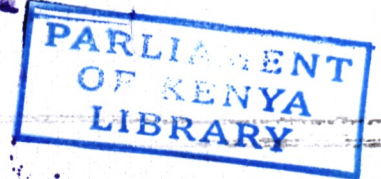


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT
OF
THE CONTROLLER
AND AUDITOR-GENERAL**

ON

**THE FINANCIAL STATEMENTS OF
TANA WATER SERVICES BOARD FOR
THE YEAR ENDED 30 JUNE 2008**

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KENYA NATIONAL AUDIT OFFICE

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TANA WATER SERVICES BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2008

TANA WATER SERVICES BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2008

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TANA WATER SERVICES BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
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VISION

“To be the model Water Services Board in the African Region”

MISSION

To ensure provision of affordable, reliable and sustainable water and sewerage services by developing facilities and contracting effective Water Services Providers.

CORE VALUES

- a) Strong commitment to the delivery of quality customer service.
- b) Commitment to good governance, transparency and accountability.
- c) Adherence to competence and performance.
- d) Commitment to teamwork, networking and collaborations with others.
- e) Commitment to innovation and continuous learning.
- f) Committed to the welfare of the poor, vulnerable and marginalized groups.

RESULTS FOR THE YEAR

The surplus for the year was ksh.417,120,817 as presented on page 16.

TANA WATER SERVICES BOARD
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CORPORATE INFORMATION

BOARD MEMBERS

Mr. Kabuya Muito	Chairman
Mrs. J. N. Wanjage	Member
Mrs. Mary Njeri Nyoike	Member
Mrs. Raphaela Wangai Njagi	Member
Dr. Leonard Kisovi	Member
Prof. Ciriaka Kithinji	Member
Eng. R. N. Gakubia	Alternate to PS- MWI
Mr. Pius Njogu	Rep. Mwea Multi- Purpose Scheme
Mrs. Angeline Awino Hongo	Alternate PS. DPM- Ministry of Local Govt.
Mr. Benjamin Kamuruci	Member
Mr. Martin Wamwea	Alternate To PS. Finance
Mr. Geoffrey Mwanza Muluvi	Member
Mr. S . N. Muchai	Chief Executive Officer

Others who served as Board Members includes:-

Mr. Michael George Kwali	Resigned 17 th December 2007
Mrs. Grace Ndegwa	Resigned 5 th November 2007
Mr. James K. Horeria	Resigned 16 th November 2007
Mr. Billow Abdi	Resigned 12 th May 2008
Mr. Isaac Kirui	Resigned 14 th February 2008

SENIOR MANAGEMENT

Mr. S N. Muchai	Chief Executive Officer
Mr. T W. Kibaki	Planning and Strategy Manager
Mr. S N. Githinji	Ag. Technical Services Manager
Mr. P M Gichaaga	Ag. Finance & Administration Manager

TANA WATER SERVICES BOARD
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BOARD COMMITTEES

1. AUDIT COMMITTEE

Dr. Kisovi Leonard	Chairman
Mr. Martin Wamwea	
Mr. Raphaela Wangai	
Mr. Pius Njogu	
Mr. Peter Gichaaga	Secretary

2. FINANCE & ADMINISTRATION COMMITTEE

Mrs. Mary Njeri Nyoike	Chairperson
Eng. R. N. Gakubia	
Mr. Martin Wamwea	
Prof. Geoffrey M. Muluvi	
Mr. Benjamin Kamuruci	

3. TECHNICAL PLANNING & STRATEGY COMMITTEE

Prof. Ciriaka T. Kithinji	Chairperson
Eng. R. N. Gakubia	
Mr. J. N. Wanjage	
Mrs Angeline Hongo	
Mr. Benjamin Kamuruci	

TANA WATER SERVICES BOARD
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ESTABLISHMENT

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

OFFICES

Registered Office

Maji House, Nyeri

Boden Powell road

P. O. Box 1292 – 10100

NYERI

Tel: 061- 2032282

Fax: 061- 2034118

Email address : tanawatersb@wananchi.com

AUDITORS

Controller & Auditor General

Kenya National Audit Office

P. O. Box 30084 - 00100

NAIROBI.

BANKERS

Kenya Commercial Bank Limited

Nyeri Branch

P. O. Box 215- 10100

NYERI.

REPORT OF BOARD MEMBERS

The Board Members present their annual report together with unaudited financial statements for the year ended 30th June 2008.

PRINCIPAL ACTIVITY

The principal activity of the Board is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in the area of jurisdiction (15 Districts- Nyeri North, Nyeri South, Murang'a North, Murang'a South, Kirinyaga, Embu, Mbeere, Meru South, Maara, Imenti South, Imenti North, Meru Central, Igembe, Tigania and Tharaka)

The Board's mandate includes:-

- i. Managing and developing water supply and sanitation assets
- ii. Entering into service provision agreements with WSPs and monitoring their performance.
- iii. Supporting communities in areas of responsibility in the provision of water and sanitation.

BOARD MEMBERS

The Board Members who served up to 30th June 2008 are set out on pages 3 to 4.

