

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2013**

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NATIONAL AUDITING
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05 AUG 2014
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**TANATHI WATER SERVICES
BOARD
FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30TH JUNE
2013**

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INSTITUTIONAL DETAILS

Vision

To be the premier Water Services Board in Kenya.

Mission statement

To ensure provision of potable, reliable, affordable and sustainable water and sewerage services to our customers in collaboration with stakeholders through leasing, development, continuous improvement and expansion of facilities and contracting of competent Water Service Providers.

Core Values

TAWSB core values are:

- | | |
|---------------------------------|-------------------|
| 1. Continuous learning | 5. Integrity |
| 2. Effectiveness and efficiency | 6. Responsiveness |
| 3. Accountability | 7. Teamwork |
| 4. Creativity and innovation | 8. Meritocracy |

Assured Access for better life and integrity

INCORPORATION

Tanathi Water Services Board is a state corporation established under the Water Act, 2002 vide Gazette Notice No. 69 of 4th June 2008, and licensed by the Water Services Regulatory Board (WASREB)

REGISTERED OFFICE

Tanathi Water Services Board

KIDP building

Kalawa Road

Private Bag

KITUI.

BANKERS

Kenya Commercial Bank

Co-operative Bank

Equity Bank

Kitui Branch

Kitui Branch

Kitui Branch

P.O Box 683 – 90200

P.O Box 1432-90200

P.O.Box 1453-90200

KITUI.

KITUI

KITUI

AUDITORS

Auditor General

Kenya National Audit Office

P.O Box 30084 – 00100

NAIROBI.

REPORT OF THE DIRECTORS

DIRECTORS REPORT FOR THE YEAR ENDED 30TH JUNE, 2013

The Board of Directors present their report and audited accounts for the year ended 30th June 2013 which disclose the state of affairs of the Board at that date.

Objectives of the Board

Principle activity

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

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

Main functions of the Board include:-

- Efficient and economic provision of water services as authorized by the licensee.
- Development and management of assets.
- Hold/Lease assets and water services infrastructure.
- Contract Water Service Providers and ensure efficient and economical provision of water services.
- Plan development of services and facilities to increase access to water and sanitation.
- Ensure compliance with licensing requirements by WSPs.
- Assume responsibility of WSP as a last resort.

Results for the year

Deficit for the year was **Kshs. (81,991,543)**.

GOVERNANCE STRUCTURES

The Board of Directors according to the Water Act 2002 is appointed by the Ministry of Environment, Water & Natural Resources.

During the year ending 30th June, 2013, Tanathi Water Services Board operated under the leadership of its current Board. The Board and its committees have a wider representation which brings a multidisciplinary composition to ensure independence, transparency, accountability and consistency in its operations.

The current Board of directors of Tanathi Water Services Board representing various stakeholders in water and sewerage services and who were appointed as per Gazette Notice include;

1. Hon. Peter Njeru Ndwiga Chairman – Appointed 9th January 2014
2. Florence Malla
3. Rehana Ismail
4. Principal Secretary, Ministry of Devolution and Planning.
5. Principal Secretary, Ministry of Environment, Water and Natural Resources
6. Principal Secretary, The National Treasury.

Other Board Members who left include:

1. Peris Pesi Tobiko - Left in September 2012
2. Harrison Moipei Tago - Left in December 2013
3. Margaret Mwikali John - Left in March 2014
4. Charles Nthiwa Kimeu - Left in March 2014
5. Nzomo Mwita - Left in March 2014
6. Seth Kakusye Mutua- Left in March 2014
7. Rachael Kaki Nyamai - Left in September 2012
8. Joseph Ole Lenku - Left in May 2013

Key Management Staff

- | | |
|------------------------|---|
| 1) Nicholas K. Muthui | Chief Executive Officer |
| 2) Dennis K. Mulu | Chief Manager-Finance and Administration |
| 3) Fredrick T. Mwamati | Chief Manager-Infrastructure Development |
| 4) Samuel K. Oruma | Chief Manager-Utilities and Community Development |
| 5) Paul K. Daudi | Chief Manager-Corporate Planning and Strategic Management |

CORPORATE GOVERNANCE STATEMENT

Tanathi Water Services Board is committed to operating under a clear governance framework and strongly adheres to sound management and control practices.

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

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 improvement of Conformance.

