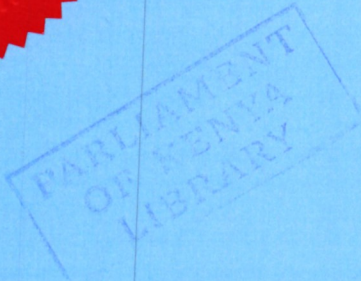


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



THE NATIONAL ASSEMBLY PAPERS LAID	
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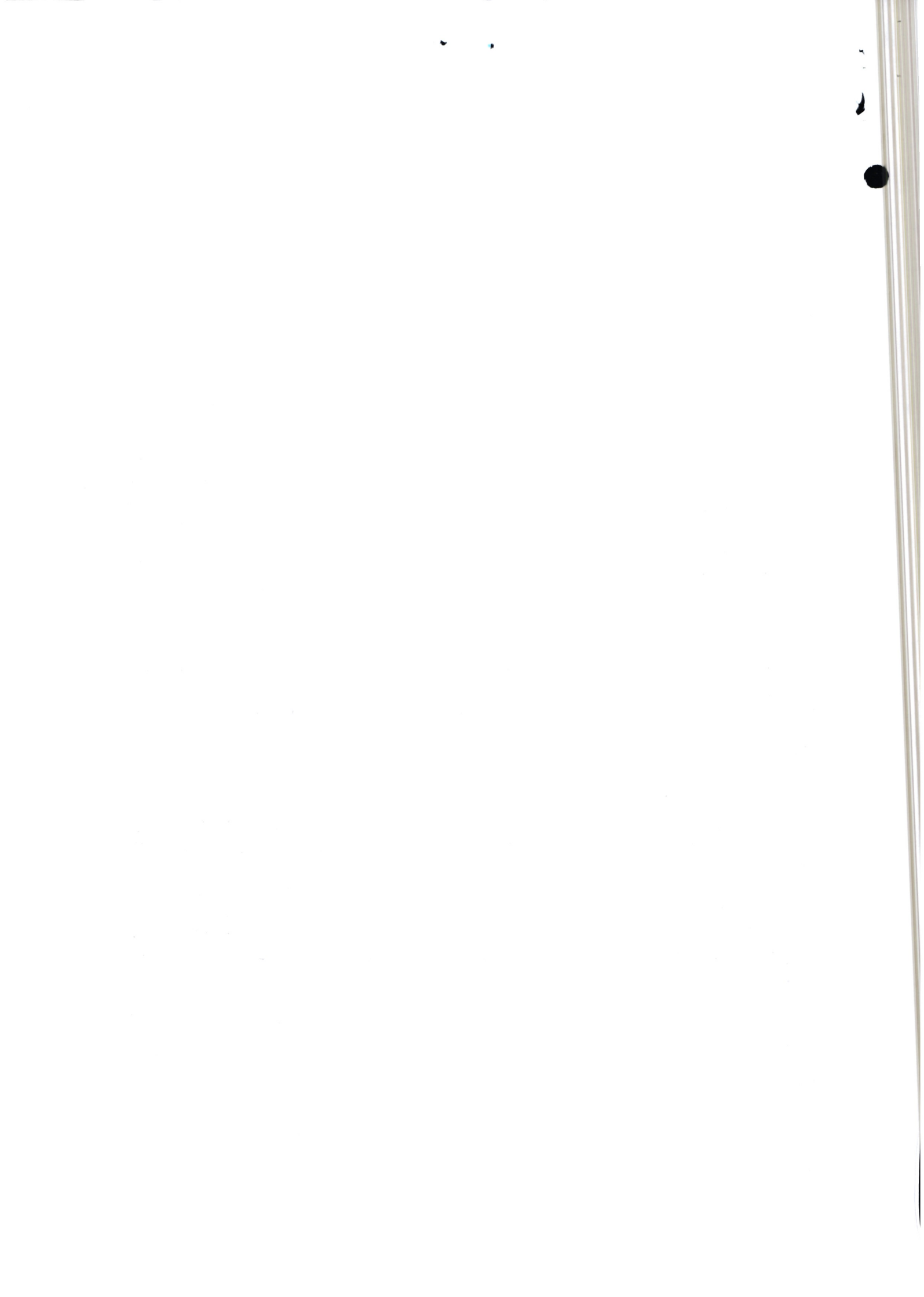
REPORT
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
ATHI WATER SERVICES BOARD

FOR THE YEAR ENDED
30 JUNE 2018





ATHI WATER SERVICES BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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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 2018 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
4.	Ag. Head of Finance and Strategy	Michael K. Kimotho