BY ORDER OF THE BOARD



CHIEF EXECUTIVE OFFICER

DATE...22-12-2008.....



THE CHAIRMAN'S STATEMENT

It is with great pleasure that I present the Boards Annual Report for the period ended 30th June 2008.

The Board considers it important, to report to our stakeholders and the general public on activities of the year and the accomplishments realized during the year. Its worth noting that towards the end of this financial year the Minister for Water & Irrigation constituted Tanathi Water Services Board as the eighth water services Board in the Republic of Kenya covering Kitui, Mutomo, Mwingi and Kyuso Districts which were previously within our jurisdiction as per legal notice No. 69 of 4th June 2008. Preparations are in progress for the official handing over of the assets and liabilities of the affected Districts to the new Board. I take the opportunity to warmly welcome Tanathi Water Services Board in the water sector and look forward to a continued and harmonious working relationship as we strive towards the full attainment of water sector reforms objectives.

Some of the instruments that guided the achievements realized during the year include:

Strategic Plan

The Board continued with implementation of strategic objectives set out in our 10 years strategic plan (2005 – 2015) and commenced review of the same in order to align with other emerging issues and vision 2030.

Performance Contract

The Board signed and implemented the third cycle of performance contract which specifies the intention, obligations and responsibilities of the two contracting parties. I am happy to report that the Board Members negotiated and signed a performance contract with the Ministry of Water & Irrigation. In the year 2006/2007 the Board achieved a good performance and was ranked position 19 among the State Corporations.

TANA WATER SERVICES BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2008

I wish to conclude by registering my Board's gratitude to all the stakeholders who helped us make 2007/2008 a successful year for the Board, the Treasury and Ministry of Water & Irrigation in particular, our development partners, business partners and our clients.

MR. KABUYA MUITO
CHAIRMAN


Sign..... Date.....

23/12/08



REPORT OF THE CHIEF EXECUTIVE OFFICER

“It is my pleasure to report to you highlights of our operations during the period under review and the plans for the coming year. During the period, the Board made notable progress in the following areas.”

Projects

In the financial year 2007/2008 the Board completed three water projects namely Othaya, Mukurweini and Warazo Jet, four other water projects namely Mwiyo, Kahuti, Mathira and Ruiru are expected to be completed in the financial year 2008/2009. These projects were funded by JICA. The Board through the support of Africa Development Bank (ADB) will implement the Murang'a North and South Bulk Water Supply Project.

The Ministry of Water and Irrigation in collaboration with Tana Water Services Board with the support of a development partner BADEA commenced the feasibility study for the water supply and sanitation in seven towns in Kenya. Included among these towns are Maragua, Kerugoya and Kutus towns which are within the Board's area of operation. The objective of the study was to identify the existing water supply and sanitation facilities, to establish the future and ultimate demand, to undertake social-economic survey, to identify the augmentation requirements of existing water supply systems, to identify water sources and to identify Participatory Hygiene and Sanitation Transformation (PHAST) sewerage system for conveyance and treatment of wastewater.

Human Resource

During the period under review, the Board Members made achievements in key areas geared towards improving staff motivation and productivity. Among them were revision, harmonization and implementation of staff salaries from July 2008. The Board with the support from European Union will continue with capacity building programmes for both Board staff and WSPs.

Improved Management Practices

In line with the Government Reforms initiatives, the Board adopted Performance Contracts Management Approach. During the period under review the Board, CEO and Departmental Managers and contracted WSPs signed performance contracts. Among the prime features of performance contract are the requirements for measurability of performance, integration of management systems and periods reporting of achievements. This approach has improved the utilization of available resources leading to better service delivery.

ISO 9001:2000 Quality Management System Certification

In order to improve service delivery and benchmark Board processes to meet international standards, the Board continued with implementation of ISO certification processes, the first stage external audit was finalized and the second and final stage of external audit is expected to be completed in the year when the Board attains ISO certification.

Future Outlook

In the year under review, the Board made remarkable achievements in project implementation and collaboration with our development partners. To keep abreast with the modern Information Technology, the Board undertook the implementation of the Microsoft Dynamics Great Plains Financial Management Information System (MS GP FMIS) and Water Reporting Information System (WARIS). In the financial year 2008/2009 the Board will make effort to interlink Water Service Providers (WSPs) and Head Office through the wide area network.

I believe this is a significant stride towards achieving our mandate. Nevertheless, there are still major challenges ahead. However, with the support of the government, development partners and all stakeholders the Board is well positioned to meet and exceed clients and other stakeholder's expectations.

TANA WATER SERVICES BOARD
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Challenges

The Board inherited water infrastructure from National Water Conservation and Pipeline Corporation and Ministry of Water and Irrigation Schemes which were in poor state. This leads to high unaccounted for water; low connections; and sub-optimal access to quality water even in areas that are serviced by the existing systems. Other challenges identified include: degraded catchment areas which affect the quality and adequacy of water supply; numerous and un-economical community water schemes that are poorly managed; over-abstraction of water due to poor enforcement of permits regulations; polluted sources of water with the attendant risks to consumers. The main challenge for the Board is to seek for funding to upgrade water and sewerage infrastructures to ensure quality and quantity water provision.