Board of Directors

The structure of Tanathi Water Services Board starts with the Board of directors comprising of eleven members representing various stakeholder interest. The Board of Directors exercises leadership, enterprise, integrity and judgment in directing Tanathi Water Services Board.

They are expected to determine the purpose and values of Tanathi Water Services Board, determine the strategy to achieve that purpose and implement its values in order to ensure the Board survives and thrives.

The Board of Directors are expected to enhance the corporate governance practices in running of Tanathi Water Services Board and to bring the level of governance in the Board in line with international standards. The essence of corporate governance is to protect stakeholder interests including the government, Water Services Providers, consumers and the communities.

The Board of Directors has been trained on Corporate Governance and practices to ensure that the Board is run effectively and efficiently.

Role of the Chairperson

The Chairperson is appointed by the minister of Water and Irrigation under the Water Act 2002 and may hold office for a period not exceeding three years as specified in the instrument of his appointment and is eligible for reappointment from time to time. The chairperson provides overall leadership to the Board especially on areas of policy development

Role of the Chief Executive Officer

Responsibility for execution of the Boards policies lies with the Chief Executive Officer.

The Chief Executive Officer's role is to provide the strategic leadership for the Organization and act as the link between the staff and the Board of Directors.

BOARD COMMITTEES

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

Finance, Administration and General Purposes Committee:

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

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

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

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

Audit Committee:

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

Safe guarding the assets

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

Technical, Monitoring and Evaluation Committee:

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

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

Strategic Planning Committee:

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

STATEMENT OF DIRECTORS RESPONSIBILITY

The Board of Directors is required to prepare financial statements which give a true and fair view of the state of affairs of Tanathi Water Services Board at the end of the financial year and of its surplus or deficit for that year. The Board of Directors is required to ensure that Tanathi Water Services Board maintains proper accounting records which disclose, with reasonable accuracy, the position of the Board.

The Board of Directors accepts responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, which are consistent, and in conformity with International Financial Reporting Standards. The board of Directors is of the opinion that the Accounts give a true and fair view of the state of financial affairs of Tanathi Water Services Board as at 30th June, 2013 and of its deficit for the year then ended. The Board of directors further confirms the accuracy and completeness of the accounting records maintained by Tanathi Water Services Board which has been relied upon in the preparation of the financial statements, as well as on the adequacy of the of internal control system.

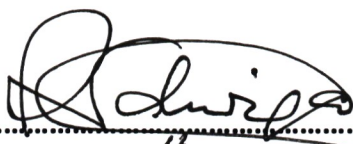
Nothing has come to the attention of the board of Directors to indicate Tanathi Water Services Board will not remain a going concern for at least twelve months from the date of these statements.

These statements were approved by Board of Directors and it is signed on its behalf by:

Chief Executive Officer


.....
Date...4th.....August, 2014

Chairman


.....
Date...4th.....August, 2014

REPUBLIC OF KENYA

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Tanathi Water Services Board set out on pages 11 to 28, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of cash flows and statement of changes in reserves for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

As similarly reported in the previous years, the property, plant and equipment balance of Kshs.358,994,379 as at 30 June, 2013 includes motor vehicle registration number KAU 478L valued at Kshs.1,700,000, transferred from Kenya Water and Sanitation Programme to the Board in September 2008 but ownership documents had not been regularized as at 30 June, 2013.

In addition, as disclosed under Note 21, to the accounts, Other Board Assets inherited from the National Water Conservation and Pipeline Corporation have not been incorporated in the financial statements for the year under review. The assets include water distribution infrastructure of undetermined value held by various District Water Officers within the jurisdiction of the Board.

Consequently, the accuracy, ownership and existence of property, plant and equipment balance of Kshs.358,994,379 as at 30 June, 2013 could not be confirmed.

2.0 Inaccuracies in the Financial Statements

The statement of financial position as at 30 June, 2013 reflects debtors and prepayments balance of Kshs.549,789,527 which includes an amount of Kshs.455,728,313 disclosed under note 13 to the accounts as advance payment. This particular amount has similarly been included in the work in progress balance of Kshs.1,277,612,038 disclosed under note 2(b) to the financial statements. Under the circumstances, the accuracy of the financial statements could not be confirmed.

