AWSB, its directors, officers and employees operate in an appropriate environment of corporate governance.

The Board has in place a framework for governing AWSB which includes adopting internal controls, risk management processes and corporate governance policies and practices, designed to promote responsible management and ethical conduct.

Essential to the establishment of a good governance framework is formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision making process assessment and continuing conformity. Effective governance is achieved through a combination of strong process and structures, underpinned by the right values and culture. The principles of corporate governance are contained in the Director's Code of Conduct and Ethics. AWSB is in compliance with the governance tenets of the recently developed "Code of Governance for Government Owned Entities", Mwongozo. The Mwongozo offers a corporate governance code for all state corporations in which Government holds ownership.

Athi Water Services Board is committed to ensuring compliance with the provisions of Water Act 2002 among other regulatory and supervisory corporate governance requirements.

Board Organization and Structure

Roles and responsibilities of the Board and management

The Board provides overall strategic guidance for Athi Water Services Board and effective oversight of management. Responsibility for the governance of AWSB, including establishing and monitoring key performance goals, rests with the Board. The Board monitors the operational performance and financial position of AWSB, as well as overseeing the business strategy, and approving strategic goals. In performing its role the Board is committed to sound corporate governance practices.

The Board Charter articulates the Board's roles and responsibilities, its membership and operation and which responsibilities may be delegated to committees or to management. Specific responsibilities have been reserved by the Board in key areas of strategy, governance, executive appointments, financial approvals and reporting, disclosure and risk management. The Board has established three standing committees to assist in performing its responsibilities by examining in detail particular issues and making recommendations to the Board. A description of these committees can be found on page xiii to xiv.

The Chief Executive Officer has responsibility for managing the day-to-day affairs of AWSB. The Chief Executive Officer manages AWSB in accordance with the Board-approved corporate plan, the corporate strategy and policies, and within the risk appetite set by the Board. A detailed delegation framework defines the decision-making and expenditure limits which apply at various levels of management.

Key areas of focus for the Board in 2016-2017 Financial year included:

- Chief executive officer succession and appointment of the new Chief Executive Officer
- Strategy, corporate plan, budget and performance targets
- Oversight of business performance
- Full year and half year financial results and monitoring results against guidance provided to the market
- Annual review and update of the strategic risk framework
- Oversight of key projects funded by the Government of Kenya and development partners
- Customer proposition, engagement and experience
- Regulatory compliance
- Corporate governance matters
- Remuneration framework

Board Size, Composition and Appointment

The structure of Athi Water Services Board starts with the Board of Directors comprising of 13 members: 10 independent directors, 1 director representing the Ministry of Water and Irrigation, 1 director representing the National Treasury and the Chief Executive Officer - a non-voting member. Each member serves for a maximum of two terms of three (3) years each.

The Chairman of the Board is appointed by the President from among the eight members from the private sector. Names of all members and changes thereto are published in the Kenya Gazette.

The public sector representatives are the permanent secretaries or designated alternates not below the level of deputy secretary from the ministries responsible for matters relating to Water affairs and finance. The representatives from the private sector are appointed by the Minister to represent various stakeholders.

The Board is well composed in terms of range and diversity of skills, knowledge, age and experience in various sectors which makes it effective and provides an appropriate balance for the oversight of the Board's mandate. On gender, the Board has three (3) women out of twelve (12) members from the private sector.

The Chief Executive Officer is an ex-official member of the Board but has no voting right at any meeting of the Board and is the secretary to the Board.

The directors' abridged biographies appear on pages iv to v of this Annual Report. The Board membership is shown on page xiii. Details of directors' attendance at Board and committee meetings during the year ended 30 June 2017 is on page xiii to xiv

Independence, Separation of Roles and Responsibilities

Independence

Directors are expected to bring an independent judgement to bear on all Board decisions. A director is considered independent if the director is a non-executive director who is not a member of management, and is free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement or could reasonably be perceived to do so. Each director provides periodic updates of their interests, positions, associations and relationships, and the Board regularly assesses the independence of each director in light of the interests disclosed. The Board has assessed the interests, positions, associations and relationships of each director as at the date of this report. It has determined that all of its non-executive directors are independent and were independent during the reporting period.

Separation of Roles and Responsibilities

The Board does not consider the Chief Executive Officer to be independent as this is an executive role. All Directors except the Executive Director are non-executive directors. The non-executive directors are independent of management, they appoint the Chief Executive Officer and establish a framework for the delegation of authority and ensure succession planning for the executive director and senior management is in place. Their role is to advise, constructively challenge and monitor the success the management is delivering the agreed strategy within the risk appetite and control framework that is set out by the Board.

The roles and responsibilities of the Chairman of the Board, the Chief Executive Officer and non-executive directors' remain distinct and separate which ensures a balance of power of authority and provides for checks and balances such that no one individual has unfettered powers of decision making. Their roles have been documented and are expected to be independent and free from conflict upon appointment.

The Chairman provides overall leadership to the Board without limiting the principles of collective responsibility for Board's decisions. The Chairman builds an effective board and sets the board agenda in consultation with the Chief Executive Officer and ensures effective communication to stakeholders.

The Chief Executive Officer is responsible to the Board and takes the overall responsibility for the management of the affairs of the Board. The Chief Executive Officer recommends the strategy to the Board and implements it and makes operational decisions. Noting that the position also dubs as the secretary to the Board, the Chief Executive Officer ensures appropriate and timely information flows within the Board, its committees and management.

Board skills mix

During the financial year ending 30th June 2017 the matrix of skills and experience required for the Board in light of the Board's responsibilities and AWSB's strategic objectives and risks were reviewed. The Board believes that collectively it has good industry and operational experience in water and sewerage sector, coupled with skills and knowledge in strategy, financial, legal, human resources and project management. However, in light of industry movements and changes in technologies, the Board has identified that it would be enhanced by additional skills and operational expertise in respect to the water and sewerage sector.

In addition to the necessary skills and experience, the review confirmed that each director demonstrates the following personal attributes:

- diligence in contributing to teamwork, debate and specialist advice and support to AWSB
- sufficient time capacity to meet the responsibilities of a non-executive director
- honesty and integrity

Based on this review and having regard to the comments above in relation to enhancing the Board's skill mix, the Board considers that collectively the directors have the skills and the technical and sector experience necessary to govern the Company and drive performance in light of the specific risks facing Athi Water Services Board.

Board performance evaluation

The State Corporations advisory Committee (SCAC) is responsible for reporting to the Board on the evaluation of the performance of the Chairman, Board and committees. In the Financial year 2016-2017 the representative of SCAC led an internal Board evaluation by way of a detailed directors' survey seeking feedback in the areas of: Mandate, strategy, Performance contract, function of the board, board meetings and procedures, board composition, board induction training and development, board structure and information and communication. Following the survey, the Committee discussed and evaluated the outcomes and referred relevant action items to the Board.

The evaluation of each independent director was performed by the Chairman, which was also informed by the results of the directors' survey. Following the performance evaluation the Chairman and the other directors were satisfied that those directors continue to make a valuable contribution through the skills they bring to the Board and their understanding of Athi water services Board, and that they have each met the time requirements to fulfil their duties as a director.

Meetings Attended by Board Members

Athi water services has a board calendar which provides that there shall be a full board meeting, a special board meeting and three committee meetings quarterly. The Board therefore holds regular scheduled meetings throughout the year and supplementary meetings are held as and when necessary. In case of non-attendance due to other commitments, such information is communicated to the chair prior to the date of the scheduled meeting.

The table below details board membership and attendance at scheduled board meetings during the year:-

Board Membership and Attendance of Meetings

Director	Classification	Sector	Organization	Attendance
Wachira M. Keen	Non-Executive	Private		9
Mr. Joe Kinuthia Kibochi	Non-Executive	Private		9
Mr. Samson Ojwayo	Non-Executive	Private		9
Eng. Lawrence Simitu	Non-Executive	Public	Ministry of Water and Irrigation	1
Mr. Francis Anyona – (Representing Dr. Kamau Thugge PS National Treasury)	Non-Executive	Public	The National Treasury	2
Mr. Billy Arocho Otunga	Non-Executive	Private		9
Mr. Francis Kariuki Muheria	Non-Executive	Private		9
Ms. Bancy Njuguna	Non-Executive	Private		8
Mr. Ben O. Kijuu	Non-Executive	Private		8
Mr. Richard Kimani	Non-Executive	Private		8
Ms. Ann Wanjiru Munga	Non-Executive	Private		9
Mr. Joshua Mutoto Werunga	Non-Executive	Private		8
Eng. S.A.O. Alima	Non-Executive	Public	Ministry of Water and Irrigation	5
Margaret Mwago	Non-Executive	Private		5

Board Committees and Responsibilities

The Board delegates certain functions to well-structured committees but without abdicating its own responsibilities. The Board has developed a committee structure that assists in the execution of its duties, powers and authorities. Each Committee is guided by the Committee Charter/Terms of Reference, which outlines its responsibilities as mandated by the Board and is reviewed on a yearly basis. The Committees are appropriately constituted drawing membership from amongst the board members with appropriate skills and experience. The Chairman of the Board, management and external parties/advisors are required to attend the committee meetings only by invitation.

The committees are expected to operate transparently, ensure full disclosure to the Board and conduct themselves within the rules and procedures set out by the board. Matters deliberated by the Committees are presented to the board by the respective chairman during the next board meeting. The Board Committees are Finance, Human Resource & General

purpose, Audit Risk and Governance Committee, Planning and development committee. The responsibilities and attendance of meetings during the year is as summarized below:-

Audit, Risk and Governance Committee

The audit committee will be the principal governance watchdog in AWSB. Its purpose is to provide additional focus on financial, operational issues and risk management that are vital to the corporation but which often cannot be fully examined by the main Board because of shortage of time available to it. The committee is charged with the role of monitoring on the boards' behalf the effectiveness of internal systems and processes and the practice of good corporate governance. The committee focuses in particular on:

- i) Safeguarding of assets of the Board.
- ii) Adequacy of internal control and management systems.
- iii) The operation of internal control and management systems,
- iv) Soundness of the accounting policies, reliability of financial reports and compliance with applicable legal requirements and accounting standards.
- v) Risk identification and mitigating measures.

Attendance and committee membership:

Director	Organization	Attendance
Mr. Joe Kinuthia Kibochi	Private	4
Mr. Samson Ojiayo	Private	4
Mr. Francis Anyona	The National Treasury	2
Ms. Bancy Njuguna	Private	4

Planning and Development Committee

The primary purpose of this committee is to:

- (i) Consider and recommend to the Board the long term strategic direction of AWSB and provide a monitoring role for its implementation,
- (ii) Receive and consider management proposals for new business practices and capital projects,
- (iii) Advise the Board on the strategies to be adopted by AWSB to enhance its operational efficiency and sustainability, including the promotion of innovation and creativity in business processes,
- (iv) Review and recommend to the Board the implementation of proposals and plans for infrastructure development including the review of progress of ongoing projects,
- (v) Undertake monitoring and evaluation of AWSB's activities and programs.

Attendance and committee membership:

Director	Organization	Attendance
Mr. Francis Kariuki Muheria	Private	2
Mr. Ben O. Kijuu	Private	2
Ms. Ann Wanjiru Munga	Private	2

Finance, Human Resource and General Purpose Committee

The purpose of this committee is to provide leadership in Finance, Human Resource, and any other matter which does not fall under the above mentioned Board committees. The committee conducts detailed analysis of management reports and make its recommendation to the Board.

Attendance and committee membership:

Director	Organization	Attendance
Mr. Billy Arocho Otunga	Private	6
Mr. Richard Kimani	Private	9
Mr. Joshua Mutoto Werunga	Private	6
Eng. S.A.O. Alima	Ministry of Water and Irrigation	9
Mr. Francis Anyona	The National Treasury	4
Margaret Mwago	Private	6
Wachira Keen	Private	1

Conflict of Interest, Code of Conduct and Ethics

The directors and employees of the Board have a fiduciary duty to act honestly and in the best interest of the Board. Business transactions with all parties must be carried out at arm's length and with integrity. The Board provides effective leadership based on ethical foundation and ensures all deliberations, decisions and actions are based on the Boards' core values underpinning good governance. The Board has developed a Code of Conduct and Ethics Manual whose aim is to enhance relationships and foster teamwork among board members and staff and to build respect, confidence and credibility with its citizens. The Code provides guidance to its members regarding ethical and behavioral considerations as they address their duties and obligations during their appointment and their term in AWSB.

The Board has put various measures in place to ensure that there is no conflict of interest amongst its directors and staff. The Board has put in place Corruption Prevention and Code of Conduct & Ethics Policies that binds both the directors and the employees.

At the beginning of the financial year, all directors and employees signed a declaration of interest form declaring that they will disclose any interest that conflicts or possibly may conflict with the interests of the Board. At the commencement of any business to be transacted, all directors/staff are required to declare their interest, if any.

During the year, the Board carried out training on the Leadership & Integrity Act, 2012, Corruption Prevention and Code of Conduct & Ethics Policies, provisions of Constitution of Kenya in particular Chapters 2 (10) – National Values and Principles of Governance, Chapter 4 – The Bill of Rights and Chapter 6 – Leadership and Integrity.

During the year, the directors and employees demonstrated their commitment to the public service through professionalism, integrity, moral and ethical requirements, conflict of interest, and political neutrality through compliance with relevant laws as evident from the legal audit, internal audit, and external audit reports presented to the Board. All staff and directors declared their wealth as required to the Public Service Commission.

Accountability & Audit /Control Environment Management

Annual Report and Accounts

The Board is required to present an objective and understandable assessment of the AWSB operation position and prospects. The Board has ensured that accounts are presented in accordance with the International Public Sector Accounting Standards.