In line with the Board's mandate of developing Water and sewerage infrastructures the existing staff levels and competencies are inadequate. In the financial year 2008/2009 the Board is looking for ways to improve on this with the support of Development partners'. These challenges have contributed to low revenue generation thus posing negative impact towards the Board's financial sustainability in the short run.

The other major challenge that the Board faces is the valuation of assets inherited from National Water Conservation & Pipeline Corporation and Ministry of Water and Irrigation. These assets have continuously been omitted from the financial statements and been an audit issue all through. The Board will continue to pursue the issue with the Ministry and have it finalized during the financial year 2008/2009.

Appreciation

Our achievements would not have been possible without the support of the Government through the Ministry of Water & Irrigation, Board Members, employees, stakeholders, clients and development partners. I take this opportunity to sincerely thank them all and request them to continue supporting the Board in the future.



Eng. M. M. NAIVASHA

CHIEF EXECUTIVE OFFICER

DATE: ...22-12-2008..

TANA WATER SERVICES BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2008

CORPORATE GOVERNANCE STATEMENT

The Structure of Tana Water Services Board starts with the Board Members comprising of thirteen members representing various stakeholder interests.

The Board has established a governance culture built on the principles of integrity, accountability and transparency. The Board is managed under the direction of the Board Members whose responsibility is to maximize long-term economic value for all stakeholders. The Chairman of the Board and its Committees oversee the corporate governance, advises management in developing financial plans, corporate strategy, goals and objectives as well as evaluating management's performance in pursuing and achieving those goals.

BOARD COMMITTEES:

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

Finance and Administration Committee

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

Their terms of Reference includes but not confined to prudent financial management, human resource planning, employee welfare, recruitment, training, performance management, discipline, health & safety and HIV/ AIDS.



Technical Planning and Strategy Committee

The committee is responsible for strategic planning, efficient allocation and utilization of resources, developing proposals for funding and investment programs for the corporation.

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

Audit Committee

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

- Safeguarding of the Board's Assets
- Scope and effectiveness of the internal controls.
- Audit of the Annual financial statements
- Compliance with all applicable regulatory requirements and Accounting standards.

TANA WATER SERVICES BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2008

STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2008

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

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

The Board Members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Corporation and of its operating results. The Board Members further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements as well as adequate system of Internal financial control.

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

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

MR. KABUYA MUITO

CHAIRMAN


Sign..... Date..... 23/12/08

MARY NJERI NYOIKE
MEMBER


Sign..... Date..... 23/12/2008



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF TANA WATER SERVICES BOARD FOR THE YEAR ENDED 30 JUNE 2008

I have audited the financial statements of Tana Water Services Board set out on pages 16 to 28 which comprise the balance sheet as at 30 June 2008, and the income statement, statement of changes in accumulated fund and cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Board's Responsibility for the Financial Statements

The Board is responsible for the preparation of financial statements which give a true and fair view of the company's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board, as well as

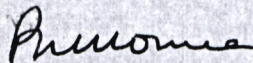
evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Property, plant and equipment

As previously reported, the Board inherited a number of non-current assets previously held by the Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation, which have not been incorporated in these financial statements. These assets include Maji House in Nyeri and the surrounding land, seven (7) motor vehicles allocated to area managers of water schemes in the region and forty (40) motor vehicles with District Water Officers. In addition, the net book value as at 30 June 2008 includes the value of four vehicles which have not been registered in the Board's name as they still bear GK registration numbers. Consequently, it is not possible to confirm the ownership of these assets or whether property, plant and equipment balance of Kshs. 40,652,150 is fairly stated in these financial statements.

Opinion

Except for any adjustments that might be necessary arising from the foregoing reservation, in my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the financial position of the Board as at 30 June 2008 and of its surplus and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Water Act, 2002.



**P. N. KOMORA, CBS.
CONTROLLER AND AUDITOR GENERAL**

Nairobi

16 January 2009

STATEMENT OF INCOME AND EXPENDITURE

FOR THE YEAR ENDED 30TH JUNE 2008

	NOTE	Ksh. 2007/08	Ksh. 2006/07
<u>INCOME</u>			
Water Sales	3	8,666,670	3,557,673
GOK Recurrent Grant	4	30,000,000	5,000,000
GOK Development Grant	5	25,907,404	74,862,596
Donor Funds	6	384,541,226	169,281,830
WSPs Fees	7	45,114,516	24,711,996
Other Income	8	7,342,826	2,836,146
TOTAL INCOME		<u>501,572,642</u>	<u>280,250,241</u>
 <u>EXPENDITURE</u>			
Other Operational Costs	9	12,584,364	31,424,835
Admin. & General Expenses	10	56,004,629	40,360,565
Financial Charges	11	9,476,632	6,709,643
Kandara O & M Expenses	18	6,386,200	3,385,993
TOTAL EXPENSES		<u>84,451,825</u>	<u>81,881,036</u>
 SURPLUS		 <u>417,120,817</u>	 <u>198,369,205</u>