3.0 Irregular Inter – Cashbook Borrowings

A total of Kshs.53,000,000 was transferred from the Development Account to the Recurrent Account on diverse dates, but the same had not been refunded as at the closure of the year. Further, an amount of Kshs.5,000,000 was transferred from retention account to fund activities that are recurrent in nature and the funds had not been refunded at the end of the year. Further, documents supporting these transfers were not provided for audit review and confirmation.

In the circumstances, it has not been possible to confirm that cash and bank balance of Kshs.259,097,881 is fairly stated as at 30 June 2013.

4.0 Creditors and Accruals

Included in the creditors and accruals balance of Kshs.190,134,670 as at 30 June, 2013 is trade creditors of Kshs.82,051,643 which in turn included pending bills amounting to Kshs.52,372,252. However, the creditors' ledger made available for audit review reflected a balance of Kshs.121,294,040, leading to unreconciled difference of Kshs.39,242,397. Further, a schedule of outstanding bills made available for audit review showed a balance of Kshs.382,372,60, which include some bills dating back to 2009/2010 financial year and were under forensic audit to determine their authenticity. In addition, the Board did not carry out circularization of its creditors in respect to major suppliers for purposes of confirmation of authenticity.

In the circumstances, the accuracy of the creditors and accruals balance of Kshs.190,134,670 could not be confirmed as at 30 June, 2013.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Water Act, 2013.

Emphasis of Matter

I draw your attention to the following financial improprieties noted during 2012/2013.

(i) Procurement of Publicity Bill Boards

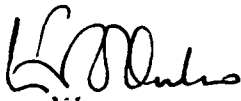
The Board awarded a contract for supply of publicity bill boards for Kitui - Masinga Water Supply Project at a sum of Kshs.5,970,000 during the year. However, the Board used request for quotations procurement method even though the amount was above the thresholds provided by the regulations. In addition, only one out of six prequalified suppliers was invited to quote and eventually awarded the contract to

render the services, contrary to requirements of the procurement law. In addition, the bill boards delivered did not match specifications in the quotations in that very small billboards were executed than those indicated in the quotations. Consequently, it was not possible to confirm that value for money was realized from the expenditure.

(ii) Procurement of Laptops

Delivery of five (5) laptops worth Kshs.467,500.00 bought during the year under review could not be confirmed as no supporting documentation were produced for audit review.

My opinion is however not qualified in respect of this matter.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

4 September 2014

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2013

	Notes	AMOUNT (Kshs) 2012/2013	AMOUNT (Kshs) 2011/2012
INCOME			
Recurrent Grant	note 3	14,267,079	98,742,000
W.S.P Fee (Net of wasreb levy)		39,764,677	38,176,292
Miscellaneous income	note 4	9,852,041	4,247,649
Development Grant	note 5	100,000,000	137,500,000
Kazi Kwa Vijana/KYEP Grant		-	15,723,313
Water services Trust Fund Grant		5,792,669	5,930,888
GOK/Unicef wash Programme Grant		<u>84,946,608</u>	<u>57,839,060</u>
Total Income		<u>254,623,074</u>	<u>358,159,202</u>
EXPENDITURES			
Staff costs	note 6	59,130,407	45,167,658
Board Expenses	note 7	12,229,305	13,128,512
Administration and General Expenses	note 8	92,703,787	69,347,636
Development costs	note 9	146,758,193	188,008,536
Finance Charges	note 10	20,627,850	5,601,454
Yatta dam expenses	note 11	-	31,942,135
KKV/KYEP Expenses	note 12	<u>5,165,075</u>	<u>16,374,245</u>
Total Expenses		<u>336,614,617</u>	<u>369,570,176</u>
Deficit		<u>(81,991,543)</u>	<u>(11,410,974)</u>


STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

	Notes	AMOUNT (Kshs) 2012/2013	AMOUNT (Kshs) 2011/2012
NON CURRENT ASSETS			
Property, Plant and Equipment	note 2(a)	358,994,379	579,455,407
Work in progress	note 2(b)	1,277,612,038	181,218,723
Work in progress(ADB Funded project)		-	71,263,890
Intangible asset	note 2(c)	<u>270,933</u>	<u>168,870</u>
TOTAL NON CURRENT ASSETS		<u>1,636,877,350</u>	<u>832,106,890</u>
CURRENT ASSETS			
Debtors and prepayments	note 13	549,789,527	101,951,028
Cash and Bank Balances	note 14	<u>259,097,881</u>	<u>407,608,235</u>
TOTAL CURRENT ASSETS		<u>808,887,408</u>	<u>509,559,263</u>
TOTAL ASSETS		<u>2,445,764,758</u>	<u>1,341,666,153</u>
RESERVES AND LIABILITIES			
CURRENT LIABILITIES			
Creditors and accruals	note 15	190,134,670	126,763,877
Deferred income-Short term	note 16	<u>76,353,304</u>	<u>80,059,041</u>
TOTAL CURRENT LIABILITIES		<u>266,487,974</u>	<u>206,822,918</u>
LONG TERM DEBT			
ADB Loan		<u>879,816,900</u>	<u>71,263,890</u>
TOTAL LIABILITIES		<u>1,146,304,874</u>	<u>278,086,808</u>

TANATHI WATER SERVICES BOARD | 2012/2013


	Notes	AMOUNT (Kshs) 2012/2013	AMOUNT (Kshs) 2011/2012
FINANCED BY: RESERVES.			
Accumulated fund		(10,551,736)	41,038,272
Revaluation Reserve		23,908,600	-
Deferred Income-Long Term	note 17	<u>1,286,103,013</u>	<u>1,022,541,073</u>
TOTAL RESERVES		<u>1,299,459,877</u>	<u>1,063,579,345</u>
TOTAL RESERVES AND LIABILITIES		<u>2,445,764,758</u>	<u>1,341,666,153</u>

Chief Executive Officer



 Date...4th.....August, 2014

Chairman



 Date...4th.....August, 2014

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2013

	AMOUNT (Kshs) 2012/2013	AMOUNT (Kshs) 2011/2012
Deficit for the period	(81,991,543)	(11,410,974)
Prior Year adjustment for the retained earnings	32,242,885	-
Uncaptured ADB Projects exchange loss -2011/2012 FY	(1,853,288)	-
Adjustment for non cash items:		
Depreciation	19,878,721	13,008,323
Amortization	304,337	168,365
Revaluation Reserve	23,908,600	-
Operating surplus before working capital changes	(7,510,288)	1,765,714
Increase/Decrease in debtors	(447,838,498)	(20,334,245)
Increase in deferred Income-Short Term	(3,705,737)	31,618,314
Increase/Decrease in creditors	63,370,793	(17,129,360)
Cash flow from operating activities	(395,683,731)	(28,452,717)
Investing Activities		
Purchase of fixed assets	(172,006,728)	(600,573,303)
Work in progress	(652,540,398)	(71,263,890)
Purchase of intangible asset	(406,400)	-
Net Cash flow from investing activities	(1,220,637,257)	(675,916,770)
Cash Flow from Financing Activities		
Increase in deferred Income-Long Term	263,561,940	573,841,823
Long term loan-ADB	808,553,010	71,263,890
Net increase in cash and cash Equivalent during the year	<u>(148,510,355)</u>	<u>30,811,057</u>
Cash and cash equivalents at the beginning of the period	407,608,236	438,419,293
Cash and cash equivalents at the end of the period	259,097,881	407,608,236

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 30TH JUNE 2013

	Revenue Reserve Kshs.	Revaluation Reserve Kshs:	Capital Reserve Kshs	Total Kshs.
Balance as at 1.7.2009	37,232,901			37,232,901
Surplus for the year	19,299,624			19,299,624
Balance as at 30.6.2010	56,532,525			56,532,525
Balance as at 1.7.2010	56,532,525			56,532,525
Prior year adjustments	30,733,116			30,733,116
Deficit for the year	<u>(34,816,395)</u>			<u>(34,816,395)</u>
Balance as at 1.7.2011	52,449,246			52,449,246
Deficit for the period	<u>(11,410,974)</u>			<u>(11,410,974)</u>
Accumulated fund as at 30.06.2012	<u>41,038,272</u>		<u>1,022,541,073</u>	<u>1,063,579,345</u>
ADB Projects exchange loss	<u>(1,853,288)</u>			<u>(1,853,288)</u>
Accumulated fund as at 30/6/2012	39,184,984		<u>1,022,541,073</u>	1,061,726,057
For the period	(81,991,544)	23,908,600	263,561,940	205,478,996
Prior Year adjustment note 18	<u>32,242,885</u>			<u>32,242,885</u>
Accumulated fund as at 30.06.2013	<u>(10,563,675)</u>	<u>23,908,600</u>	<u>1,286,103,013</u>	<u>1,299,447,938</u>