External and Internal Audits

(i) External Auditors

Athi Water Services Board accounts are audited by the Auditor-General. The Auditor-General is an independent office whose role and responsibilities are defined under the Constitution of Kenya.

(ii) Internal Auditors

Athi Water Services Board has an internal audit function. Its role is to provide independent and objective assurance to the Audit, Risk and Governance committee on the adequacy and effectiveness of the risk management framework, financial reporting processes and internal control and compliance systems.

The annual internal audit plan, which is approved by the committee, is developed using a risk-based approach and is driven by the risk framework, risk profile and governance principles. The internal audit charter provides the internal audit team unrestricted access to review all activities of the business. The internal audit function is supplemented by the engagement of external subject matter experts when required.

The head of the internal audit function is the Manager, Internal Audit & Risk. To ensure the independence of the internal audit function the role reports directly to the committee chairman, with an administrative reporting line to the Chief Executive Officer. The Manager, Internal Audit & Risk reports to the committee meeting on progress against the annual internal audit plan, audit findings and recommendations, business insights and the status of management actions.

The Board has qualified staff who carry out the internal audit function and present reports on compliance. Further, the Board engaged the services of Technical, Financial and Performance audit consultants to evaluate the efficiency, effectiveness and economy, value for money, on the utilization funds entrusted to Athi Water Services Board by various development partners.

Integrity of financial reporting

The Board has a strong commitment to the integrity and quality of its financial reporting and its systems for risk management, compliance and internal control.

The Audit, Risk and governance committee provides a non-executive review of the effectiveness of AWSB's financial reporting and risk management framework, and assists the Board in carrying out its accounting, auditing, risk management, regulatory compliance and financial reporting responsibilities.

The Audit, Risk and governance Committee currently comprises three non-executive directors. The chairman of the committee is an independent non-executive director who is not the chairman of the Board. Committee members are appointed based on their qualifications and experience to ensure that the committee can adequately discharge its duties. Any director may attend committee meetings. Representatives of management, the internal audit function and the external auditors are invited as required.

Financial reporting assurances

The preparation of the quarterly and full year financial statements is subject to a detailed process of review and approval by the Board supported by the Audit, Risk and Governance Committee.

As required under Public Finance Management Act 2012, the Board receives a declaration from the Chief Executive Officer as the accounting officer that the financial records of the company have been properly maintained and the financial statements and notes comply with accounting standards and give a true and fair view of the corporation's financial position and performance for the financial period. This includes a written declaration that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risks.

This declaration was received by the Board prior to approving the financial statements for the financial year ended 30 June 2017.

Internal Controls and Risk Management

The Board has the responsibility of identifying internal risk exposures and developing measures to mitigate against the identified risks. The Board reviews and monitors the development and implementation of systems of internal controls. The Board must have an understanding of these risks and mitigate them by implementing sound internal controls and risk management practices. The Board has developed the risk management framework and management control which identifies the risks. The Board recognizes that information technology forms an integral part of the risk management process and has developed the business continuity plan, disaster preparedness plan and the Information Technology policy.

The Board reviewed the internal controls, policies and procedures and is satisfied that appropriate controls and procedures were in place. This review was done by the internal auditors who report directly to the audit committee. The Board also delegated the day to day management of risks to management through systems and process carried out on a day to day basis.

Relationship with Stakeholders

The Board appreciates that stakeholder perception affects the organizations reputation. Therefore the Board strives to achieve an appropriate balance between its various stakeholders in the best interest of the organization by taking into account their legitimate interest and expectations in decision making.

The Board values the importance of complete, timely, transparent and effective communication with its stakeholders for building and maintaining their trust and confidence by providing regular information on its performance, activities and addressing their concerns whilst having regard to legal and strategic considerations.

The Board has developed a Corporate Communications Strategy which encompasses internal & external communication, customer service and public relations.

The main avenues for communication are through press releases, stakeholder forums and publications in print and social media, and annual reports and financial statements. The Board has continued to encourage electronic communication through publishing documents in the corporate website www.awsboard.go.ke and has endeavored to ensure that the website is highly interactive and contains all the relevant information.

Additionally, the Board has dedicated staff to deal with complaints and public relations effectively, efficiently and as expeditiously as possible. The Board has an established mechanism of receiving, resolving and giving feedback on complaints referred to it by its stakeholders. The Board submits quarterly reports to the Commission of Administrative Justice on the complaints handling and management. During the year the Board scored 99% against a target of 85% on complaints handling and management.

The Board encourages communication through email by allocating all directors and staff with an email address and Internet. For external communication, the Board has set up an email address – info@awsboard.go.ke.

The Board's Service Charter, which has been cascaded to all staff and displayed at strategic locations, is monitored on a regular basis.

The Charter stipulates the service delivery timelines, commitments and expectations of AWSB's customers. During the year, the level of customer satisfaction on the Board's services was at 81.4%. The Board is committed to continually improve access to information by the public and provision of efficient and quality public services.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

1.0 Financial Performance

During the financial year ending 30th June 2017, AWSB generated total revenue amounting to Ksh. 1,674,165,130 against an expenditure of Ksh. 881,512,814 before interest, tax and depreciation. The transfer to the accumulated fund was Ksh 300,550,105.

The total revenue increased by 24% compared to the previous year while the expenditure increased by 16% as shown in table 1 below which indicates the summary financial performance by AWSB.

Figure 1: Revenue Chart FY 2017 and FY 2016

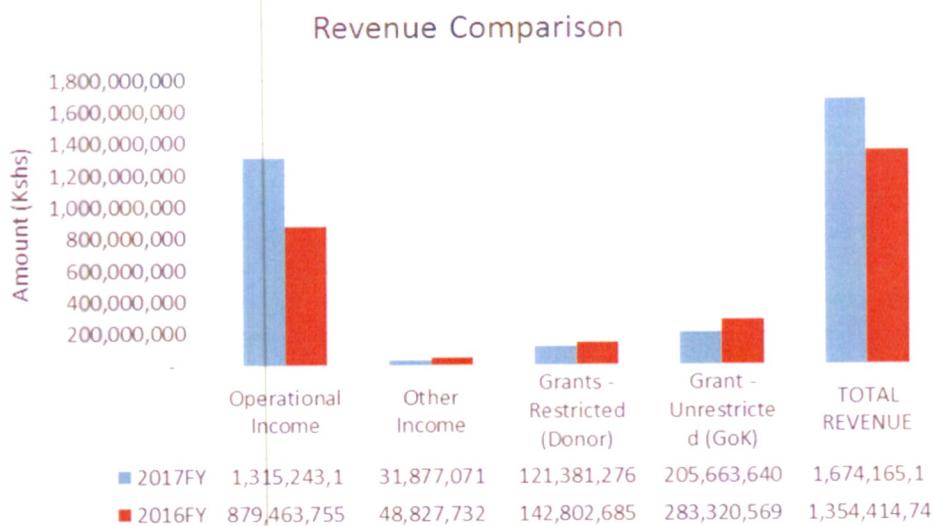


Figure 2: FY 2017 Revenue Distribution

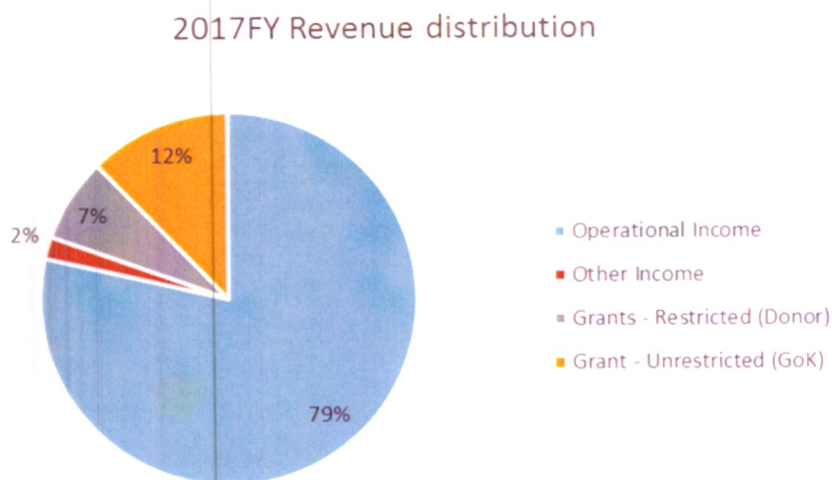
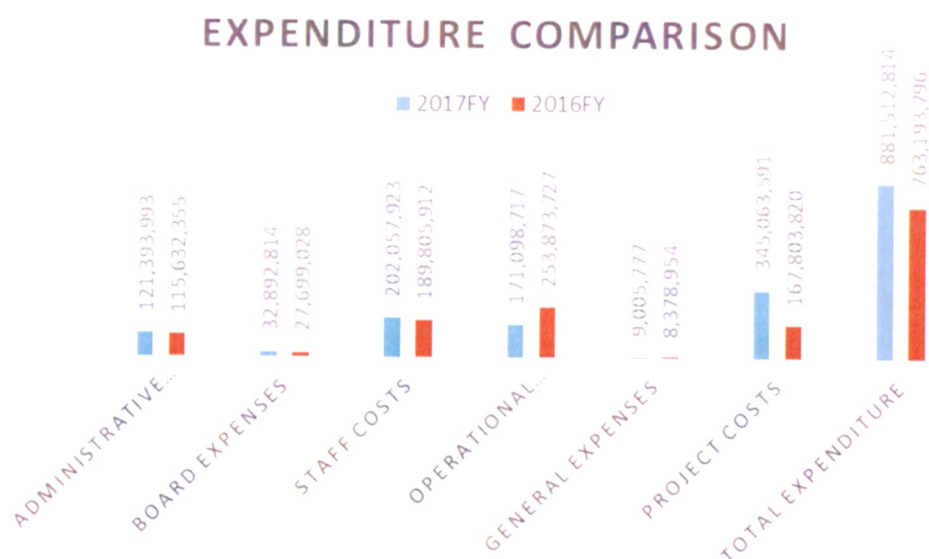


Figure 3: Expenditure Comparison FY 2017 and FY 2016



During the financial year ending 30th June 2017 the asset Base of AWSB increased to Ksh 36.42 Billion from Ksh 26.59 Billion same period last year, this represents an increase of 37%.

AWSB key projects or investments decision implemented or ongoing:

During the year under review the Athi Water Services board (AWSB) continued to implement the projects under its Masterplan as indicated in the table below:

No	Project Name	Project status	Projected Timelines		Estimated Cost of Projects	Expected Output
			Start Date	End Date		
1	Nairobi Water Distribution Network	10% of the program is complete. Two of the projects are ongoing and the third one is at contract signature phase.	26th June 2014	30th November 2019	4,543,000,000	Provide additional 100,000m ³ /day water to residents living in Utawala, Embakasi, and Ruai areas. Provide additional 5,000m ³ /d to residents in Karen and improvement of access to water and sanitation in selected informal settlements
2	Nairobi Satellite Towns Water and Sanitation Program	Design phase is on going	28th September 2015	30th June 2019	3,388,000,000	Improved access to water supply through construction of transmission and distribution network and distributing 14,000m ³ /d water in Kiserian, ongata rongai, Githurai and Mwhoko
3	Extension Of Nairobi Water Supply (Northern Collector)	40% of the works have been done	17th January 2014	31st December 2018	10,000,000,000	Treatment and transmission of additional 140,000m ³ /day to Kabete Nairobi
4	Ithanga Water supply	Design phase is on going	15th April 2016	15th October 2019	1,200,000,000	Deliver additional 9,000m ³ /day (from existing 1,200m ³ /d pumped system) to areas of Kakuku,

No	Project Name	Project status	Projected Timelines		Estimated Cost	Expected Output
						lthanga
5	Water & Sanitation Services & Improvement Project (Athi WSB)	64% of the program works have been done	19 th December 2012	15 th December 2017	16,000,000,000	Additional 140,000 m3/day for Nairobi; 14,000 m3/day for Muranga, 14,000m3/day for Kiambu, 14,000 m3/day for Meru, Machakos, Makueni, Kitui and Kajiado counties
6	Rehabilitation Of Water Supply And Sewerage For Oloitokitok Town	works are 18% complete	8th April 2017	9th October 2018	888,000,000	Construction of water distribution network to improve access to 40,000 residents and sewer network and treatment plant of capacity 6,000m3/d to improve on sanitation
7	Kajiado Rural Water Supply	works are 30% complete	19th April 2016	18th April 2018	1,320,000,000	Additional 9,000m3/day water supply to the residents within the project area
8	Kiserian Sewerage Project	works are 20% complete	10th January 2016	30th December 2018	709,000,000	Improved access to sewerage services in Kiserian town and environs by constructing trunk and reticulation sewers and sewer treatment plant of capacity 6,000m3/d
9	Kenya Towns Sustainable water supply and Sanitation Program	Consultancy phase is on going	9th February 2017	31st December 2021	8,800,000,000	Improvement in water supply and sanitation in Limuru, Kikuyu, Gatundu, Kiambu, Ruaka, Pemba, Changamwe, Machakos and mwala by constructing intakes, water transmission and distribution lines, trunk and reticulation sewers and waste water treatment plants
10	Nairobi Metro Area Bulk water Sources-Ruiru II Dam	Design phase is on going	2nd Sept 2017	3rd March 2020	24,000,000,000	Additional 51,000m3/day Water produced for Karuri, Kiambu and Githunguri
11	Nairobi Metro Area Bulk water Sources-Karimenu II	Design work on going	3rd May 2017	4th November 2020	21,000,000,000	Additional 70,000m3/d for supply in Ruiru, Juja and Nairobi
	TOTAL				91,848,000,000	

Compliance with statutory requirements:

During the financial year under review AWSB complied with all the statutory requirements that are necessary for its operation.