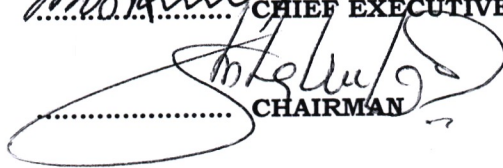
BALANCE SHEET AS AT 30TH JUNE 2008

		2007/08 Ksh.	2006/07 Ksh.
ASSETS	NOTE		
NON-CURRENT ASSETS			
Property, Plant and Equipment	2	40,652,150	34,424,177
Work in progress	16	520,620,496	171,145,246
Infrastructure Development	17	37,336,492	36,747,077
TOTAL NON-CURRENT ASSETS		<u>598,609,138</u>	<u>242,316,500</u>
CURRENT ASSETS			
Debtors and Deposits	12	35,985,896	18,069,268
Inventories		806,009	430,939
Cash and Bank Balances	13	221,992,755	137,999,924
TOTAL CURRENT ASSETS		<u>258,784,660</u>	<u>156,500,131</u>
TOTAL ASSETS		<u>857,393,798</u>	<u>398,816,631</u>
FUND ACCOUNT			
	14	666,680,353	357,353,150
CAPITAL GRANT	20	5,465,109	13,260,782
		<u>672,145,462</u>	<u>370,613,932</u>
CURRENT LIABILITIES			
Payables, Accruals and Commitments	15	185,248,336	28,202,699
TOTAL FUNDS AND LIABILITIES		<u>857,393,798</u>	<u>398,816,631</u>

The Financial Statements on pages 16 to 28 were approved for release by the Board members on 25th September 2008

 CHIEF EXECUTIVE OFFICER

DATE 22-12-08

 CHAIRMAN

DATE 23/12/08

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2008

CASHFLOW FROM OPERATING ACTIVITIES:

	2007/08	2006/07
	Ksh.	Ksh.
Net surplus for the Period	417,120,817	198,369,205
Adjustment for:		
Depreciation	8,493,485	6,394,609
Operating surplus before working capital	425,614,302	204,763,814
Debtors and deposits	(17,916,628)	(9,940,150)
Inventories	(375,070)	(189,786)
Payables, consumer deposits and commitments	157,045,637	10,917,922
Net cash generated from operating activities	<u>564,368,241</u>	<u>205,551,800</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Capital grant	-	-
Gratuity	1,808,666	527,836
Deferred Income	(117,397,953)	114,718,657
Net cash flows from financing activities	<u>(115,589,287)</u>	<u>115,246,493</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Work in progress	(349,475,250)	(190,428,313)
Infrastructure development	(589,415)	-
Purchase of assets	(14,721,458)	(28,447,917)
Net cash flows from Investing activities	<u>(364,786,123)</u>	<u>(218,876,230)</u>
Net increase in cash and cash equivalents	83,992,831	101,922,063
Cash and cash equivalents at the beginning	137,999,924	36,077,861
CASH AND CASH EQUIVALENTS AT 30th June 2008	<u>221,992,755</u>	<u>137,999,924</u>

**STATEMENT OF CHANGES IN ACCUMULATED FUND
FOR THE YEAR ENDED 30TH JUNE 2008**

	SURPLUS FOR THE YEAR	CAPITAL GRANT	GRATUITY FUND	DEFERRED INCOME	TOTAL
Balance on 01.07.07	242,106,657	13,260,782	527,836	114,718,657	370,613,932
Surplus for the Period	417,120,817	-			417,120,817
Deferred Income				(2,679,296)	(2,679,296)
Armortisation	7,795,673	(7,795,673)			-
Transfer during the Period	-	-	1,808,666	(114,718,657)	(112,909,991)
Balance on 30.06.08	667,023,147	5,465,109	2,336,502	(2,679,296)	672,145,462

SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of Preparation and form of presentation

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

(a) Revenue

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

(i) Water Sales, Connection and Reconnection Fees

Income is recognized upon supply of water and represents amounts billed.

(ii) Grants

Grant from Government and Development partners is recognized as income upon receipt.

(iii) Lease Fees

Lease fees from Water Service Providers (WSPs) are recognized as income when earned.

(iv) Interest

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

TANA WATER SERVICES BOARD
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FOR THE YEAR ENDED 30TH JUNE 2008

(b) Inventories

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

(c) Trade Debtors

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

(d) Property, Plant and Equipment

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

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

(e) Amortization for Capital Grants

Capital grants relates to various assets which were donated by KWSP,GTZ and MWI at the formation of the Board. Amortization is calculated on a reducing balance basis using the respective asset items annual rate. For the financial year 2007/2008 amortization has been computed for three years to cater for the current financial year and the previous two financial years where amortization was not provided for in the financial statements, at the following rates;

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

(f) Employees Benefits - Pension Obligations

The Board contributes to the National Social Security Fund (NSSF) at a rate of Ksh.200 per month per employee. This amount is charged to the Income and Expenditure statement.