(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

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.</p> <p>Appointed on 17th April 2015 His term ended on 16th April 2018</p>
 <p>Mr. Samson Ojiayo</p>	<p>Born 1967; IT specialist with specialization in data processing. Has worked in the Motor Vehicle Industry.</p> <p>Appointed on 17th April 2015 His term ended on 16th April 2018</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.</p> <p>Appointed 17th April 2015 His term ended on 16th April 2018</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.</p> <p>Appointed 17th April 2015</p>

	<p>Born 1976 and a successful businessman; Has experience in the security industry.</p> <p>Appointed 9th October 2015.</p>
	<p>Born 1960 and holds a certificate in computer programming.</p> <p>Appointed 9th October 2015.</p>
	<p>Born 1967; Holds a Bachelor of Commerce, currently undertaking a Master in Business Management.</p> <p>Appointed 9th October 2015.</p>
	<p>Born 1962; Holds Bachelor of Commerce (Banking);</p> <p>Appointed 9th October 2015.</p>
	<p>Born 1972; Holds Bachelor of Science Mechanical Engineering and an MBA.</p> <p>Appointed 9th October 2015.</p>
	<p>Born 1988; Holds Bachelor of Education.</p> <p>Appointed on 9th October 2015.</p>
<p>Ms. Ann Wanjiru Munga</p>	

 <p>Ms. Margaret Mwago</p>	<p>Born 1969; Holds a Bachelor Degree in Human Resources Management and a Master in Project Planning Appointed on 9th June 2016</p>
	<p>Eng Michael Thuita is the 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>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>

KEY MANAGEMENT TEAM

Name	Responsibilities and qualifications
 <p>Eng. Michael M. Thuita</p>	<p>Eng Michael Thuita is the 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>Eng. Joseph Kamau</p>	<p>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>CPA Michael Kimotho</p>	<p>CPA Michael Kimotho 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. He was the Acting Head of Finance and Strategy from 11th December 2017 up to 5th June 2018</p>
 <p>Ms. Christine Mawia Julius</p>	<p>CPA Christine Mawia Julius She hold a Bachelor of Business Administration(Accounting) and a Master Degree in Business Administration-Finance She is a member of the Institute of Certified Accountants of Kenya (ICPAK) and the Association of Women Accountants of Kenya (AWAK), with over 12 years' experience. She was appointed Acting Head of Finance as from 6th June 2018.</p>
 <p>Ms. Emily Muthio Mulatya</p>	<p>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>

STATEMENT BY THE CHAIRMAN

I am pleased to report that the AWSB has continued to deliver impressive performance in 2018 despite the challenging operating environment, occasioned by prolonged drought, the extended electioneering period and the low credit to the private sector. We continued to build a strong track record led by a prudent business strategy and a strong corporate governance structure.

Macroeconomic Environment

The Kenyan economy expanded by an average of 4.9% in 2017 compared to an average of 5.9% in 2016, mainly as a result of subdued growth in the agriculture sector, following the 2016/17 drought; and a slowdown in the growth of the financial intermediation sector brought on by slowing private sector credit growth to an average of 2.4% for the year, compared to the five-year average of 14.4%.

The Interest Rates remained stable with the CBK maintaining the CBR at 10.0%, while remaining disciplined in the auction market and rejecting expensive bids, following the capping of interest rates, Inflation declined to 4.5% in the month of December from 7.0% in January after reaching a high of 11.7% in May. For 2017 it averaged 8.0%, on account of a decline in food prices brought about by improved weather conditions towards the close of the year.

The Kenya Shilling remained relatively stable in 2017, depreciating by 0.7% against the dollar despite the political uncertainty in the run up to the general election.

Key Regulatory Highlights

The regulatory environment remains an area of significance to our operations. During the period under review the water sector continued to be governed under the Water Act 2002. To ensure compliance with Constitution of Kenya 2010 (CoK 2010), the Ministry of Water and Sanitation has enacted Water Act 2016. We shall be transformed to a WWDA. The Water Act 2016 defines national public water works as water works whose water resource is: cross county in nature, financed out of the national government share of national revenue and intended to serve a function of the national government. These may include assets such as water storage and water works for the bulk distribution of water services. Furthermore, it specifies that development and management of national public works will be undertaken by the WWDAs whilst county public works will be a responsibility of the respective county. WWDAs are responsible for the:

- Development, maintenance and management of national public works;
- operation of the national public waterworks and provision of water services as a water service provider, until the responsibility for the operation and management of the waterworks is handed over to the county government, joint committee or CCA;
- Provision of technical services and capacity building to county governments and water service providers within its region.