Major challenges faced by the organization:

In the Financial year under review the major challenges and constraints that hindered achievement of performance targets in the FY 2016/17 Performance Contract

1. Challenges in securing way leaves for the projects because of encroachment by communities and private developers. For private properties, the cost of acquisition is quite high.
2. Counterpart Funding-The disbursement of counterpart funding for the year is inadequate thus affecting the implementation of project activities.
3. Reduced remittance of the licensee remuneration by the Water Service Providers

4. Litigation: There have been numerous court cases which affected project implementation. This were beyond the control of AWSB.
5. Delays in acquisition of land occasioned by lack of proper documentation of land to be acquired for the projects, and family disputes.

VIII. SUSTAINABILITY REPORTING

Introduction

Sustainable development is all about ensuring a better quality of life for everyone, now and for generations to come. This can be achieved through the three strands of social equity which recognizes the needs of everyone, maintenance of stable levels of economic growth and employment, and using natural resources prudently, whilst protecting, and if possible enhancing, the environment. Sustainable or ecological development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with the future as well as present needs".

Sustainability requires continuous technological, economical the social progress of continuous improvement that respects the limits of the Earth's ecosystems, and meets the needs and aspirations of everyone for a better quality of life, now and for future generations to come.

Athi Water Services board commits to meeting our stakeholder's present and future requirements through a collaborative culture which provides the capability to provide services and knowledge allowing systematic change to take place whilst reinforcing mutually desired social, economic and environmental outcomes. The Board recognizes the importance of conducting operations in a manner that meets existing needs without compromising the ability of the future generation to meet their needs; therefore it carries out its operations in a manner that ensures the economic life of the community in which it operates. It remains the Board policy to ensure that activities meet and exceed the social, economic and environmental expectations of stakeholders. The Board believes that ethical leadership and corporate citizenship should direct the strategy and operations to build sustainable business.

The Board executes the objectives through the following:-

- (a) Our people, values and processes;
- (b) Stakeholder engagement;
- (c) Protecting the environment; and
- (d) Corporate Social Responsibility and Investment.

Our People, Values and Processes

The staff of AWSB are the primary asset. The Board therefore recruits, retains and invests in the best talent in the market. Our success has been and will continue to be highly dependent on the performance and accountability of our Great Athi Team (GAT).

Diversity and Equal Opportunity

The Board endeavours to preserve gender and cultural diversity in our employee mix and takes pride as an equal opportunity employer for all qualified persons. This has created an inclusive environment where individuals and teams harness strengths in diversity to maximize potential and excel in performance.

Our Culture and Values

Our vision of "To be the center for best practice in the development and management of National bulk water and waste water infrastructure" describes who we are, what we stand for and what makes our culture distinctive. The staff and directors are committed in upholding our core values in the discharge of our mandate. These are:

- Professionalism: We execute our mandate and engage our stakeholders with due care, skill and competence.
- Respect: We relate with our stakeholders with dignity, equity and non-discrimination.
- Integrity: We exercise honesty and accountability in our activities.
- Fairness: We embrace social justice and inclusiveness in our engagements.
- Transparency: We conduct our business in an open manner and effectively communicate with stakeholders
- Teamwork: We shall positively cooperate to ensure achievement of our mandate.

AWSB leadership has created an enabling environment where board of directors and staff are accountable for their actions based corporate culture of living our values.

The Great Athi Team (GAT) is an open and transparent community and the leadership has maintained an open and collaborative engagement.

Employee Welfare

At AWSB, the staff and directors view each other as part of one big family and each member's welfare is our collective responsibility.

The Board takes every effort to ensure that employees' well-being (physical, emotional and financial) is considered as this affects them both at home and at work. The Board will continue to invest in out-of-office staff activities such as team-building in reflection of our deep commitment to staff welfare. During the year, the Board held its team building activities and rewarded staff who had exemplary performance and those who had served the Board for long.

The Board has also continued to ensure that all cross cutting issues have been addressed; in particular the policies and work plans for HIV/AIDs, Persons with Disability and Gender have been developed and are being implemented.

Staff Training and Development

To ensure that AWSB not only attracts but also retains the best talent, the Board aims to nurture people's careers by making relevant opportunities accessible and helping them to develop skills, knowledge and experience in different functions or specialism.

Staff training and development are a prerequisite for employees' growth. In FY 2016/2017, training continued to focus on departmental technical competencies and people management skills at all levels.

Strengthening the leadership capability remains a key business priority to ensure that the Board has strong leaders today and in the future. The Board also provides opportunities for groups of existing and future senior leaders to benchmark with best practices on management. Capacity building will remain a key objective for the Board.

Employee Engagement

The staff are committed to the realization of the Board's mandates. Focus is on delivering an employee experience where staff feel strongly connected to the realization of Board's mandates and are able to do what they do best each day.

Occupational Health and Safety

Good health and safety standards are ideal and remain an individual and corporate responsibility for the staff and the Board. The Board is committed to proactively managing all health and safety risks associated with its mandates.

During the year, the Board organized several workshops to sensitize staff and evaluated the work environment to ensure it meets the set standards. An annual health and safety audit was conducted at the Board's premises. The audit was carried out with the view of evaluating compliance of the work place and the associated operations with the provisions of the Occupational Safety and Health Act, 2007.

Specifically, the following areas were assessed:-

- Information security management
- Work place information;
- Management of Occupational Safety and Health policies;
- Work place safety, Health and Welfare conditions including safety, occupational hygiene conditions as well as general conditions; and
- Emergency response plan.

Additionally, the Board has a comprehensive medical scheme for its staff and directors. The policies are reviewed annually to ensure that the Board maintains a healthy workforce and safe environment.

Zero Tolerance to Corruption

AWSB has a zero tolerance policy towards corruption. During the year AWSB carried out corruption risk assessment and mitigation measures. In order to enhance integrity in public procurement, AWSB posted all advertisements and awards to the IFMIS Portal and advertised open tenders in the papers for everybody to participate and invited all interested parties to come and witness the opening.

To promote high standards of ethical culture, AWSB conducts Monday morning assemblies to recite AWSB Corporate Anthem and carry out a sensitization to all staff on national values and corporate governance. The Board of Directors were trained on Mwongozo, and each signed Code of Conduct.

As part of building capacity on corruption prevention, Ethics and Integrity, six AWSB Staff were trained on Corruption Engagement Sessions dubbed Tuangamize Ufisadi. The Board also implemented mechanisms that encourage and protect whistle blowing on corruption and unethical conduct by incorporating the whistle blowing protection mechanisms in the anti-corruption policy and installed corruption reporting boxes, encouraged anonymous reporting amongst other mechanisms to protect whistle blowers.

Ethics and Integrity

The Board has in place Code of Conduct and Ethics and Corruption Prevention Policies. This policy requires employees and members of the Board to conduct business with integrity, in accordance with the Public Officers Ethics Act and ensure the enforcement of corruption prevention plans. Accordingly, corruption prevention, training, risk assessments and surveys form part of the Performance Contract between the Government of the Republic of Kenya (through Ministry of Water & Irrigation, state department for Water) and the Board of Directors.

The Board is cognizant of the financial crime risks that arise from internal and external sources. The Board conducts business in compliance with high ethical standards of business practice. To this end, the Board has conducted various training courses on anticorruption and financial fraud practices. The Board has put in place various systems and procedures which are implemented and monitored on regular basis. The internal audit reports have not identified any non-compliance with the ethics policies.

The Board is committed to ensure compliance with all laws and regulations. The compliance is monitored through legal audits which are submitted to the Board.

ISO Certification

AWSB is committed to continually improve its quality management system with the aim of being more efficient and improve customer satisfaction. AWSB had its quality management system audited by the Kenya Bureau of standards and it became the among the first ISO Certified institutions in the Water sector based on ISO 9001:2015 certification.

Stakeholder Engagement

The Board is cognizant that there are various people who may be affected by the decisions it makes or can influence the implementation of its decisions and therefore the board has made it a priority to engage them in order to understand the concerns of its stakeholders and respond to them appropriately. These engagements assist to get feedback on the policies, procedures and ways of working. Stakeholder engagement is done through the following:-

- Development of Promos on the AWSB projects and having them aired.
- Publishing of opinion pieces and articles in various newspapers.
- Organizing press conference to inform the public on the progress on the AWSB projects.
- Carrying out social media campaigns on the AWSB projects and activities and engaging social media users to address their queries
- Organizing study tours of the AWSB project for interested key stakeholders.
- Development of documentaries on AWSB activities and having them featured in key Government portals such as the website #GoKdelivers.
- Development of Frequently Asked Questions (FAQs) fliers to provide deeper insight and address frequently asked question. These fliers are distributed during various stakeholder forums and made available via social media. This explains the frequently asked questions

Reporting

The Board is committed to transparency in reporting of its activities to its stakeholders. This is done regularly through the print and electronic media, published annual reports and financial statements.

Customer Focus

The Board is committed to meeting stakeholder requirements to their satisfaction by ensuring effective and efficient use of resources. It encourages continual improvement of its services and processes. The performance and interaction with its stakeholders is also guided by the Constitution of Kenya - Bill of Rights.

To demonstrate that the Board is living on this promise, a service charter was rolled out, and cascaded to all the staff and is displayed at various strategic places in the organization. The compliance to the service charter is monitored on a regular basis, and plans are made on how to reduce or eliminate the non-compliances.

The board is committed to implement innovative service delivery methods to benefit the sustainability of the water services.

Grievance Mechanisms and Procedures

The Board has put in place a grievance handling mechanisms for both the directors and employees. The employees' issues are dealt with by the Finance Human Resources and General purpose Committee of the Board. The Board has set up a complaints handling mechanism which is handled by the management. The Board submits quarterly reports on complaints to the Commissioner of Administrative Justice who evaluates the extent to which the Board has complied with

the procedures and issues a certificate. During FY 2016/17, the Board achieved 99% compared to an achievement of 98% previous year in the performance contract evaluation on resolution of public complaints.

Corporate Social Responsibility and Investment

Through stakeholder engagement, we have listened to and talked with our employees, customers, investors, regulators, suppliers, Non-governmental Organizations (NGOs) and community representatives, who have helped us to identify and tackle our key issues and ensure that we are dealing with what matters most to our business and those involved with it.

In the past year we have asked people to talk to us about their experiences and views of Athi Water. Some of the feedback came through structured, formal market research covering the whole Board area. Other feedback came from talking to people – customers, colleagues and suppliers – and hearing their views.

We gained a clear picture of the things we do well, what we should concentrate on and the issues we face. We found the real strength in Athi Water. We learned that our customers appreciate the value we offer, our high standards of service and execution of mandate.

Athi Water has re-considered its CSR priorities and further structured the approaches to three principal areas:

- Environment: Taking good care of our planet, Climate change, Health and Hygiene, Water and Waste Management and Sustainability.
- Society: Taking good care of our customers, colleagues (employees), communities, work and neighbours. This also includes provision of water tanks to needy institutions in our area of jurisdiction.
- Business: Taking good care as we go about our business (sourcing, supply, engagement)

Towards this, the Board undertook reforestation project in the Aberdares Forest, Supported the Children's Cancer Ward in Kenyatta National Hospital and sponsoring youths managing the Slum Film Festival.

Environmental Sustainability Report

Environmental Sustainability refers to concerted efforts to mitigate against environmental degradation. It is the maintenance of the factors and practices that contribute to the quality of environment on a long term basis. It involves making decisions and taking action that are in the interests of protecting the natural world, with particular emphasis on preserving the capability of the environment to support human life.

Athi Water Services Board (AWSB) is cognizant of the possible impacts (both positive and negative) resulting from interaction of the organization's activities with both physical and social environment.

As such, AWSB is committed to environmental conservation and protection as well as safeguarding of health and safety of workers within the premises. Through the integrated Environment, Health and Safety policy statement, the organization commits to protecting the environment, preserving the health and safety of employees and communities, and ensuring safe development of water and sanitation infrastructure.

Pollution prevention, regulatory compliance, stakeholder engagement, public consultation and continual improvement are the key elements which underpins AWSB environmental sustainability. The objective of the AWSB's environmental sustainability is therefore to promote sustainable development within our area of jurisdiction by ensuring environmental protection, social equity, and economic development.

Approach

AWSB environmental sustainability is guided by the Environmental Management and Coordination (Amendment) Act of 2015 which is the principal legislation governing the conduct of environmental management in Kenya; and the Constitution of Kenya, 2010. Other legislation related to natural resources such as Water Act, forest Act, Land planning Act, National land policy etc. as well as the Occupational Health and Safety Act, 2010 are also used as guidelines.

NEMA's environmental sustainability performance contract guidelines for ministries, departments and agencies (MDAs) for 2016-2017 financial year were also used.

AWSB also complies with the other environmental requirements of International Development Funding agencies such as World Bank, Africa Development Bank, French Development Bank among others.

During the year under review AWSB undertook the following activities in compliance with the guidelines:

Environmental sustainability planning

AWSB developed and operationalized the integrated workplace environment health and safety policy statement which states the organization's commitment to protect the environment, preserve the health and safety of AWSB employees and communities, and ensure safe development of water and sanitation infrastructure. This policy statement provides a framework for developing environmental objectives, targets and programs.

The organizational service charter was also include the environmental considerations such as the enforcement of water quality monitoring.

AWSB subjects all the new water and sanitation infrastructure projects to environmental and social impact assessment process in line with the Environmental Management and Coordination Act, (EMCA), 1999. In order to identify both potential positive and negative impacts. This process allows for provision of enhancement, mitigation, restoration and compensation measures to ensure that the projects are environmentally and socially sustainable. The reports are submitted to NEMA for review and licensing and also to funding agencies (where applicable) for approval based on international standards.