TANA WATER SERVICES BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2008

(g) Nature and purpose of Fund Account

- (i) Surplus for the year** – This relates to the balance of funds allocated for capital work in progress during the year. It is therefore not a realizable surplus since it has been committed.
- (ii) Capital Grant** – This relates to various assets which were donated by KWSP, GTZ and MWI at the formation of the Board.
- (iii) Gratuity Fund** – This is a sinking fund set for the purposes of payment of staff gratuity at expiry of contract.
- (iv) Deferred Income** – This relates to the balance of GOK development grants and donor funds that remained uncommitted at the financial year end.
- (h) Cash and Cash Equivalents** – For the purposes of presentation in the cash flow statement the cash and cash equivalent comprises of cash and bank balances.



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE 2008**

2A. PROPERTY, PLANT AND EQUIPMENT

COST/VALUATION	Kahuti Scheme	Boat Kshs	Motor Vehicles Kshs	Furniture and Fittings Kshs	Plant and Equipment Kshs	Computer and Accessories Kshs	Total Kshs
Balance on 01.07.07	17,770,088	215,815	18,122,775	1,629,852	792,281	6,597,487	45,128,298
Additions	-	-	8,808,230	816,450	1,250,910	3,845,868	14,721,458
Balance as at 31.06.08	17,770,088	215,815	26,931,005	2,446,302	2,043,191	10,443,355	59,849,756
DEPRECIATION							
Balance as at 01.07.07	444,252	94,419	6,313,068	381,997	255,413	3,214,972	10,704,121
Charge for the year	433,146	30,349	5,044,484	258,038	335,496	2,391,972	8,493,485
Balance as at 30.06.08	877,398	124,768	11,357,552	640,035	590,909	5,606,944	19,197,606
Net Book Value as at 30.06.08	16,892,690	91,047	15,573,453	1,806,267	1,452,282	4,836,411	40,652,150
Net Book Value as at 30.06.07	17,325,836	121,396	11,809,707	1,247,855	536,868	3,382,515	34,424,177

The assets in the financial statements are only the ones which the Board purchased since it started operations and those which were donated by the development partners. It is worth to note that the Board acquired other assets from the MOWI and NWCPC as per the transfer plan within its area of operation. These assets have been omitted from the financial statements because they have not yet been valued.

2B. AMORTIZATION OF CAPITAL GRANT

COST/VALUATION	Motor Vehicles Kshs	Furniture and Fittings Kshs	Computer and Accessories Kshs	Total Kshs
Balance on 01.07.07	9,506,000	984,960	2,769,822	13,260,782
Additions	-	-	-	-
Balance as at 31.06.08	9,506,000	984,960	2,769,822	13,260,782
AMORTIZATION				
Balance as at 01.07.07	-	-	-	-
Charge for three years	5,495,656	352,114	1,947,903	7,795,673
Balance as at 30.06.08	5,495,656	352,114	1,947,903	7,795,673
Net Book Value as at 30.06.08	4,010,344	632,846	821,919	5,465,109
Net Book Value as at 30.06.07	9,506,000	984,960	2,769,822	13,260,782

Capital grant relates to various assets which were donated KWSP,GTZ and MWI at the formation of the Board. Amortization is calculated on a reducing balance basis using the respective asset items annual rate. For financial year 2007/2008 amortization has been computed for three years to cater for the current FY and the previous two financial years where amortisation was not provided for in the financial statements.

NOTES TO THE ACCOUNTS

	2007/08	2006/07
	Ksh	Ksh
3 SALE OF WATER		
Water sales and reconnection fees	<u>8,666,670</u>	<u>3,557,673</u>
<p>The sales for the year relate to Kandara Water scheme which is managed by the TWSB.</p>		
4 GOK RECURRENT GRANTS		
GOK Recurrent	<u>30,000,000</u>	<u>5,000,000</u>
	30,000,000	5,000,000
<p>The GOK recurrent allocation was based on the printed estimates for the year to cater for the Board's administration, operation and maintenance expenditure. The funds were received in full by the end of the financial year.</p>		
5 GOK DEVELOPMENT GRANTS		
GOK Development - Mwingi/Kyuso	15,000,000	-
GOK Development - Kanyuambora	370,000	-
OMWASCO grant	252,814	26,747,186
GOK Ruiru Project	1,393,293	8,606,707
Meru North grant	3,858,509	2,141,491
GOK Kahuti Project	-	17,000,000
Gichugu grant	-	5,000,000
Karurumo - Kiahia	-	3,000,000
Kavisuni grant	-	10,000,000
Mwingi grant	4,572,828	427,172
Kandara grant	59,960	1,940,040
Murang'a/Maragua Grant	400,000	-
	<u>25,907,404</u>	<u>74,862,596</u>
6 DONOR FUNDS		
JICA I Grant	104,181,253	134,986,555
JICA II Grant	259,969,798	
KWSP-SIDA,DANIDA,GTZ	20,390,175	34,295,275
	<u>384,541,226</u>	<u>169,281,830</u>
7 WSP FEES	57,625,583	35,992,574
Less: WASREB Fees	(4,316,852)	(3,602,958)
Asset Owner Lease Fees	(8,194,215)	(7,677,620)
	<u>45,114,516</u>	<u>24,711,996</u>
8 OTHER INCOME		
Interest	6,228,202	2,093,571
Sale of tender documents	977,547	312,575
Miscellaneous income	6,578	-
UNICEF	130,500	-
Chemicals (GOK)	-	430,000
	<u>7,342,826</u>	<u>2,836,146</u>
TOTAL INCOME	<u>501,572,641</u>	<u>280,250,241</u>