Note 2(b) WORK IN PROGRESS

Water Supply Infrastructure

	AMOUNT
	(Kshs)
	2012/2013
Cost as at 01/07/2012	181,218,723
Water Supply infrastructure	(58,928,750)
Re-allocation of assets	431,517,785
WIP-ADB funded projects (2011/2012)	71,263,890
Additions	<u>652,540,390</u>
AS AT 30.06.2013	<u>1,277,612,038</u>
NBV AS AT 30.06.2012	181,218,723

NOTES TO THE FINANCIAL STATEMENTS

Note 1: ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements are prepared on the historical cost basis of accounting and are in compliance with International Financial Reporting Standards.

(b) Revenue recognition

- i. Lease fee income is recognized in the month in which it is due.
- ii. Grants from the Government of Kenya and other income are recognized when received.

(c) Inventory

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

(d) Board employee entitlement

The estimated monetary liability for employees accrued salary arrears entitlement at the balance sheet date is recognized as an expense.

(e) Depreciation

Property, plant and equipment is stated at Historical cost less accumulated depreciation. Assets are depreciated in full in the year of acquisition and none during the year of disposal. Depreciation is provided on fixed assets on a straight line basis at the following rates:-

▪ Computers and Accessories	33.3%
▪ Furniture and fittings	12.5%

NOTE 2(a) PROPERTY, PLANT AND EQUIPMENT AS AT 30TH JUNE 2013

	Motor Vehicles 25%	Land	Furniture and Fittings 12.5%	Computer and Accessories 33.3%	Plant and Machinery 20%	Water Supply Infrastructure 2.5%	Office Buildings 2.5%	Total
Cost as at 01.07.2012	25,223,522	436,862,785	6,131,473	8,127,219	2,568,976	141,167,015	2,691,407	622,772,397
Additions for the year	12,000,000	-	1,514,960	7,623,614	5,970,000	179,918,404	-	207,026,978
Revaluation Reserve	23,908,600	-	-	-	-	-	-	23,908,600
Re-Allocation of assets	-	(431,517,785)	-	-	-	-	-	(431,517,785)
As at 30/06/2013	61,132,122	5,345,000	7,646,433	15,750,833	8,538,976	321,085,419	2,691,407	422,190,190
Depreciation								
As at 01/07/2012	22,663,247	-	2,849,137	6,150,525	1,802,463	9,784,333	67,285	43,316,990
Depreciation charge	5,560,275	-	955,904	3,560,426	1,707,795	8,027,136	67,285	19,878,821
As at 30/06/2013	28,223,522	-	3,805,041	9,710,951	3,510,258	17,811,469	134,570	63,195,811
NBV As at 30/06/2013	32,908,600	5,345,000	3,841,392	6,039,882	5,028,718	303,273,950	2,556,837	358,994,379
NBV As at 30/06/2012	2,560,275	436,862,785	3,282,336	1,976,694	766,513	131,382,682	2,624,122	579,455,407

▪ Motor Vehicles	25%
▪ Plant and Machinery	20%
▪ Buildings	2.5%
▪ Water Supply Infrastructure	2.5%

(f) Capital and Revenue Grants:

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

➤ **Deferred Income-short term:**

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

➤ **Government grants related to assets:**

Grants related to assets are reported as deferred income over the life term of the asset.

(g) Foreign currency transactions

As per IAS 21 -The Effects of Changes in Foreign Exchange Rates

Foreign currency monetary items have be translated using the closing rate as at the statememnt of financial position date.

TANATHI WATER SERVICES BOARD | **2012/2013**

Note 2(c) INTANGIBLE ASSETS-

	FMIS	QUICKBOOKS	TOTAL
Cost as at 01/07/2012	2,148,288	505,600	2,653,888
Additions	<u> -</u>	<u>406,400</u>	<u>406,400</u>
As at 30.06.2013	<u>2,148,288</u>	<u>912,000</u>	<u>3,060,288</u>
Amortisation as at 01.07.2012	2,148,288	336,730	2,485,018
Amortization for the year	-	<u>304,337</u>	<u>304,337</u>
Accumulated amortization as at 30.06.2013	2,148,288	<u>641,067</u>	<u>2,789,355</u>
NBV AS AT 30.06.2013	<u> -</u>	<u>270,933</u>	<u>270,933</u>
Pension NBV AS AT 30.06.2012	=	168,870	168,870