Some of the environmental and social impact assessment reports licensed by NEMA within the financial year include:

- Oloitoktok sanitation project
- Gatundu sewerage project
- Kikuyu sewerage project
- Limuru sewerage project
- Kiambu sewerage project
- Gatango water supply project
- 8 Boreholes
- Kariminu II Dam
- Kabete- Mombasa road water distribution main
- Ruiru II Dam
- Kiambu- Embakasi water distribution pipeline
- Extension of sewerage services in Nairobi's peri-urban and informal settlements
- Augmentation of Ithanga water supply
- Water appeals board office in Kitui and Kakamega

Others reports submitted are awaiting approval and licensing

Apart from having in place an operational Environmental unit within the planning and Engineering department, AWSB also formalized a 7 member environmental sustainability committee with defined roles to assist the organization in matters of environmental compliance by implementing various environmental programs.

Pollution prevention and abatement

AWSB Complies with various legislation related to prevention and abatement of pollution such as EMCA (waste management) regulations, EMCA (water quality) regulations) EMCA (noise reduction) regulations, Water Act (water rules). Programmes are in place to ensure that all operations are in compliance with these regulations. For instance water abstraction permitting, effluent discharge planning and licensing, and workplace certification among others.

The boreholes drilled within this reporting period were authorized and permitted by WRMA.

All sewerage treatment plants are designed to improve quality of final discharge into the receiving surface waters. These facilities are issued with effluent discharge permits based on effluent discharge and control plan.

All ongoing construction projects are supervised and monitored to ensure proper implementation of project specific environmental management plans.

Climate change mitigation and adaptation

AWSB implements some projects with measures to adapt to or mitigate against effects of climate change. For instance rehabilitation of Dandora sewerage treatment plant is aimed at improving efficiency so as to reduce the amount of GHG emission. The organization is also exploring the possibility of trapping methane generated from the sewerage treatment plants for energy use.

AWSB is drilling and equipping boreholes to provide alternative water sources in ASALs to help communities in those areas adapt to water scarcity which is associated with climate change.

Mwala and Wote water supply projects are being implemented as a drought mitigation measures in the eastern parts of Kenya. These projects also qualify as climate change adaptation projects.

Promoting Environmental protection and conservation through partnerships with stakeholders

Athi water services board reports and financial statements, for the financial year ended, June 30th, 2017

AWSB continually work together with partners such as County governments, community members, WRMA, NEMA, water resource users associations, local administrations etc. within its area of jurisdiction to enhance participation of stakeholder and sustainability of projects.

Environmental education and awareness

AWSB through its corporate communication section developed and disseminated information on water conservation and rain water harvesting through fliers, brochures, print media, radio and TV.

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2017 which show the state of the board's affairs.

Principal activities

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

The main functions of Athi Water Services Board include:

- i) Ownership and holding of water and sewerage assets/Infrastructure on behalf of the National Government.
- ii) Planning, development and expansion of water and sewerage services Infrastructure on behalf of the National Government.
- iii) Assisting the County Governments within its jurisdiction, during the transition period, in contracting out water and sewerage services provision to water service providers (WSPs) and in the monitoring of water and Sewerage services provision.

Results

The results of the entity for the year ended 30th June 2017 are set out on page 1

Directors

The members of the Board of Directors who served during the year are set out on page IV to VI.

The Chairman and members of the Board other than ex-officio members shall hold office for a period of not exceeding three years from the date of appointment but shall be eligible for re-appointment subject to qualifications from time to time. In accordance with Section 51(b) of the Water Act 2002, the Minister may by notice published in the Kenya Gazette appoint board members. Section 52(1) of the Water Act 2002 gives the Minister the power to vary the number of board members and their qualifications. The First schedule of the Act has effect with respect to membership and procedures of a WSB.

Auditors

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

By Order of the Board

For and on its behalf



Corporation Secretary

Date.....

ATHI WATER SERVICES BOARD

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, - (the water Act 2002) require the Directors to prepare financial statements in respect of Athi Water Services Board (AWSB), which give a true and fair view of the state of affairs of the AWSB at the end of the financial year and the operating results of AWSB for the year. The Directors are also required to ensure that AWSB 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 AWSB'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 ended on June 30, 2017. 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 Board; (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 AWSB's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – Water Act 2002. The Directors are of the opinion that AWSB's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2017, 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.

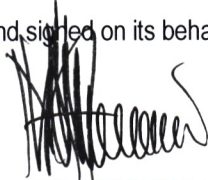
Nothing has come to the attention of the Directors to indicate that Athi Water Services Board will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Board's financial statements were approved by the Board on 14th September 2017 and signed on its behalf by:


ENG. MICHAEL M. THUITA
CHIEF EXECUTIVE OFFICER


MICHAEL K. KIMOTHO
AG. HEAD OF FINANCE & STRATEGY
ICPAK Member No: 6490


MR. WACHIRA M. KEEN
CHAIRMAN

Date..... 04/06/2018

Date..... 04/06/2018

Date..... 04/06/2018

XI. REPORT OF THE INDEPENDENT AUDITORS ON ATHI WATER SERVICES BOARD

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON ATHI WATER SERVICES BOARD FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Athi Water Services Board set out on pages 1 to 31, which comprise the statement of financial position as at 30 June 2017, and the statement of performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis of Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Athi Water Services Board as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2016.

In addition, and as required by article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1. Inherited Assets

The statement of financial position reflects property plant and equipment balance of Kshs.26,522,346,511 as at 30 June 2017. However, and as previously reported, the Board inherited non-current assets of undetermined value previously held by the Ministry of Water and Irrigation and National Water Conservation and Pipeline Corporation in respect of water infrastructure which have not been incorporated in the financial statements.

1.2. Fully Depreciated Assets

Further, included in the property, plant and equipment balance of Kshs. 26,522,346,511 as at 30 June 2017 are fully depreciated assets whose original cost is Kshs. 213,150,059.

Report of the Auditor-General on the Financial Statements of Athi Water Services Board for the year ended 30 June 2017

These assets are still in good working conditions and were in use during the year and review. Management has not revalued them contrary to IPSAS 17 Paragraph 44 and failed to review their useful economic lives before the assets were fully depreciated.

In view of the foregoing, it has not been possible to confirm the accuracy, valuation and completeness of the property, plant and equipment balance of Kshs.26,522,346,511 as at 30 June 2017.

2. Debtors

2.1. Long Outstanding Debtors

The statement of financial position as at 30 June 2017 reflects a debtors balance amounting to Kshs.9,471,672,234 which include an amount of Kshs. 2,976,806,935 owing from Nairobi Water and Sewerage Company as administrative fees which has been outstanding for a long period and whose recoverability has not been confirmed.

Further, included in the debtors' balance of Kshs. 9,471,672,234 as at 30 June 2017 are operating debtors amounting to Kshs.269,704,736 due from water service providers as administration fees which have also been outstanding for long period and keep increasing. Also included in other debtors' balance of Kshs. 13,292,390 (Note 19) is an amount of Kshs.7,092,497 and Kshs. 510,746 owing from Judiciary and Angela Kimani respectively which have been outstanding for long.

Any provision that would have been necessary in relation to this uncertainty has not been incorporated in the financial statements.

In the circumstances, it has not been possible to confirm the accuracy, completeness and recoverability of debtors' balance of Kshs. 9,471,672,234 as at 30 June 2017.

3. Cash and Bank Balances

The cash and bank balance of Kshs.386,587,938 as at 30 June 2017 include a balance of Kshs.33,009,340 held at Chase Bank which is under receivership. Currently there is little or no access to these funds. No provision or disclosure has been given in the financial statements to reflect this risk as required by the accounting standards.

Consequently, the recoverability of the Kshs.33.009,340 held at Chase Bank remain doubtful.

4. Relocation of Water and Sewerage Facilities at Thika Road

4.1. Contract Variation

The Board contracted Funan Construction Company Limited on 5 May 2009 to relocate the water and sewerage facilities along Thika road during the construction of the super highway at a contact sum of Kshs.440,000,000 and a contract duration of 20 months ending 20 January 2011.

The Board approved the contract variation of Kshs.194,977,200 or 45% of the contract sum contrary to the Public Procurement and Disposal Act, 2005. This increased the contract sum to Kshs.634,977,200. The contract was not completed within the contract duration of 20 Weeks. The Board approved an extension of three months after which the contractor did not make good the snag of work identified instead the contractor went to court demanding Kshs.189,720,615, a claim which was later amended to Kshs.1,314,245,166. The same was finally settled out of court at Kshs. 73,772,240.

In consequence, the Board did not get value for money from the contract on fair competition and due to non-completion of the project and did not seek liquidated damages for delays.

4.2. Voidable Legal Fees

The Board hired Kipkenda and Company Advocates (law firm) to represent it in a court case (Funan Construction Company vs Athi Water Service Board). The legal services were single sourced contrary to Public Procurement and Disposal Act 2005.

The law firm was paid Kshs.28,805,812 based on Kshs.1,314,245,166 which the contractor was claiming. The claim was finally settled at a modest amount of Kshs.73,772,240. Had the legal fees been based on the final settlement, it could have costed the Board Kshs.2,282,153. The Board therefore overpaid the law firm by Kshs.26,523,659.

5. Representative Member from the Office of Attorney-General

The composition of the Board does not include a representative from the Office of the Attorney-General as it is the case with all other State Corporations. The Board's mandate of planning, development and expansion of water and sewerage infrastructure on behalf of National Government, require it to undertake huge capital projects. Such contracts require legal expertise which can be better provided by the Government Chief Legal Officer who is the Attorney-General. The absence of such legal expertise in the Board can therefore lead to serious legal challenges in drafting contract agreements.

6. Creditors and Accruals

The statement of financial position indicates a creditors and accruals balance of Kshs.634,223,619 as at 30 June 2017. However, no aging analysis was provided for audit review. Further, the amount includes Kshs.5,398,591 described as payroll creditors whose supporting documents were not made available for audit review. In addition, the balance includes VAT and withholding tax of Kshs.83,742,739 and accounts payable of Kshs.545,026,020 without disclosure of creditors listing.

No reason has been given for failure by the Board to pay its obligations when they fall due and risk penalties and interest expenses.

7. Unapproved Budget Expenditure

The statement of comparison of budget and actual amounts discloses an amount of Kshs.18,526,147, Kshs.151,672,146 and Kshs.345,063,591 all totaling Kshs.515,261,884

for pans and dams, GOK Counterpart expenses and project costs respectively that had not been budgeted for in the year under review. This amounts to unapproved expenditure.

Management has not explained nor disclosed the circumstances that led to incurring expenditure without the prerequisite approvals.

8. Unsupported Expenditure

The Board incurred expenditure in respect of pans and dams - Kshs.18,526,147. Gok Counterpart expenses - Kshs.151,672,146 and Project costs- Kshs.345,063,591 adding up to Kshs.515,261,884. However, the supporting documents and details were not made available for audit review. Further, GOK Counterpart funds and project costs are not specific expense items nor budget lines casting doubt on the legality and validity of the payments. Consequently, it has not been possible to confirm the accuracy, legality and validity of the expenditure of Kshs.515,261,884 as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Athi Water Services Board in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

Non Compliance with Legal Notice No. 101 of August 2006 -Transfer Plan

According to the transfer plan under the Water Act 2002, which was operationalized vide legal Notice No. 101 of August 2005, Water Service Board ought to have taken over the assets, staff and other water infrastructure inherited from the Ministry of Water and Irrigation, the National Water Conservation and Pipeline Corporation. Although, Athi Water Service Board, the Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation had finalized the revaluation of the assets, Athi Water Service Board had not taken over the Assets as at 30 June 2017. The Board is therefore in contravention of legal Notice No. 101 of August 2005 and the Water Act 2002.

Management's Responsibility and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern disclosing, as applicable, matters related to going concern of services and using the going concern basis of accounting.

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

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

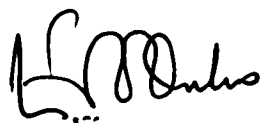
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am

required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.