	2007/08	2006/07
	Ksh.	Ksh.
9 OTHER OPERATIONAL COSTS		
Workshops and seminars	4,760,516	12,950,820
Consultancy	7,823,848	14,495,145
Borehole repairs	-	114,000
Resource mobilisation	-	96,070
Business plan	-	1,307,956
Metering	-	427,809
Drought intervention(KWSP)	-	936,035
Chemicals	-	1,097,000
	<u>12,584,364</u>	<u>31,424,835</u>

	2007/08	2006/07
	Ksh.	Ksh.
10 ADMINISTRATION AND GENERAL		
Staff costs		
Salaries and wages	12,714,990	10,856,994
Leave allowance	1,004,331	115,270
NSSF-Employer contribution	14,600	7,200
Pension	284,666	-
Gratuity	1,583,508	505,920
Salary Top Ups	2,685,291	-
Staff motivation	-	20,000
	<u>18,287,387</u>	<u>11,505,384</u>
Staff Establishments	891*	1024**
Board expenses		
Honoraria	480,000	480,000
Sitting allowance and accomodation	5,325,435	4,495,413
Board functions	-	1,300,359
	<u>5,805,435</u>	<u>6,275,772</u>
Motor vehicle running costs		
Fuel and Lubricants	2,441,469	1,769,735
Repairs and maintenance	3,295,399	2,738,460
	<u>5,736,868</u>	<u>4,508,195</u>
Administrative expenses		
Mobile Toilets	175,001	-
ASK Show costs	334,230	288,206
Printing and stationery	1,786,165	1,041,479
Staff training	841,845	256,530
Conferences and Meetings	2,143,705	-
Telephone	1,979,411	3,109,760
Office and House Keeping	2,735,569	2,964,068
Travelling and Subsistence	8,846,732	5,100,875
Foreign Travel	145,588	-
Electricity and water	390,545	100,752
Donations and Subscriptions	-	1,163
Insurances	559,553	300,000
Security	455,830	657,122
Advertising and Publicity	1,762,156	2,054,221
Computer Stationery and Accessories	558,798	-
Internet and Networking	309,873	-
Library	24,975	-
Postage and Courier	456,719	-
General Provision Bad and Doubtful debts	1,367,087	1,464,288
	<u>24,873,782</u>	<u>17,338,464</u>
General expenses		
General repairs and maintenance	821,074	462,720
Professional and Subscriptions fees	87,100	174,000
Legal fees	-	96,030
Staff Uniforms	116,184	-
UNICEF Expenses	128,000	-
ACP-EU Expenses	148,800	-
	<u>1,301,158</u>	<u>732,750</u>
TOTAL ADMIN AND GENERAL	<u>56,004,629</u>	<u>40,360,565</u>

(ii) Staff Establishment

*During 2007/2008 financial year the total staff establishment in the Board area of operation was 891 comprising of 43 staff at the Board's Head Office, 190 staff at District Water Offices (DWO's) and 658 staff at the contracted Water Service Providers(WSPs) offices.

**During the financial year 2006/2007 the total staff establishment in the Board area of operation was 1,024 comprising of 56 staff at the Board's Head office, 265 staff at District Water Offices (DWOs) and 703 staff at the contracted Water Service Providers (WSPs) offices.



	2007/08	2006/07
	Ksh.	Ksh.
11 FINANCIAL CHARGES		
Bank charges	287,147	292,730
Audit Fees	696,000	-
Depreciation	8,493,485	6,416,913
	<u>9,476,632</u>	<u>6,709,643</u>
12 ACCOUNTS RECEIVABLES		
Trade debtors - Annex I	25,482,374	13,178,600
Staff imprest - Annex II	2,674,380	4,872,178
Deposits	18,490	18,490
KWSP	7,700,000	-
Ukulima Sacco ltd	110,652	-
	<u>35,985,896</u>	<u>18,069,268</u>
13 CASH AND BANK BALANCES		
Account No.007-Consumer deposits	2,900,121	2,337,256
Account No.014-GOK Recurrent*	24,327,129	(6,448,559)
Account No.072-Kandara	929,845	323,880
Account No.942-KWSP	10,031,171	21,181,207
Account No.007-Gratuity	2,231,853	526,036
Short term deposit**	170,000,000	120,000,000
Account No.212-972-409 -Dev.	11,496,556	-
Cash in hand	76,080	80,104
	<u>221,992,755</u>	<u>137,999,924</u>
<p>* This account receives both deposits from GOK recurrent and AIA revenue funds.</p> <p>** This relates to the balance of donor funds received during the financial year deposited in the account.</p>		
14 FUND ACCOUNT		
Balance Brought Forward	357,353,150	43,737,452
Surplus for the Period	417,120,817	198,369,205
Amortisation of capital grant	7,795,673	
Less Deferred Income b/f	(114,718,657)	
Gratuity Fund	1,808,666	527,836
Deferred Income	(2,679,296)	114,718,657
	<u>666,680,353</u>	<u>357,353,150</u>
15 PAYABLES AND ACCRUALS		
Consumer deposits	2,942,118	2,325,461
Trade creditors - Annex III	6,648,444	25,877,238
Commitments - Annex III	175,657,774	
	<u>185,248,336</u>	<u>28,202,699</u>