Corporate Governance

So as to ensure that we are focused on the stakeholders' interests, we have put in place proper governance structures, with a Board of Directors consisting of members from diverse backgrounds, each bringing in unique skill-sets to the room. In order to ensure proper oversight, the board members sit in different Board Committees, which include the Finance Human Resource and General purpose Committee, Audit Risk & Governance Committee, Planning and Development Committee, all of which are important in providing strategic leadership and oversight to our operations. During the year, there were some changes to the Board of Directors who retired when their terms expired. We also now have a Board Charter, which clearly defines the respective roles, responsibilities and authorities of our Board of Directors. It also sets out clearly the key values and principles of the Board of Directors as they guide management in setting the direction and control of the organization.

Culture

Central to ensuring long-term delivery against the strategy is developing a culture which rewards high performance but also seeks to build on the values of the company. The Board was pleased to see employees support this, with a marked increase in employee engagement scores. During the fiscal year there were less incidences of regulatory intervention. The Board has focused on improving both the framework and the culture for our control environment.

Strategic Focus:

AWSB in the fiscal year 2017/18 continued with its transformation of being the premier institution in the development of water and sewerage infrastructure. We have remained on course with our strategy of increasing access to water and Sewerage services in line with the Constitution of the Republic of Kenya.

Developing innovative and sustainable water services solutions that transform life and inspire progress underpins our corporate mission. In the period under review, and as part of implementation of our water Masterplan, AWSB continued to implement the 4th Nairobi Water supply to improve water supply to Nairobi City by 140,000 cubic meters of water per day. In addition we are working on additional water sources namely Karimenu and Ruiru 2 dams which will supply Nairobi City and surrounding towns. This program will also benefit communities in Muranga and Kiambu Counties by providing clean and safe water to over 1 million citizens and businesses, in addition to adding value to properties and investments.

We are making significant progress towards achieving the Water Master plan as we endeavour to deliver value to our stakeholders comprising the Consumers, County Governments and National Government.

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

The financial year under review was one filled with great inspiration and progress, and I look forward to continuing our dialogue and joint success in the fiscal year 2018-19. As AWSB transitions in line with Water Act 2016, the future looks bright with the more investment in water and sanitation.

In addition, I would like to thank our employees also on behalf of the Board of Directors for their impressive commitment in 2017/18. It was largely because of their efforts that we were able to successfully navigate a very demanding year. Finally, I would also like to thank you, our shareholders, for your trust and ongoing support and I wish you a successful 2018.

Thank You.



MR. WACHIRA M. KEEN
CHAIRMAN

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

Introduction

I'm delighted to be introducing AWSB's Annual Report for the fiscal year 2017/18; my first as CEO of the Board. From the time I took over this role, it has increasingly become clear to me that, while the water sector remains an attractive sector, the transition period brings with it challenges and opportunities almost in equal measure. In addition, despite improved service delivery in recent years, it is also clear that there are several areas that require to be strengthened.

It is commendable that Athi Water Services Board (AWSB) continues to progressively achieve the long term goals through impressive annual results. During the fiscal year 2017/2018, we were able to witness major achievements in resource mobilization, asset development, stakeholders' and customers' experience. This was achieved by ensuring improved employee engagement and motivation, which in turn led to impressive financial results and Value addition to the stakeholders.

We are in the process of transitioning to Water Act 2016 in which we shall become a water works development agency. In line with this, AWSB reviewed its strategic plan to align it to the Government agenda on water and sanitation services. I believe these priorities enable us to focus on areas we can improve and allow us to respond more effectively to our operating environment. They will focus us on delivering improved performance and better returns for shareholders over both the short and long term, as well as a broader societal contribution.

During the year AWSB received excellent rating from the Commission on Administrative Justice (Ombudsman) for resolving complaints by consumers. Our key focus for the financial year 2018/19 is to ensure that we continue holding customers at the heart of all that we do, creating an even safer working environment, enhancing service delivery and effectively implementing our sector leading Masterplan.

With the direction charted by the AWSB's corporate vision, a committed Board of Directors, a strong management team, a charged and accountable workforce, and the unbounded enthusiasm of our people, I am confident that we will continue to deliver cost effective services for our consumers and fair returns for the Kenyan tax payers whilst continuing to protect the natural environment on which our business depends.

Project Implementation

Our ability to successfully plan and implement water projects was evident again in the fiscal year 2017-18. Despite the challenges on way leave acquisition, The Government and Development Partners continued to entrust AWSB to implement projects within its area of jurisdiction (Nairobi, Kiambu and Muranga counties) but also projects in other Water Services Boards'. We implemented projects in the following counties which are outside our area of jurisdiction: Kajiado, Narok, Kirinyaga, Meru, Kitui, Makueni and Machakos. AWSB continued to implement the 4th Nairobi Water Supply Development Project, a Vision 2030 project that will transform the water situation in Nairobi City, which is the Business Hub for East Africa. The project is implemented with support from GoK, the IDA/World Bank, the French AFD France and the German KfW.