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

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



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


Nairobi


17 July, 2018

ATHI WATER SERVICES BOARD
XII. STATEMENT OF FINANCIAL PERFORMANCE
PERIOD ENDED 30TH JUNE 2017

	Notes	Jun-17 KSH	Jun-16 KSH
REVENUE			
Revenue from exchange transactions			
Operational Income	<u>6</u>	1,315,243,143	879,463,755
Revenue from non-exchange transactions			
Other Income	<u>7</u>	31,877,071	48,827,732
Grants - Restricted (Donor)	<u>8</u>	121,381,276	142,802,685
Grant - Unrestricted (GoK)	<u>9</u>	205,663,640	283,320,569
TOTAL REVENUE		1,674,165,130	1,354,414,741
EXPENDITURE			
Administrative Expense	<u>10</u>	121,393,993	115,632,355
Board Expenses	<u>11</u>	32,892,814	27,699,028
Staff Costs	<u>12</u>	202,057,923	189,805,912
Operational Expenses	<u>13</u>	171,098,717	253,873,727
General Expenses	<u>14</u>	9,005,777	8,378,954
Project Costs	<u>15</u>	345,063,591	167,803,820
TOTAL EXPENDITURE		881,512,814	763,193,796
Other gains/(Losses)			
Decrease/(increase) in provisions	<u>23</u>	1,782,478	941,237
EARNINGS BEFORE INTEREST, TAX & DEPRECIATION		794,434,794	592,162,182
Less Depreciation & amortization	<u>16 & 17</u>	409,065,514	393,246,815
EARNINGS BEFORE INTEREST & TAX		385,369,280	198,915,367
Less Interest	<u>24</u>	84,819,176	84,278,002
NET SURPLUS/(DEFICIT)			
TRANSFER TO ACCUMULATED FUND		300,550,105	114,637,365

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


ENG. MICHAEL M. THUITA
CHIEF EXECUTIVE OFFICER


MICHAEL K. KIMOTHO
AG. HEAD OF FINANCE & STRATEGY
ICPAK Member No: 6490

MR. WACHIRA M. KEEN
CHAIRMAN

Date... 04/06/2018

Date... 04/06/2018

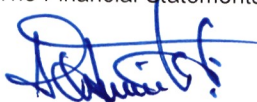
Date... 04/06/2018


The notes set out on pages 8 to 22 form an integral part of the Financial Statements


ATHI WATER SERVICES BOARD
XIII. STATEMENT OF FINANCIAL POSITION
PERIOD ENDED 30TH JUNE 2017

		Kshs	Kshs
		Jun-17	Jun-16
	Notes		
ASSETS			
CURRENT ASSETS			
Inventory	<u>18</u>	747,321	767,255
Debtors	<u>19</u>	9,471,672,234	3,902,916,824
Prepayments	<u>20</u>	17,390,345	17,615,280
Cash & Bank Balances	<u>21</u>	386,587,938	806,372,460
Total Current Assets		9,876,397,838	4,727,671,820
NON_CURRENT ASSETS			
Property, Plant and Equipment	<u>16</u>	26,522,346,511	21,840,895,993
Intangible assets	<u>17</u>	23,879,387	21,508,462
TOTAL ASSETS		36,422,623,736	26,590,076,275
CURRENT LIABILITIES			
Creditors and Accruals	<u>22</u>	634,223,619	1,012,592,337
Current Provisions	<u>23</u>	3,412,366	5,194,844
Total		637,635,985	1,017,787,180
NON-CURRENT LIABILITIES			
Loans	<u>24</u>	24,048,961,760	18,734,133,421
Total Liabilities		24,686,597,745	19,751,920,601
Net Assets		11,736,025,991	6,838,155,673
Accumulated funds	<u>25</u>	910,534,818	609,984,714
Deferred Income	<u>26 & 27</u>	10,825,491,173	6,228,170,959
Net Assets and Liabilities		11,736,025,991	6,838,155,673

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


 ENG. MICHAEL M. THUITA
 CHIEF EXECUTIVE OFFICER


 MICHAEL K. KIMOTHO
 AG. HEAD OF FINANCE & STRATEGY
 ICPAK Member No: 6490


 MR. WACHIRA M. KEEN
 CHAIRMAN

Date: 04/06/2018

Date: 04/06/2018

Date: 04/06/2018

ATHI WATER SERVICES BOARD			
XIV. STATEMENT OF CASHFLOWS			
PERIOD ENDED 30 TH JUNE 2017			
	Notes	2017 Kshs	2016 Kshs
Cashflow from operating activities			
Surplus for the period		300,550,105	114,637,365
Prior Year			
Adjustments for:			
Depreciation	16 & 17	409,065,514	393,246,815
Operating surplus before working capital changes		709,615,619	507,884,180
(increase)/Decrease in Debtors		(5,568,755,410)	(237,604,493)
(increase)/Decrease in prepayments		224,935	(1,056,524)
(increase)/Decrease in Inventories		19,934	741,734
increase/(Decrease) in creditors & Accruals		(378,368,717)	112,574,254
increase/(Decrease) in current provisions	23	(1,782,478)	5,194,844
Net cashflow from operating activities		(5,948,661,736)	(120,150,186)
Investing Activities			
Increase in Fixed and intangible Assets	16 & 17	(5,092,886,957)	(4,526,519,684)
Net cashflow from investing activities		(5,092,886,957)	(4,526,519,684)
Financing Activities			
increase/(Decrease) in deferred income		4,597,320,214	448,831,553
Increase in loan		5,314,828,339	2,846,037,227
Net cashflow from financing activities		9,912,148,553	3,294,868,780
Net increase in cash and cash equivalent		(419,784,521)	(843,916,910)
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of period	21	806,372,460	1,650,289,369
Cash and cash equivalents at the End of period		386,587,938	806,372,460

ATHI WATER SERVICES BOARD
XV. STATEMENT OF CHANGES IN NET ASSETS
PERIOD ENDED 30TH JUNE 2017

	ACCUMULATED FUND (KSHS)	PRIOR YEAR	TOTALS (KSHS)
Balance brought forward as at 1st July 2015	495,347,348	-	495,347,348
Surplus for the period	114,637,365		114,637,365
Balance carried down as at 30th June 2016	609,984,713		609,984,713
Balance brought Forward as at 1st July 2016	609,984,713		609,984,713
Surplus for the period	300,550,105	-	300,865,374
Balance carried down as at 30th June 2017	910,534,818	-	910,850,088

Athi water services board reports and financial statements, for the financial year ended, June 30th, 2017
XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

DESCRIPTION	Original budget 2016-2017 Kshs	Adjustments 2016-2017 Kshs	Final budget 2016-2017 Kshs	Actual on comparable basis 2016-2017 Kshs	Performance difference 2016-2017 Kshs	% variance	Remarks
REVENUE							
Administration fees from NWSC	1,316,655,131	(35,981,969)	1,280,673,162	1,213,644,090	-67,029,072	-5%	within budget Revenue earned was higher than budgeted due to inclusion of loan repayment by Thika and Ruiru- Juja water companies
Administration fees from other Wsps	78,313,414	(19,144,070)	59,169,344	101,599,053	42,429,709	72%	
Gross administration fee	1,394,968,545	(55,126,039)	1,339,842,506	1,315,243,143	(24,599,363)	-2%	
Miscellaneous income	59,400,000	(41,400,000)	18,000,000	31,877,071	13,877,071	77%	Due to delays in contract implementation resulting from court cases. Monies for such projects were put in interest earning call and fixed deposit accounts
GRANT INCOME							
Grants - Restricted (Donor)	-	-	-	121,381,276	121,381,276		Budgeted for under development budget
Grant - Unrestricted (GoK)	-	-	-	205,663,640	205,663,640		Budgeted for under development budget
Subtotal Grant Income	-	-	-	327,044,916	327,044,916		
TOTAL INCOME	1,454,368,545	(96,526,039)	1,357,842,506	1,674,165,130	316,322,624	23%	
Expenses							
A) Administration							
Rent and Rates	26,558,300	(2,558,300)	24,000,000	23,779,625	220,375	1%	within budget
Advertising	15,996,500	-	15,996,500	10,332,029	5,664,471	35%	Cash flow challenges led to budget underutilization
Official Entertainment	2,131,841	(426,368)	1,705,473	819,934	885,539	52%	Cash flow challenges led to budget underutilization
General office running expenses	2,472,812	0	2,472,812	2,608,038	-135,226	-5%	within budget
Printing & Stationary	5,630,804	(1,130,804)	4,500,000	3,227,215	1,272,785	28%	Cost cutting measures were put in place due to cashflow challenges
Education & training	18,000,000	-	18,000,000	16,418,730	1,581,270	9%	within budget
Library Expenses	600,000	(120,000)	480,000	666,520	-186,520	-39%	Establishment of offices
Workshop and Seminars	12,000,000	-	12,000,000	11,759,726	240,274	2%	within budget

Afni water services board reports and financial statements, for the financial year ended, June 30th, 2017

DESCRIPTION	Original budget 2016-2017 Kshs	Adjustments 2016-2017 Kshs	Final budget 2016-2017 Kshs	Actual on comparable basis 2016-2017 Kshs	Performance difference 2016-2017 Kshs	% variance	Remarks
Travel and accommodation	18,725,000	-	18,725,000	18,805,711	-80,711	0%	within budget
Telephone Expenses	4,851,000	(1,851,000)	3,000,000	3,079,612	-79,612	-3%	within budget
Audit Expenses	674,100	525,900	1,200,000	812,000	388,000	32%	The charge for the year was lower than anticipated
Bank Charges	9,000,000	(2,000,000)	7,000,000	4,375,879	2,624,121	37%	There were fewer transactions in the period owing to the cashflow challenges
I.T Costs	7,576,708	(0)	7,576,708	6,841,250	735,458	10%	within budget
Transport operating	12,032,685	(32,685)	12,000,000	8,101,577	3,898,423	32%	Cash flow challenges led to budget underutilization
Uniform and clothing	2,123,570	(339,570)	1,784,000	2,035,700	-251,700	-14%	The unit costs were higher than earlier envisaged
Repairs & maintenances-Office Equipment,Furniture and Fittings	3,705,036	(705,036)	3,000,000	918,941	2,081,059	69%	Cash flow challenges resulted to little expenditure on the this item
Emergency Works and Hire of plant & Equipment	898,800	-	898,800	0	898,800	100%	All plant hire was done under the various projects
Professional Consultancy Fees	6,000,000	-	6,000,000	5,529,428	470,572	8%	within budget
Monitoring and Evaluation	3,210,000	-	3,210,000	1,282,081	1,927,919	60%	This item was financed under the various projects due to cashflow challenges
Sub -total	152,187,156	-8,637,863	143,549,293	121,393,993	22,155,300	15%	
B) Board Expenses							
Honoraria	960,000		960,000	960,000	0	0%	within budget
Board Allowances	33,256,912		33,256,912	31,932,814	1,324,098	4%	within budget
Sub total	34,216,912	0	34,216,912	32,892,814	1,324,098	4%	
C)Staff Costs							
Basic pay	145,517,991	-9,132,168	136,385,823	121,090,465	15,295,358	11%	Some positions fell vacant in the year and took time to replace
House allowance	38,144,304	-10,580,304	27,564,000	26,566,629	997,371	4%	within budget
Entertainment allowance	1,716,000	-696,000	1,020,000	1,014,701	5,299	1%	within budget
Transport	11,840,400	-1,376,400	10,464,000	8,090,760	2,373,240	23%	Some positions fell vacant in the year and took time to replace
Leave and Passage allowance	2,099,862	-310,564	1,789,298	1,759,672	29,626	2%	within budget
Gratuity Contributions	30,301,690	-5,901,690	24,400,000	23,240,515	1,159,485	5%	within budget

Athi water services board reports and financial statements, for the financial year ended, June 30th, 2017

DESCRIPTION	Original budget 2016-2017 Kshs	Adjustments 2016-2017 Kshs	Final budget 2016-2017 Kshs	Actual on comparable basis 2016-2017 Kshs	Performance difference 2016-2017 Kshs	% variance	Remarks
N.S.F Employers contribution	1,980,000	0	1,980,000	166,400	1,813,600	92%	The earlier proposed NSSF contributions were never implemented
Staff Welfare	4,303,530	0	4,303,530	3,129,090	1,174,440	27%	cashflow challenges forced the Board to reduce on staff welfare activities
Medical Expenses	23,738,000	0	23,738,000	12,740,590	10,997,410	46%	The outpatient component which is on reimbursement basis performed better than envisaged resulting to the savings
Interns Allowance	3,432,000	0	3,432,000	282,857	3,149,143	92%	cashflow challenges forced the Board to reduce on interns during the year
Other Allowances- Bonus	4,125,000	0	4,125,000	3,976,244	148,756	4%	within budget
Sub total	267,198,776	-27,997,125	239,201,651	202,057,923	37,143,728	16%	
D) General Expenses							
Membership to professional associations	3,852,000	-	3,852,000	3,218,025	633,975	16%	
General Insurance	5,392,800	-	5,392,800	5,787,752	(394,952)	-7%	within budget
Sub total	9,244,800	-	9,244,800	9,005,777	239,023	3%	
E) Operation Expenses							
Planning and Design	4,000,000	-	4,000,000	-	4,000,000	100%	This item was financed under the various projects due to cashflow challenges
Environmental impact Assessment	4,000,000	-	4,000,000	360,424	3,639,576	91%	This item was financed under the various projects due to cashflow challenges
Pans & Dams	-	-	-	18,526,147	(18,526,147)		The item was budgeted for under the development budget
G.O.K counterpart Expenses	-	-	-	151,672,146	(151,672,146)		The item was budgeted for under the development budget
Project Cost-Crop compensation	-	-	-	540,000	(540,000)		The item was budgeted for under the development budget

Athi water services board reports and financial statements, for the financial year ended, June 30th, 2017

DESCRIPTION	Original budget 2016-2017 Kshs	Adjustments 2016-2017 Kshs	Final budget 2016-2017 Kshs	Actual on comparable basis 2016-2017 Kshs	Performance difference 2016-2017 Kshs	% variance	Remarks
Project costs				345,063,591	(345,063,591)		This was a omission in the year's budget but it has been rectified in the 2017/18 budget onwards
Sub total	8,000,000	-	8,000,000	516,162,308	(508,162,308)		
Depreciation				409,065,514	(409,065,514)		It is not a cashflow item hence was not budgeted for
Decrease/Increase in provisions				(1,782,478)	1,782,478		
Interest on loan/loan repayment	912,016,848		912,016,848	84,819,176	827,512,942		Cashflow challenges crippled the Board's ability to service the loans during the year
Total Expenditure	1,382,864,492	(36,634,988)	1,346,229,504	1,373,615,025	(27,385,521)		
Recurrent Surplus	71,504,053	(59,891,052)	11,613,002	300,550,105	343,708,148		

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Athi Water Services Board is established by and derives its authority and accountability from the Water Act 2002. AWSB is wholly owned by the Government of Kenya and is domiciled in Kenya. AWSB's principal activity is to ensure efficient, effective and sustainable provision of quality and affordable water services (defined to include sewerage) in its area of jurisdiction - Nairobi County, Kiambu County and Gatanga Sub County of Muranga County.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Athi Water Services 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 AWSB. 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.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	AWSB adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply.
IPSAS 34: Separate Financial Statements	The Board does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
IPSAS 35: Consolidated Financial Statements	The Board does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
IPSAS 36: Investments in Associates and Joint Ventures	The Board does not have investments in associates or joint ventures
IPSAS 37: Joint Arrangements	The Board does not have an interest in a joint arrangement and therefore the standard does not apply
IPSAS 38: Disclosure of Interests in Other Entities	The Board does not have an interests in other entities and therefore the standard does not apply

ii. New Standards and Interpretations In Issue But Not Yet Effective in Year Ended 30th June 2017

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public	Applicable: 1st January 2019:

Standard	Effective date and impact:
Sector Combinations	The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. **Early adoption of standards**

Athi Water Services Board did not early – adopt any new or amended standards in year 2017.