	2007/08	2006/07
	Ksh.	Ksh.
16 WORK IN PROGRESS - Annex IV	520,620,496	171,145,246
17 INFRASTRUCTURE DEVELOPMENT - Annex V	37,336,492	36,747,077
18 KANDARA O&M EXPENSES		
Salaries & Wages	3,000,248	2,744,969
Leave Allowance	-	2,230
Pension	119,842	-
Insurance	61,272	66,980
Bank Charges	40,045	13,855
Printing & Stationery	93,922	35,841
Telephone & Postage	87,013	39,050
Travelling & Subsistence	526,121	241,821
Water Fittings	360,904	237,047
Electricity	404,989	4,200
Staff Training	17,700	-
Land Compensation	164,000	-
TWSB Levy	825,759	-
Building Materials	56,350	-
Transport	272,445	-
M/Vehicle Repairs and Maintenance	132,181	-
Fuel and Lubricants	172,195	-
Office and House Keeping	33,781	-
Internet and Networking	17,432	-
	6,386,200	3,385,993

This relates to expenditure incurred for operation and maintenance of Kandara water scheme which was managed by the Board during the financial year.

19 DEFERRED INCOME		
JICA I Grants	(3,096,278)	104,181,253
OMWASCO Grants	-	252,814
Ruiri Grants	-	1,393,293
Muranga/Maragua Grants	-	400,000
Mwingi Grants	(6,268,532)	4,572,828
Kandara Over Expenditure	-	59,960
Meru North Grants	-	3,858,509
Kanyuambora Grants	217,740	-
Embu/Gachoka Over Expenditure	(21,876,098)	-
JICA II Grants	28,343,872	-
	(2,679,296)	114,718,657

This relates to un/(over) spent amount of the grants received during the financial year.

	2007/2008	2006/2007
19 CAPITAL GRANT	5,465,109	13,260,782
	<u>5,465,109</u>	<u>13,260,782</u>

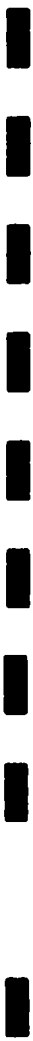
This relates to assets donated to TWSB by KWSP, GTZ and MWI at the formation of the Board. The grants have been Amortized as shown in Note 2B.



ANNEX 1

TRADE DEBTORS AS AT 30TH JUNE, 2008

WSP COMPANY	AMOUNT (KSHS.)
Nyewasco	2,448,345.09
Omwasco	733,684.40
Kiwasco	480,856.25
Mawasco	2,217,400.10
Teawasco	615,653.00
Kawasco	447,054.20
Ngandori Nginda	174,522.60
Gatamathi	215,020.60
Ewasco	4,791,943.15
Mewass	623,848.10
Embe	418,473.10
Imetha	(8,083.80)
Kitui	1,480,361.40
Maragua	167,027.10
Murang'a	1,799,178.20
Nithi	179,143.90
Tanawasco	714,315.50
Tarda Kiambere	3,721,543.10
Tuuru	3,958,323.30
Murugi Mugumango	117,619.25
Ruiru Thau	92,202.30
Ngariama	559,728.30
Ngagaka	1,998,214.80
Muthambi 4K	82,248.10
Kathita Kiirua	91,465.85
Kathita Gatunga	204,293.25
Rukangawasco	(10,632.45)
SUB TOTAL	28,313,748.69
LESS: 10% General Provision for Bad and Doubtful Debts	(2,831,374.87)
NET TRADE DEBTORS	25,482,373.82



ANNEX 11

STAFF IMPREST AS AT 30 JUNE 2008

DETAILS	AMOUNT (KSHS.)
G K Mathu	51,760.00
Agnes Kawira Mwarania	35,505.00
Charles Ndahi	204,000.00
Daniel Ngugi	1,200.00
Danson Irungu	47,500.00
G M Njoroge	3,000.00
J K Karimi	40,000.00
James M Ndegwa	10,000.00
James M Njoroge	6,000.00
James Muchira	12,000.00
James N Ndegwa	32,000.00
Mary Nyaga	348,350.00
Moses Chelugui	17,000.00
Patrick Waigwa	7,000.00
Paul Ndirima	120,500.00
Susan Kiama	24,750.00
Julius G Wachira	13,500.00
SUB TOTAL	974,065.00
PROJECT RELATED STAFF IMPREST	
DWO Mwingi	70,000.00
Noah Nyamuok	470,415.00
Peter Wawire	26,500.00
David Gitonga Ndirangu	30,000.00
General Mananger-Kahuti (DWO Muranga)	50,000.00
Jacob G Ngugi	71,900.00
Joseph K Mugambi	6,000.00
Joseph M Karani	25,000.00
Meshack Kanyotu	150,000.00
Onesmus Kariuki	114,000.00
Peter K Kimeu	546,500.00
Peter K Kimeu	115,600.00
William Githae	24,400.00
SUB TOTAL	1,700,315.00
GRAND TOTAL	2,674,380.00