NOTE 3: GOK RECURRENT GRANTS

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
Recurrent Grant	14,267,079	16,737,000
Drought Mitigation	-	81,000,000
ICT City(Konza) Grant	-	<u>1,005,000</u>
Total Gok Recurrent Grants	<u>14,267,079</u>	<u>98,742,000</u>

NOTE 4: MISCELLANEOUS INCOME

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
Sale of Tender	2,392,782	1,769,280
Mavoko PPP non-refundable component	-	400,000
Bank Interest Earned	7,459,259	30,137
Kitui Water and Sanitation Co. Ltd	-	11,252
UAP Insurance-Motor vehicle compensation	-	<u>2,036,980</u>
Total Miscellaneous Income	<u>9,852,041</u>	<u>4,247,649</u>

NOTE 5: GOK DEVELOPMENT GRANTS

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
Development Grant	100,000,000	100,000,000
Drought Mitigation	-	8,500,000
Development Grant other	-	<u>29,000,000</u>
Total Development Grants	<u>100,000,000</u>	<u>137,500,000</u>

NOTE 6: STAFF COSTS

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
Salaries and wages	29,219,840	20,011,206
Staff Allowances	20,931,254	19,745,90
Gratuity contribution	1,283,400	1,236,280
N.S.S.F	171,400	94,800
Staff Insurance Cover	3,253,593	1,699,615
Staff Welfare/other	598,333	278,82
DIT Board Expense	32,850	29,850
Pension	<u>3,639,737</u>	<u>2,071,182</u>
Total Staff Costs	<u>59,130,407</u>	<u>45,167,658</u>
Total No. of Staff	53	55

NOTE 7: BOARD EXPENSES

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
Board sitting allowance	8,067,820	9,591,500
Board Mileage	2,951,923	2,553,012
Board medical cover	329,626	-
Air-time allowance	18,000	24,000
Board Honoraria	<u>861,936</u>	<u>960,000</u>
Total Board Expenses	<u>12,229,305</u>	<u>13,128,512</u>

NOTE 8: ADMINISTRATION AND GENERAL EXPENSES

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
Publishing, Printing and stationery	2,023,660	5,080,132
Postal, Telephone and Internet	1,644,838	580,258
Hire of Transport	194,250	491,350
Motor vehicle fuel and Oil	4,436,885	3,482,841
Motor Vehicle Maintenance	3,903,370	4,626,052
Motor Vehicle Insurance	3,227,921	1,483,666
General Repairs and maintenance	535,764	2,884,076
Advertising and Publicity	7,194,818	7,138,553
Computer stationery	1,852,500	811,864
Travelling and accommodation-local	11,672,735	9,324,178
General office Running Expenses	1,547,747	2,748,456
Conferences, Meetings and Trainings	7,007,176	3,492,207
Education and trainings	7,065,160	8,634,503
Security Services	603,200	784,160
Legal, professional and subscription fees	11,836,524	738,609
Depreciation and amortization	20,183,058	13,176,688
Monitoring and Evaluation	7,244,225	3,488,500
Electricity and water	<u>529,956</u>	<u>381,543</u>
Total admin and general expenses	<u>92,703,787</u>	<u>69,347,636</u>

NOTE 9: DEVELOPMENT EXPENSES

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
W.S.P assistance	7,315,626	11,745,136
Consultancy	43,108,650	77,175,150
Water project construction	91,765,217	68,410,999
Water conservancy	-	375,000
Drought Mitigation	2,096,700	26,705,835
ECOSAN Toilets	<u>2,472,000</u>	<u>3,596,416</u>
Total development expenses	<u>146,758,193</u>	<u>188,008,536</u>

NOTE 10: FINANCE CHARGES

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
Bank charges	220,037	295,621
Audit Fees	10,227,056	5,305,833
Exchange loss	<u>10,180,757</u>	-
Total finance charges	<u>20,627,850</u>	<u>5,601,454</u>

NOTE 11: YATTA DAM EXPENSES

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
Land Valuation	-	5,515,947
Legal fees	-	16,954,701
Stamp duty	-	8,742,313
Conveyance Fees	-	200,000