4. SIGNIFICANT ACCOUNTING POLICIES.

a) **Revenue recognition**

Revenues from lease fees and miscellaneous income have been recognised as exchange transactions. Grants for the donors and Government of Kenya have been recognised as non-exchange transactions. Lease fees Income is recognized in the year in which it is due. A grant from the Government of Kenya and other donors for specific expenses is recognized as income in the same period as the relevant expense.

Grants related to depreciable assets are recognized as income over the periods and in the proportions in which depreciation of those assets is charged.

b) **Budget information**

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

c) **Property, plant and equipment**

Property, Plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight line basis, at annual rates estimated to write off the carrying values of the assets over their expected useful lives.

The annual depreciation/amortization rates in use are:

Office Equipment – Computers	33%
Furniture and fittings	10%
Motor Vehicles	25%
Plant and Equipment	10%
Dams and Pans	2.5%
Water Meters	20%
Water & Sewerage Infrastructure	2.5%
Intangible assets	33%

d) **Intangible assets**

Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

e) **Financial liabilities**

(i) **Initial recognition and measurement**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

(ii) **Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

f) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by First in first out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary course of business less the selling expense. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

g) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

h) Contingent liabilities

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

i) Contingent assets

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

j) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

k) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy prospectively.

l) Employees entitlements

(i) Leave:

Employees' entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees' up to the balance sheet date.

(ii) National Social security Fund

The corporation contributes to the statutory National Social security Fund (NSSF). This is a defined contribution scheme. The company's obligation under this scheme is limited to specific contribution regulated from time to time and currently at Ksh 200 per employee. The company's contribution is charged to the income statement in the year to which they relate.

m) Capital and Revenue Grants

Grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is initially recognized as deferred income (liability) and released as income over periods necessary to match the grant on a systematic basis to the cost that it is intended to compensate.

When the grant relates to an asset, (Capital) the landed cost or the fair value is credited to a deferred income account and is released to the income statement income over the periods and in the proportions in which depreciation of those assets is charged.

n) Deferred income recognition

All Grant money received from Donors and GoK is initially recorded as deferred income in the financial statements. All recurrent project costs incurred in relation to the grant are debited to this this account and credited to grant income.

Grant expenditure relating to assets is periodically released to grant income by debiting the deferred income account with the value of the annual depreciation and crediting grant income with the same amount.

Deferred income is a liability in the books of accounts. The transactions passed are as given below:

i. Cash received from donor

Dr. Cash at Bank

Cr. Deferred income

ii. Project costs

Dr. Deferred income

Cr. Grant income

iii. Annual depreciation

Dr. Deferred income

Cr. Grant income

o) Foreign currency transactions

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.

p) Borrowing costs

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.

q) 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.

r) Comparative figures

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

s) Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle an obligation and a reliable estimate of the amount can be made.

t) Taxation

Athi Water services board is a non-commercial state corporation in the provision of essential services. Provision for taxation has not been made

5. Critical Accounting Estimates, Judgements and Assumptions

In the process of applying the Board's accounting policies, the directors have made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that

are believed to be reasonable under the circumstances. Although these estimates are based on the directors' knowledge of current events and actions, actual results may differ from these estimates.

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

(a) Critical Judgments in Applying the Board's Accounting Policies

In the process of applying the Board's accounting policies, judgments have been made in determining:-

- Whether the assets are impaired;
- The classification of financial assets;
- The going concern.

(b) Critical Accounting Estimates and Assumptions

The key areas of judgments and sources of uncertainty in estimation are as set out below:

(i) Useful lives of property and Equipment

The directors make estimates in determining depreciation rates for property and equipment. The rates are set out in the accounting policy (g) above for property and equipment.

The board review the estimated useful lives of plant and equipment at the end of each reporting period. During the financial year, no changes to the useful lives were identified by the board of directors.

(ii) Contingent Liabilities

As disclosed in these financial statements, the Board is exposed to various contingent liabilities in the normal course of business.

The directors evaluate the status of these exposures on a regular basis to assess the probability of the Board incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

(iii) Provision for Doubtful Debts

The Board reviews its travel advances portfolio to assess the likelihood of impairment. Provision for impairment of receivables is established when there is objective evidence that the Board will not be able to collect all amounts due. Where necessary an estimation of the amounts irrecoverable is made in that year. Provision for impairment shall be recognized upon approval by the Board of Directors.

(iv) Other Provisions

Other provisions are recognized when the Board has legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(v) Impairment Losses

At each reporting period end, the Board reviews the carrying amounts of its tangible and intangible 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 Board estimates the recoverable value of the asset. Any impairment losses are recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognized as income immediately.

(vi) Sewerage infrastructure adjustment

During the year the Board adjusted the Sewerage Infrastructure with Kshs 96,059,467 which was due to double capitalization of Certificate No.12 and 15.of Kiu River sewerage project.

Double capitalization breakdown -Kiu River Sewege project.	
Details	Amount (Kshs)
Certificate 15	21,290,998
Certificate 12	74,768,469
Total	96,059,467

	Details	2017 Kshs	201 Kshs
6.	Operational Income		
	Administration fee from Nairobi Water & Sewerage Company	1,213,644,090	797,514,949
	Administration fee from Other WSP's	101,599,053	81,948,806
	Total-This is a reimbursement to the recurrent costs of AWSB and loan repayment amount	1,315,243,143	879,463,755
7.	Other Income		
	Miscellaneous income	7,515,710	1,096,643
	Interest on deposit	24,361,361	47,731,089
	Gain/(Loss) on Disposal	-	
	Total-it includes majorly income from sale of tenders, and interest earned on bank deposits	31,877,071	48,827,732
8.	Grants Restricted (Donors)		
	ACP-EU	5,029,926	5,505,463
	IDA	12,078,584	15,597,464
	KWSP	1,016,148	7,266,513
	AFD	66,188,377	71,448,921
	WaSSIP	28,465,151	41,118,672
	KISSIP	6,737,438	
	ADB - Kibera	1,865,652	1,865,652
	Total-it includes income earned from donor financing	121,381,276	142,802,685
9.	Grants Restricted GOK)		
	GOK-This is government support for project specific recurrent costs	205,663,640	283,320,569
10.	Administrative Expense		
	Rent and Rates	23,779,625	23,040,595
	Advertising Expenses	10,332,029	14,139,719
	Entertainment & Office Tea	819,934	901,880
	General Office Running Expenses	2,608,038	2,395,048
	Printing & Stationery	3,227,215	765,164
	Education and Training	16,418,730	13,974,993
	Library & subscription Expenses	666,520	472,320
	Workshops & seminars	11,759,726	10,957,376
	Travel and Accommodation	18,805,711	17,361,709
	Telephone Expenses	3,079,612	2,865,007
	Audit & Management fees	812,000	1,654,000
	Bank Charges	4,375,879	8,751,085
	IT Costs & Accessories	6,841,250	5,623,822
	Transport operating	8,101,577	7,448,489
	Uniform & Clothings	2,035,700	-
	Repairs& maintenances-Office Equipment,Furniture and Fttings	918,941	814,629
	Emergency Works and Hire of plant & Equipment		
	Professional Consultancy Fees	5,529,428	2,483,835
	Monitoring and Evaluation	1,282,081	1,982,684
	Total	121,393,993	115,632,355
11.	Board Expenses		
	Honoraria	960,000	800,000
	Board Allowances	31,932,814	26,899,028
	Total	32,892,814	27,699,028

12. Staff Expenses			
	Basic Pay	121,090,465	115,552,978
	House Allowance	26,566,629	24,343,903
	Entertainment Allowance	1,014,701	993,210
	Transport Allowance	8,090,760	7,180,452
	Leave and Passage allowance	1,759,672	1,642,373
	Gratuity Contribution	23,240,515	21,993,555
	N.S.S.F Employers Contribution	166,400	151,200
	Staff Welfare	3,129,090	3,865,986
	Medical Expenses	12,740,590	10,683,773
	Intern Allowance	282,857	398,484
	Other Allowance-Bonus	3,976,244	2,999,998
	Total	202,057,923	189,805,912
13. Operational Expense			
	Planning and Design	-	1,998,380
	Environmental Impact Assessment	360,424	1,699,916
	Pans & Dams	18,526,147	31,656,119
	Asset renewal- other WSPs	-	41,760
	G.O.K counterpart Expenses	151,672,146	198,302,130
	Project Cost-Crop compensation	540,000	20,175,422
	Total	171,098,717	253,873,728
14. General Expenses			
	Membership of Professional Associations	3,218,025	3,257,558
	Insurance	5,787,752	5,121,396
	Total	9,005,777	8,378,954
15. Project Cost			
	GOK		
	IDA		
	KWSP	961,760	7,116,944
	WASSIP	110,336,501	144,844,446
	ACP-EU		-
	ADB	48,177,721	15,842,430
	AFD - NCT	185,587,609	-
	Total	345,063,591	167,803,820

Athi water services board reports and financial statements, for the financial year ended, June 30th, 2017
16. Property plant and equipment for the year ended 30th June 2017: Fixed Asset Schedule

	Office Equipment	Furniture & Fittings	Motor Vehicles & Cycles	Plant & Equipment	Dams & Pans	Land	Meters	Water Infrastructure	Sewerage Infrastructure (restated)	Work in Progress	Total
COST											
Cost Fully depreciated	38,084,444	1,238,469	140,053,669	125,276,955	3,073,986,587	51,322,174	5,012,100	5,704,734,200	4,505,090,993	5,025,015,673	184,388,682
Cost Depreciable	9,742,029	14,754,794	46,491,709	125,276,955	3,073,986,587	51,322,174	5,012,100	5,704,734,200	4,505,090,993	5,025,015,673	18,556,415,114
Subtotal Cost As at 1 July 2015	47,826,473	15,993,263	186,545,378	125,276,955	3,073,986,587	51,322,174	5,012,100	5,704,734,200	4,505,090,993	5,025,015,673	18,740,803,796
Additions											
Purchase	1,766,544						77,206,500			4,440,230,014	4,519,203,058
Disposal			26,194,744		1,633,404			277,628,151	814,380,967	-1,119,837,265	
Reclassification											
As at the 30 June 2016	49,593,017	15,993,263	212,740,122	125,276,955	3,075,619,991	51,322,174	82,218,600	5,982,362,351	5,319,471,960	8,345,408,422	23,260,006,855
Cost Fully depreciated	41,416,172	12,621,477	153,839,310	261,000			5,012,100				213,150,059
Cost Depreciable	8,176,845	3,371,780	58,900,812	125,013,828	3,075,619,991	51,322,174	77,206,500	5,982,362,351	5,319,471,960	8,345,408,422	23,046,854,663
Subtotal Cost As at 1 July 2016	49,593,017	15,993,257	212,740,122	125,274,828	3,075,619,991	51,322,174	82,218,600	5,982,362,351	5,319,471,960	8,345,408,422	23,260,004,722
Additions											
Purchase	51,661,573			57,880,492				25,471,318	-96,059,467 ¹	5,035,573,816	5,074,527,731
Disposal			33,488,661	-10,000,000	92,677,452			2,440,051,830	2,329,438,197	-4,886,006,139	0
Reclassification	2,702,426										2,352,426
As at the 30 June 2017	103,957,015	15,993,257	246,228,783	173,155,320	3,168,297,443	51,322,174	82,218,600	8,447,885,499	7,552,850,689	8,494,976,099	28,336,884,879
DEPRECIATION											
As at 1 July 2015	42,502,364	12,954,807	167,876,956	25,758,305	267,643,510		5,012,100	327,934,363	190,731,543	0	1,040,413,948
Charge for the year	3,337,859	1,376,551	11,622,927	11,507,908	79,207,410		13,584,969	148,648,626	109,410,664		378,696,914
Depr/adj for Disposed Assets											
As at 30 June 2016	45,840,223	14,331,358	179,499,884	37,266,213	346,850,919	-	18,597,069	476,582,989	300,142,207	-	1,419,110,862
As at 1 July 2016	45,840,223	14,331,358	179,499,884	37,266,213	346,850,919	0	18,597,069	476,582,989	300,142,207	0	1,419,110,862
Charge for the year	15,203,916	273,921	13,594,180	12,032,298	79,207,410		15,441,300	149,124,963	121,603,490		406,481,476
Depr/adj for transferred/Disposed Assets	194,075			-1,063				0	-11,246,983		-11,053,971
As at 30 June 2017	61,238,214	14,605,279	193,094,064	49,297,448	426,058,329	0	34,038,369	625,707,952	410,498,714	0	1,814,538,368
Net Book Value 30th June 2017	42,718,801	1,387,978	53,134,719	123,857,873	2,742,239,115	51,322,174	48,180,231	7,822,177,547	7,142,351,975	8,494,976,099	26,522,346,511
Book Value 30th June 2016	3,752,793	1,661,905	33,240,238	88,010,743	2,728,769,072	51,322,174	63,621,531	5,505,779,362	5,019,329,753	8,345,408,422	21,840,895,993