LIST OF CREDITORS AS AT 30TH JUNE 2008	
DETAILS	AMOUNT (KSHS.)
ADREC CONSULTING MANAGEMENT	605,190.00
ALTICOM ENTERPRISES	245,000.00
BLUE VALLEY ENTERPRISES	155,909.00
DOSHI HARDWARES	58,340.00
DUNWELL ENTERPRISES	188,508.00
EBRAHIM ELECTRONICS	32,500.00
ESLON PLASTICS	6,000.00
GK KABIRA & CO	180,210.00
GROBAL FAST LINK SUPP	106,627.00
IMPAX BUSINESS SOLUTION	240,526.00
INTOUCH CONSULTING	414,500.00
ISAAC KAMUNYA	154,000.00
JURASSIC ENGINEERING	332,250.00
KARN CONSULTING ENGINEERING	265,600.00
KENYA NATIONAL AUDIT	348,000.00
KIRI CONSULTANTS LTD	623,920.00
LENANA HARDWARE	22,705.60
MANAGEMENT LEASON	342,230.00
MIBM LTD	154,800.00
NANYUKI SIMBA LODGE	46,200.00
NYERI MODERN GARAGE	17,516.00
PARTNERS LINK	120,032.00
PATENT GENERAL SERVICES	32,100.00
POLYPIPES	239,400.00
SIGHT & SOUNDS	180,000.00
TERTIARY CONSULTING	1,231,430.00
TODDY MERCHANTS	36,400.00
TRITON GAS STATION	188,000.00
VALUES INVESTMENT	80,550.00
TOTAL	6,648,443.60

OUTSTANDING COMMITMENTS AS AT 30 TH JUNE 2008	
DETAILS	AMOUNT (KSHS.)
EPHALIN GENERAL	180,000.00
AMUA WATER SYSTEMS-MATERIALS	343,552.00
RUNBURG MERCHANTS	400,000.00
IMARA ENTERPRISE LTD	74,515,767.00
LUJO CONSULTANCY-KAHUTI	2,536,734.40
POLYPIPES	19,985.00
SILVERSPREAD	412,128.00
KINETIC ENGINEERING	77,860.00
HARVEY ENGINEERING	27,443,746.00
GEOCAST	11,233,794.75
LENANA PEAK	38,828,941.00
NORKEN	4,806,796.95



TANA WATER SERVICES BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2008

ANNEX 111

WANANCHI SANITARY & HARDWARE	81,396.00
BLUE VALLEY ENTERPRISES	427,140.00
SATH CONTRACTORS	771,542.30
MIGWI CONSTRUCTORS	581,303.00
ISIOLO MWANGAZA HARDWARE	265,879.70
LA FEMME ENGINEERING	5,877,028.00
AMUA WATER SYSTEMS-CONTRACT	3,014,725.90
MJENGO ALLIED CO LTD	1,088,661.55
NGUKA CONSTRUCTION	1,053,577.90
SEPLAN ENVIRONMENT	1,697,215.00
TOTAL	175,657,774.45



ANNEX IV

WORK IN PROGRESS AS AT 30TH JUNE 2008

DETAILS	AMOUNT (KSHS.)
Warazo Jet - JICA I	54,408,131
Ruiru - JICA I	22,069,390
Mukurweini - JICA I	34,500,079
Mwiyogo - JICA I	55,098,938
Othaya - JICA I	61,970,262
Mathira - JICA II	113,333,426
Kahuti/Murang'a - JICA II	131,111,968
Embu	21,876,098
Mwingi - kiambere	26,252,205
TOTAL	520,620,496

ANNEX V

INFRASTRUCTURE DEVELOPMENT AS AT 30TH JUNE 2008

Meru North	4,806,097
Kandara	2,291,488
Othaya	3,097,470
Kenera	1,556,380
Simbara Amboni	641,288
Kavisuni	5,850,113
Gichugu	5,183,076
Ruiru	1,538,490
Kirimweti	1,581,804
Aguthi	2,136,827
Masinga	93,454
Meru Central	2,841,771
Kiandunyu	790,263
Endarasha	84,948
Mbeere	1,266,315
Kitui	427,172
Karurumo Kiahia	511,665
Gikui Mweru	866,717
Kune	840,000
Kirinyaga - Ngariama	778,895
Kanyuambora	152,260
TOTAL	37,336,492

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