Administrative expenses	-	<u>529,174</u>
Total development expenses	=	<u>31,942,135</u>

NOTE 12: KKV/KYEP EXPENSES

	AMOUNT (Kshs)	AMOUNT (Kshs)
	2012/2013	2011/2012
Wages	4,555,075	13,575,402
Tools	-	1,962,843
Supervision	<u>610,000</u>	<u>836,000</u>
Total KKV/KYEP expenses	<u>5,165,075</u>	<u>16,374,245</u>

NOTE 13: DEBTORS AND PREPAYMENTS

	AMOUNT (Kshs)	AMOUNT (Kshs)
	2012/2013	2011/2012
Trade Debtors	61,041,416	40,849,897
Staff Debtors	1,305,320	3,725,391
Deposits-License Guarantee(Wasreb)	-	1,050,000
Kiambere-Mwingi(Sacco dues)	5,768,792	-
Ministry of water and irrigation	19,896,517	-
Prepaid Board airtime	2,000	2,000
Advance payment	455,728,313	45,968,636
Prepaid motor vehicle insurance	518,715	491,376
Bank Interest Receivable	1,237,500	-
Prepaid staff airtime	90,500	-
Prepaid staff insurance cover	1,552,641	1,699,615
District water officers	<u>2,647,813</u>	<u>8,164,113</u>
Total debtors and prepayments	<u>549,789,527</u>	<u>101,951,028</u>

NOTE 14: CASH AND BANK BALANCES

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
GOK Recurrent a/c	1,235,414	1,265,757
GOK development a/c	29,140,944	115,440,924
Deposits a/c	2,233,337	2,024,890
KYEP A/C	18,609	234,809
GOK/ Unicef Bank a/c	76,353,304	75,688,702
CPC A/C	30,974	1,174,391
ECOSAN/CPC a/c	69,854	3,195,948
Fixed Deposit a/c	100,000,000	159,986,390
Tanathi WSB 10% Retention a/c	40,967,120	19,137,067
TAWSB/ADB Small Towns a/c	6,696,670	2,074,696
Petty Cash	50,000	50,000
Kenya Italy Debt for Development Programme	<u>2,301,655</u>	<u>27,334,661</u>
Total Cash and Bank Balances	<u>259,097,881</u>	<u>407,608,235</u>

NOTE 15: DEVELOPMENT EXPENSES

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
Trade Creditors	82,051,643	74,810,392
10% retention	78,839,957	19,137,067
Mavoko PPP Deposits	-	4,046,465
Payroll	1,331,217	1,162,602
Kenya Revenue Authority	<u>27,911,853</u>	<u>27,607,351</u>
Total Creditors and accruals	<u>190,134,670</u>	<u>126,763,877</u>

NOTE 16: DEFERRED INCOME-SHORT TERM

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
GOK/Unicef Grant	76,353,304	75,688,702
WSTF Grant	<u>-</u>	<u>4,370,339</u>
Total Deferred Income-Short Term	<u>76,353,304</u>	<u>80,059,041</u>

NOTE 17: DEFERRED INCOME-LONG TERM

	AMOUNT	AMOUNT
	(Kshs)	(Kshs)
	2012/2013	2011/2012
Yatta-GOK Counterpart Grant	699,699,250	699,699,250
KIDDP Grant	264,403,763	184,841,823
Gok Development Grant	<u>322,000,000</u>	<u>138,000,000</u>
Total Deferred Income-Long Term	<u>1,286,103,013</u>	<u>1,022,541,073</u>

NOTE 18: PRIOR YEAR ADJUSTMENT

This represents an project costs relating to Yatta dam water and sanitation project which had been expensed in the previous year but now capitalized

	AMOUNT(Kshs)
	2012/2013
Land Valuation	5,515,947
Legal fees	17,254,701
Stamp duty	8,742,313
Conveyance Fees	200,000
Administrative expenses	<u>529,174</u>
Total development expenses	<u>32,242,885</u>

NOTE 19. CURRENCY:

These financial statements are presented in Kenya Shillings

NOTE 20: CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalent comprise cash in hand and deposits held at call with a local bank.

NOTE 21: OTHER BOARD ASSETS

Some Board assets including the Water supply Infrastructure acquired through the transfer plan were excluded from the financial statements . This is because they are yet to be valued. The list of these assets will be prepared with a view to initiate the valuation process