¹ This is an adjustment to correct double capitalization of Certificate No.12 and No.15 for Kiu River Sewerage Project

17. Intangible assets

Description	2016-2017	2015-2016
	Kshs	Kshs
COST		
Cost Fully depreciated	16,435,857	7,382,525
Cost Depreciable	41,765,797	43,502,502
Subtotal Cost As at beginning of the year	58,201,654	50,885,027
Additions		
Purchase	18,361,360	7,316,627
Disposal		
Reclassification	-2,352,426	
As at the 30 June 2017	74,210,588	58,201,654
Amortization and impairment at the beginning of the year	36,693,192	22,143,291
Amortization for the year	13,832,084	14,549,901
Amortization adj for transferred/disposed Assets	-194,075	
As at 30 June 2017	50,331,200	36,693,192
Net Book Value 30th June 2017	23,879,387	21,508,462

18. Inventory		2017	2016
Office consumables		747,321	767,255
		747,321	767,255
19. Debtors			
Operating Debtors-WSPs		269,704,736	255,556,076
Debtors NCWSC		2,976,806,935	2,500,824,960
Other Debtors		13,292,390	10,340,439
Staff Debtors		3,274,938	2,970,100
Advance payments		6,204,226,859	1,128,858,873
Rent Deposit		4,366,376	4,366,376
Total		9,471,672,234	3,902,916,824
20. Prepayments			
Prepaid maintenance		1,329,052	741,596
Prepaid rent		11,381,040	11,661,757
Prepaid insurance		4,680,254	4,846,928
Ask Show			365,000
Total		17,390,345	17,615,280
21. Cash & Bank Balances			
Current account		121,396,782	806,255,557
On - call deposits		65,000,000	-
Fixed deposits account		200,108,385	108,385
Staff car loan/ mortgage		-	-
Others-cash in hand		82,770	8,518
Total cash and cash equivalents		386,587,938	806,372,460

21 (a) Detailed analysis of cash and cash equivalents			
		2016-2017	2015-2016
Financial institution	Account number	Kshs	Kshs
a) Current account			
Cooperative Bank-operations	01136084618500	60,591,216	300,133,938
Cooperative Bank-Escrow	01141084618500	123,328	119,488
Cooperative Bank-KWSP	01136084618501	0	139,008
Kenya Commercial bank-WASSIP	1104167816	-	84,507
Kenya Commercial bank-WASSIP-AF	1139107380	12,910,387	302,460,966
Kenya Commercial bank-AFD-NCT	1156760372	13,637,029	148,529,765
Kenya Commercial bank-KISSIP	1143199359	902,771	2,813,038
NIC Bank-EU partner contribution	1000014032	-	383,004
NIC Bank-ADB Kibera	1000010037	-	381,707
NIC Bank-EU PE5	1000598638	-	1,797,030
NIC Bank-ADB NARSIP	1000017414	222,711	16,396,945
Chase Bank	0212056995003	33,009,340	33,016,160
Sub- total		121,396,782	806,255,557
b) On - call deposits			
Cooperative Bank		15,000,000	
Cooperative Bank		50,000,000	
Sub- total		65,000,000	-
c) Fixed deposits account			
Cooperative Bank		200,000,000	-
Cooperative Bank		108,385	108,385
Sub- total		200,108,385	108,385
d) Others			
cash in hand		82,770	8,518
Sub- total		82,770	8,518
Grand total		386,587,938	806,372,460

22.	Creditors and Accruals	2017 Kshs	2016 Kshs
	Employee Entitlements	56,269	963,684
	Payroll creditors	5,398,591	270,943
	VAT & W/holding Tax	83,742,739	68,434,655
	Accounts Payable	545,026,020	942,923,055
	Total	634,223,619	1,012,592,337

23.	Current provisions	Untaken leave benefits Kshs	Audit and management fees Kshs	Total Kshs
	Balance at the beginning of the year	6,136,081	-	6,136,081
	Additional provision for the year	1,050,566	874,000	1,924,566
	Provision utilized	(2,865,803)	-	(2,865,803)
	Decrease/ (increase) in provision for the year	(1,815,237)	874,000	(941,237)
	Balance as at 30 June 2016	4,320,844	874,000	5,194,844
	Balance as at 1st July 2017	4,320,844	874,000	5,194,844
	Additional provision for the year	712,972	812,000	1,524,972
	Provision utilized	(2,495,450)	(812,000)	(3,307,450)
	Decrease/ (increase) in provision for the year	(1,782,478)	-	(1,782,478)
	Balance as at 30 June 2017	2,538,366	874,000	3,412,366

24.	LOANS	2017	2016
	a. Loans-AFD		
	Opening balance	2,881,171,031.76	2,864,590,907.68
	Disbursement for the year	130,884,383	124,641,235
	Subtotal	3,012,055,414	2,989,232,142
	Interest	84,819,176	84,278,002
	Total Loan	3,096,874,590	3,073,510,144
	Less payment of AFD loan and Accrued Interest	165,491,764	192,339,112
	Loan Balances	2,931,382,826	2,881,171,032
	Interest on Opening Balances @ 2.9%	83,553,960	83,073,136
	Interest on Disbursements during the year @ 2.9% for an assumed period of 1/3 of an year	1,265,216	1,204,865
	Total Interest expense	84,819,176	84,278,002
	b. LOAN KfW-NST	96,170,642	115,674,029
	c. LOAN KfW-NCWDN	380,656,196	34,795,032
	d. Loan-AFD NTC	2,947,054,231	646,830,012
	e. Wassip Loan	13,470,781,385	11,325,917,287
	f. AfDB Loan - Nairobi Rivers	4,222,916,481	3,729,746,029
	Total loans	24,048,961,760	18,734,133,420

		2017 Kshs	2016 Kshs
25.	Accumulated Fund		
	Opening Balance	609,984,713	495,347,348
	Prior year		
	Surplus for the period	300,550,105	114,637,365
	Total	910,534,818	609,984,713
26.	Deferred Income-Short Term		
	IDA	4,736,497	5,484,397
	Total	4,736,497	5,484,397
27.	Deferred Income-Long Term		
	IDA	9,862,852	21,193,536
	BADEA-Kajiado rural	359,615	-
	KWSP	-	1,016,148
	GOK	8,064,273,426	3,433,922,977

		2017 Kshs	2016 Kshs
	AFD	2,253,926,704	2,320,115,081
	WASSIP	17,781,919	17,781,919
	ACP-EU	98,851,210	103,881,136
	ADB	179,199,289	162,366,105
	KISSIP	196,499,662	162,409,660
Total		10,820,754,676	6,222,686,562

28. Financial Risk Management

Financial Risk Management Objectives and Policies

The board of directors of Athi Water Services Board (AWSB) have developed a risk management policy and guidelines which form an effective framework for managing its internal and external risks. This policy applies to all activities of the Board and form part of decision making within the strategic and operational planning processes at all levels.

AWSB considers risk management to be an integral part of good management practices and a significant aspect of corporate governance. Effective management of risk will contribute towards achievement of the Board's objectives.

The board has adopted ISO 31000 as the guiding framework in developing and implementing an integrated risk management framework/strategy. The Board's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement, monitoring and reporting. The risk management policies and systems are reviewed regularly to ensure they are in tandem with the micro and macro environment, regulatory guidelines, industry practice, market conditions as well as the services offered.

This risk management framework captures the following among other things:-

- The Board's risk appetite and parameters;
- The Board's risk matrix that highlights the rating of risks;
- The structure of managing risks and accountabilities;
- The processes, procedures and reports that manage risks;
- The mitigating factors, prevention, contingency plans and controls.

The Board's core business involves major engagements with financial transactions and processes which pose certain risks.

Three types of risks are reported as part of the risk profile namely operational, strategic and business continuity risks.

- i) Operational risks are events, hazards, variances or opportunities which could influence the achievement of the Board's compliance and operational objectives.
- ii) Strategic risk is a significant unexpected or unpredictable change or outcome beyond what was factored into the organization's strategy and business model which could have an impact on the entity's performance.
- iii) Business continuity risks are those events, hazards, variances and opportunities which could influence the continuity of the entity.

One of the key risks for the Board has identified in both the operational and strategic areas is the sustainability of the Administrative fee receivable in the provisions of the Water Act 2016 Financial risk as defined in IPSAS 15 and the management thereof, form part of this risk area.

The Members of the Board have the overall responsibility for the establishment and oversight of the Board's risk management framework. The Board has delegated its risk management to the 'Audit, Risk and Governance Committee'. One of the responsibilities of this committee is to review risk management strategies in order to ensure business continuity and survival. The Board's exposure to risks, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated. The Board aims therefore to achieve an appropriate balance between the risk and return and minimize potential adverse effects on its financial performance.

The financial management objectives and policies are as outlined below:-

a) Liquidity Risk

Liquidity risk is the risk that the Board will not have sufficient financial resources to meet its obligations when they fall due or will have to do so at excessive costs. This risk can arise from mismatches in the timing of cash flows from revenue and capital/operational outflows, assets and liabilities according to their maturity profiles and can occur where cash flow streams have been discontinued, etc. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be met at expected terms and when required.

The objective of the liquidity and funding management is to ensure that all foreseeable operational, capital and loan commitment expenditure can be met under both normal and stressed conditions and the mismatch is controlled in line with allowable risk levels.

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The Board has adopted an overall balance sheet approach which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity, cash flows and interest rate considerations. The Board's liquidity and funding management process includes:-

- Projecting cash flows and considering the cash required and optimizing the short term requirements as well as the long term funding,
- Maintaining balance sheet liquidity ratios,
- Maintaining/soliciting for a diverse range of funding sources with adequate back up facilities,
- Managing the concentration and profile of debt maturities, where applicable,
- Maintaining liquidity and funding contingency plans.

The table shows the undiscounted cash flows on the Board's financial assets and liabilities. The liquidity ratio in FY 2016/17 is 17.09 (FY 2015/16: 3.65)

	2016/17	2015/16
Financial Assets	Kshs	Kshs
Cash & Cash Equivalents	386,587,938	806,372,460
Receivables	9,471,672,234	3,902,916,824
Total Financial Assets	9,858,260,172	4,709,289,284
Financial Liabilities		
Payables	545,026,020	1,012,592,337
Total Financial Liabilities	545,026,020	1,012,592,337
NET LIQUIDITY	9,313,234,152	3,696,696,947
LIQUIDITY RATIO	17.09	3.65

The Board has an established corporate governance structure and process of managing risks regarding guarantees and contingent liabilities. All guarantees issued are approved by the Members of the Board and are administratively managed by the finance department.

The primary sources of revenue for the Board are receipts from the water service providers which comprise of the administrative expense reimbursement, loan repayment reimbursement and Grants from the National Government and development partners.

b) Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, prices and interest rates. The objective of market risk management policy is to protect and enhance the Statements of Financial Position and performance by managing and controlling market risk exposures within acceptable parameters, and to optimize the funding of business operations and facilitate capital expansion. The Board is exposed to the following market risks:-

(i) Currency Risk

The currency risk is minimal as most of cash and cash equivalents held with banks are dominated in Kenya Shillings.

(ii) Price Risk

The revenue source for AWSB is the administrative levy which is denominated in Kenya Shillings. The exposure arises where the contract prices are denominated in foreign currencies for the development funded projects. This mitigated by enforcing direct payments so as to reduce the exposure. Price risk is therefore rated as minimal.

(iii) Interest Rate Risk

The Board's financial condition may be adversely affected as a result of changes in interest rate levels. The interest rate risk is minimal as the Board does not have any borrowings.

c) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Board's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as legal and regulatory requirements and generally acceptable standards of corporate behaviour.

The Board seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor and report such risks.

The Board's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Board's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. The responsibility is supported by the development of overall standards for the management of operational risk in the following areas:-

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of financial transactions;
- Compliance with regulatory and legal requirements;
- Documentation of controls and procedures;
- Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- Requirement for the reporting of operational losses and proposed remedial action;
- Development of Business Contingency Plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where it is effective.

Operational risks are documented in the AWSB quality manual and are managed by the Internal Audit function established to spearhead and coordinate risk management activities. The measures taken include proactively identifying, analysing and mitigating risks in all facets of the business.

d) **Compliance and Regulatory Risk**

Compliance and regulatory risk includes the risk of non-compliance with regulatory requirements. The Board has complied with all externally imposed requirements throughout the year.

e) **Legal Risk**

Legal risks is the risk of unexpected loss, including reputational loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or the loss for the Board, failure to protect the title to and inability to control the rights to assets of the Board (including intellectual property right), changes in law, or jurisdictional risk.

The Board manages legal risk through the legal function, legal risk policies and procedures and the effective use of internal controls and external lawyers.

29. Related Party Balances

a. Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The entity is related to

- i) The National Government;
- ii) Ministry of Water and Irrigation;
- iii) Water Services Regulatory Board
- iv) Water Service Providers;
- v) Key management;
- vi) Board of directors;

b. Transfers to and from related parties

Transfers from Ministry of Water and Irrigation

DEVELOPMENT VOTE	Approved Estimates Kshs. Million	1st Quarter Kshs. Million	2nd Quarter Kshs. Million	3rd Quarter Kshs. Million	4th Quarter Kshs. Million	Total Kshs. Million
Nairobi Water Distribution Network	90	23	23	23	23	90
Nairobi Satellite Towns Water & Sanitation	80	20	20	20	20	80
Northern Collector	250	63	63	63	63	250
Water & Sanitation Services Improvement Project	140	33	33	33	43	140
Nairobi Rivers Basin Restoration	20	5	5	-	10	20
Reh. Water Supply & Sewerage - Oloitoktok Town	60	15	15	15	15	60
Kajiado Rural Water Supply	32	8	8	8	8	32
Kiserian Sewerage	120	30	25	20	45	120
Total	792	196	191	181	226	792

c. Key management remuneration

	2017 Kshs	2016 Kshs
Directors	32,892,814	27,699,028
Senior Management staff	25,353,429	32,798,566
	58,246,243	60,497,594

d. Amounts due from related parties

i. Amounts due from Water service Providers

In the normal course of business the Board enters into transactions with related parties. Athi Water Services Board (AWSB) as the Asset Holding Entity has signed Service Provision Agreements with eleven Water Services Providers. During the year the transactions conducted between these related entities were at arm's length and in the normal course of business in compliance with the provisions of the Service Provision Agreement and the Water Act 2002. The following transactions were carried out with related parties:-

	2017	2016
	Kshs	Kshs
Lease fees receivable from WSPS		
As at 1st July	2,756,381,036	2,552,953,764
Lease fees receivable for the year 2016/2017	1,315,243,142	879,463,755
Amount due from WSPS	4,071,624,178	3,432,417,519
Lease fees received during the year	341,827,079	676,036,483
Write-offs during the year	483,285,428	
Balance as at 30th June 2017	3,246,511,671	2,756,381,036

e. Amounts due to related parties

AWSB was not owed any amounts by related parties as at 30th June 2017

30. Segment Reporting

The Board does not have any branches or reporting segments. All the operations of Athi Water Services Board are managed from the registered office.

The Mandate of AWSB is as stipulated in the Water Act 2002 and there is no distinguished component engaged in providing individual service that is subject to risk and returns that are different from the main mandates of AWSB.

31. Contingent assets and contingent liabilities

AWSB did not have any contingent liability as at 30th June 2017

32. Capital commitments

CAPITAL COMMITMENTS			
	Capital commitments	2016-2017 Kshs	2015-2016 Kshs
1	Nairobi Water Distribution Network	2,886,677,274	176,212,594
2	Nairobi Satellite Towns Water and Sanitation Program	189,416,061	-
3	Extension Of Nairobi Water Supply (Northern Collector)	6,217,799,471	9,334,661,209
4	Ithanga Water supply		
5	Water & Sanitation Services & Improvement Project (Athi WSB)	5,907,685,463	2,137,328,802
6	Rehabilitation Of Water Supply And Sewerage For Oloitokitok Town	784,000,000	-
7	Kajiado Rural Water Supply	726,000,000	-
8	Kiserian Sewerage Project	501,000,000	-
9	Kenya Towns Sustainable water supply and Sanitation Program	-	-
10	Nairobi Metro Area Bulk water Sources-Ruiru II Dam	-	-
11	Nairobi Rivers Basin Rehabilitation And Restoration Programme: Sewerage Improvement Project	323,131,937	941,928,407
12	Nairobi Metro Area Bulk water Sources-Karimenu II	17,350,000,000	-
	TOTAL	34,885,710,205	12,590,131,012

33. Events after the reporting period

There were no material adjusting and non- adjusting events after the reporting period.

34. Ultimate and Holding Entity

Athi Water Services Board is a State Corporation under the Ministry of Water and Irrigation. Its ultimate parent is the Government of Kenya.

35. Currency

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

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XVIII. 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.	<p>Property Plant and Equipment</p> <p>i. Inherited assets</p> <p>The statement of financial position reflects property, plant and equipment balance of Kshs 21,862,404,454 as at 30th June 2016. However and as reported in 2014/15 and previous periods, the board inherited non-current assets of undetermined value previously owned by the ministry of water and irrigation and national water conservation and pipeline in respect of water infrastructure which have not been incorporated in these financial statements</p> <p>ii. Fully Depreciated assets</p> <p>Included in the property, plant and equipment balance are fully depreciated assets worth Kshs 191,771,207 as at 30th June 2016. The management has not revalued these assets</p> <p>In the circumstances, the completeness and accuracy of the inherited assets fully depreciated could not be confirmed as at 30th June 2016.</p>	<p>We confirm that the value of the inherited assets does not form part of the reported assets however the valuation of all the assets was undertaken, AWSB is following on the ownership documentation for the assets before incorporating the same in the financial statements</p> <p>We are in agreement that the PPE included fully depreciated assets worth Kshs 191,771,207. AWSB has formed an Asset Management Committee to address matter and any other asset management issues</p>	Chief Executive officer	Partly resolved	30 th March 2018
2.	<p>Debtors</p> <p>The statement of financial position as at 30th June 2016 reflect debtor's balance amounting to Kshs 3,902,916,824 which include an amount of Kshs 2,500,824,960 owing from Nairobi Water and Sewerage Company. These amounts have been outstanding for long and their recoverability is doubtful. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements.</p> <p>In the circumstances, the recoverability of the outstanding amount of Kshs 2,500,824,960 remains doubtful and debtors</p>	<p>We confirm that NCWSC owes the Board a total of Kshs 2,500,824,960 but the collectability of the same is not in doubt because we have entered in to deed of settlement with the company after the approval of the new tariff in which both parties committed themselves meaning that the company is fully aware and ready to pay the said amount.</p> <p>Meanwhile a reasonable provision has</p>	Head, Finance and Strategy	Partly resolved	30 th March 2018

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	<p>maybe overstated by the unrecoverable amount.</p> <p>Over expenditure During the year under review, the Board spent Kshs 27,699,028 on Board expenses against approved budget of Kshs 25,072,080 resulting to over expenditure of Kshs 2,626,948. Further operational expenditure of Kshs 253,873,728 include unbudgeted expenditure of Kshs 250,175,431 in respect to water pans and dams; Kshs 31,656,119. Asset renewal Kshs 41,760, GOK counterpart expenses of: 198,302,130 and project crop compensation Kshs 20,175,422. The expenditure is contrary to Section 12 of the state corporations Act, which requires all the expenses to be within the approved estimates. In the circumstance, the propriety of the expenditure of Kshs 250,175,431 could not be ascertained.</p>	<p>been proposed to the Board for approval.</p> <p>We confirm the propriety of the expenditure. The over expenditure in Board Expenses was due to several additional meetings that were held to review and approve financing agreements for new programmes and recruitment of several Senior Staff to fill vacant positions. The operational expenses were budgeted for as GOK counterpart under the capital budget of the various projects. We undertake to amend our budget to separate the recurrent GOK component of project related budgets from the capital budget.</p>	<p>Head, Finance and Strategy</p>	<p>Partly resolved</p>	<p>31st December 2017</p>
3.					
	<p>Creditors and accruals The statement of financial position indicates creditors and accruals balance of Kshs. 1,017,787 as at 30th June 2017 up from Kshs 900,018,083 as at 30th June 2015. Included in the balance is Kshs 821,706,680 that have been outstanding for 91 days and over. Management has not explained the huge increasing long outstanding creditors which may impact on the operations of the entity</p>	<p>The creditor balance has a total of Kshs relating to the former councils which are not payable. The board sought authority to write them off and the same was granted. The balances will be write off in the year 2016/2017 since the approval was given in November 2016</p>	<p>Head, Finance and Strategy</p>	<p>Resolved</p>	<p>30th June 2017</p>
4.					
	<p>Cash and Bank balances The cash and bank balance of Kshs 806,372,460 as at 30th June 2016. However included in the balance is Kshs 33,016,160 held at Chase Bank which was put under receivership by the Central Bank. Currently there is little hop or no access to these funds. No provision or disclosure has been given in the financial statements to reflect this risk as required by accounting standards. Consequently the recoverability of the Kshs 33,016,160 held at Chase Bank remains doubtful.</p>	<p>We confirm that the bank Chase was placed under receivership and the only Kshs 1,000,000 is accessible from the account. From our follow-ups with the receiver manager of the bank, we have strong indications that we will be able to access our deposits by September 2017.</p>	<p>Head, Finance and Strategy</p>	<p>Not resolved</p>	<p>31st December 2017</p>
5.					
	<p>Other Matter Non-compliance with Legal Notice No. 101 of August 2005- Transfer Plan According to the Transfer Plan under the Water Act, 2002, which was operationalized vide Legal Notice No. 101 of August</p>	<p>The transfer plan had envisaged transfer of staff operational assets and water infrastructure within the AWSB area of operation. Operational assets and staff</p>	<p>Chief Executive Officer</p>	<p>Not resolved</p>	<p>30th March 2018</p>

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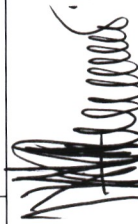
<p>2005, the Water Services Boards ought to have taken over assets, staff and other water infrastructure inherited from the Ministry of Water and Irrigation and the National Water and Conservation and Pipeline Corporation. Although Athi Water Services Board, Ministry of Water and Irrigation and the National Water and Conservation and Pipeline Corporation had finalized the valuation of the assets, Athi Water Services Board had not taken over the assets as at 30 June 2014. The Board is therefore in contravention of the Legal Notice No. 101 of August 2005 and the Water Act, 2002 on the Transfer Plan.</p>	<p>were transferred to the water service providers who continued with the operations previously undertaken by the local authorities and Government corporations such as National Water Conservation and Pipeline Corporation. However the transfer of water infrastructure could not be completed due to various reasons:</p> <ul style="list-style-type: none"> ▪ The Ministry of Water and Irrigation needed to do the transfer for all the utilities together and so all the valuations were to be completed so that the transfer could be done. ▪ There were legal considerations as to how the transfer would be done and who held the titles to the infrastructure where the facilities were located. <p>AWSB carried out a valuation of the former GOK and NWCPC assets in its area of operations while awaiting further direction from the Ministry of Water and Irrigation</p>	
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ENG. MICHAEL M. THUITA
AG. CHIEF EXECUTIVE OFFICER

Date.....


MICHAEL K. KIMOTHO
AG. HEAD OF FINANCE & STRATEGY
ICPAK Member No: 6490

Date.....*04.10.18*


MR. WACHIRA M. KEEN
CHAIRMAN

Date.....

XIX. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by Athi Water Services Board Funded by development partners

Project Title	Project Number	Donor	Period/ duration	Donor commitment KSHS	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Nairobi Water Distribution Network	BMZ NO 2020.82.527/KV 26833	KFW	2014-2017	2,805,000,000	yes	yes
Support to Water And Sanitation Services In Peri-Urban Area	BMZ NO.2013.6543.6	KFW		2,618,000,000	yes	yes
Nairobi Rivers Basin Rehabilitation And Restoration Programme: Sewerage Improvement Project	2100150023655.	AfDB	2012-2018	4,700,000,000	yes	yes
Water And Sanitation Service Improvement Project – Additional Finance	IDA 5103-KE	WORLD BANK	2012-2017	16,408,230,900	yes	yes
Water Supply Extension Project and Additional Rehabilitation And Development of The Network	CK 1074	AGENCE FRANCAISE DE DEVELOPMENT	2014-2018	11,242,000,000	yes	yes

Project completion status for the year ended 30th June 2017

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	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Nairobi Water Distribution Network	KSH 3,300,000,000	KSH 428,765,542.05	13%	KSH 490,000,000	386,271,078	kfw
2	Support To Water And Sanitation Services In Peri-Urban Area	3,080,000,000	96,170,642.50	3%	190,000,000	8,907,569	kfw
3	Nairobi Rivers Basin Rehabilitation and Restoration Programme: Sewerage Improvement Project	5,140,000,000	4,837,287,219	98%	823,000,000	664,000,000	African Development Bank
4	Water And Sanitation Service Improvement Project –Additional Finance	16,000,000,000	11,795,461,240	72%	3,500,000,000	2,273,329,248	World bank
5	Water Supply Extension Project And Additional Rehabilitation and Development of the Network	11,060,000,000	2,947,000,000	27%	4,950,000,000	2,300,000,000	AGENCE FRANCAISE DE DEVELOPMENT

XX. Appendix 2: INTER-ENTITY TRANSFERS

ENTITY NAME:		ATHI WATER SERVICES BOARD		
Break down of Transfers from the State Department of WATER				
FY 16/17				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A	N/A	N/A	
		Total		
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	GOK counterpart	31-Jul-17	148,000,000.00	2015/2016
	WaSSIP-AF	13-Dec-16	136,656,406	2016-2017
	GOK counterpart	11-Oct-16	163,000,000	2016-2017
	GOK counterpart	23-Nov-16	223,000,000	2016-2017
	GOK counterpart	23-Mar-17	180,500,000	2016-2017
	Drought mitigation	27-Mar-17	55,433,233	2016-2017
	Drought mitigation	26-Apr-17	44,566,766	2016-2017
	Murang'a water projects	24-Apr-17	461,000,000	2016-2017
	GOK counterpart	11-May-17	155,500,000	2016-2017
	Water Meters	11-May-17	5,000,000	2016-2017
	Karimenu II Dam	24-May-17	3,650,000,000	2016-2017
		Total	5,222,656,405	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	WaSSIP-AF	N/A	1,277,719,808	2016-2017
	AFD-NCT	N/A	2,300,224,219	2016-2017
	NARSIP	N/A	540,255,846	2016-2017
	Nairobi Distribution -KfW	N/A	328,330,417	2016-2017
	Satellite town -KfW	N/A	8,907,569	2016-2017
		Total	4,455,437,859	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	WaSSIP-AF	31-Jul-16	100,000,000	2015/2016
	WaSSIP-AF	13-Dec-16	895,609,440	2016-2017
		Total	995,609,440	

XXI. Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

During the financial year under review, AWSB did not receive any transfers from other government agencies