Sustainability and responsibility in focus

The importance of sustainability and responsibility accelerates as stakeholders are increasingly interested in building sustainable value chains across businesses and markets. AWSB's core corporate responsibility objectives are to be an ethical forerunner, minimize negative environmental impact and create value for all stakeholders. 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. Equal opportunities, diversity and inclusive culture represent the values we are committed to and are enforcing in our operations. At AWSB, we have zero tolerance towards any unethical behaviour. We continue to address business ethics as a key topic throughout the value chain in the Fy2018/19.

Our People

It is important for me to talk about our people, as it is the dedication of all the staff at AWSB to work towards positive transformation of the organization. It is through them and by them that the transformation will be made possible. The teamwork at AWSB, coupled with new processes, ways of working, new tools and continuous training will for sure ensure greater institutional achievement.

Despite the fact that the sector is going through transition which creates some anxiety among staff they have again done a great job this year. I would like to personally thank them for all their enthusiasm, engagement and commitment.

Our commitment

At AWSB we aim to deliver a safe, reliable and value-for-money services to our stakeholders. We do so by ensuring that we provide adequate returns and Value for Money to the public, to our Government and Development Partners who provide us with the capital that we require to fund continued investment and maintenance of the infrastructure network.

Outlook

Next year will see another step up in the implementation of our plan and I remain confident in our ability to deliver the five year transformational strategic objectives which will bring immense benefits to our customers, our colleagues and our stakeholders. We are operating in an environment that has immense opportunities for committed citizens, let's stay focused in the fiscal year 2018-19, and as usual let's pull together to deliver excellent water and sanitation services for our stakeholders, fulfilling careers for our staff, exceeding stakeholder expectations, and doing so with integrity

Appreciation

I would like to thank the Board of Directors, the Great Athi Team (GAT), the Ministry of Water and Sanitation, the National Treasury, Development Partners, County Governments, WSPs and all stakeholders for working with us to for the progressive achievement of our vision.



ENG. MICHAEL M. THUITA
CHIEF EXECUTIVE OFFICER

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 2017-2018 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. Details of board membership directors' attendance at Board and committee meetings during the year ended 30 June 2018 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 2018 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 AWSB and drive performance in light of the specific risks facing Athi Water Services Board.

Board performance evaluation

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 (one meeting per committee) 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:-

Director	Classification	Sector	Organization	Attendance
Wachira M. Keen	Non-Executive	Private		14
Mr. Joe Kinuthia Kibochi	Non-Executive	Private		8
Mr. Samson Ojiayo	Non-Executive	Private		8
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	6
Mr. Billy Arocho Otunga	Non-Executive	Private		13
Mr. Francis Kariuki Muheria	Non-Executive	Private		12
Ms. Bancy Njuguna	Non-Executive	Private		14
Mr. Ben O. Kijuu	Non-Executive	Private		14
Mr. Richard Kimani	Non-Executive	Private		13
Ms. Ann Wanjiru Munga	Non-Executive	Private		12
Eng. S.A.O. Alima	Non-Executive	Public	Ministry of Water and Irrigation	10
Margaret Mwago	Non-Executive	Private		13

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 Ojjiyo	Private	4
Mr. Francis Anyona	The National Treasury	1
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	6
Mr. Ben O. Kijuu	Private	6
Ms. Ann Wanjiru Munga	Private	6
Eng. S.A.O. Alima	Ministry of Water and Irrigation	2
Wachira Keen	Private	1

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	14
Mr. Richard Kimani	Private	14
Eng. S.A.O. Alima	Ministry of Water and Irrigation	8
Mr. Francis Anyona	The National Treasury	5
Margaret Mwago	Private	14
Wachira Keen	Private	10

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 continued to implement the 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.

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 2018.

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% 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 Board is committed to continually improve access to information by the public and provision of efficient and quality public services.

MANAGEMENT DISCUSSION AND ANALYSIS

1.0 Financial Performance

During the financial year ending 30th June 2018, AWSB generated total revenue amounting to Ksh 2,033,581,821 against an expenditure of Ksh. 937,046,103 before interest, tax and depreciation. The transfer to the accumulated fund was Ksh 217,463,691.

The total revenue increased by 5% compared to the previous year while the expenditure decreased by 26% as shown in table 1 below which indicates the summary financial performance by AWSB.

Figure 1: Revenue Chart FY 2018 and FY 2017

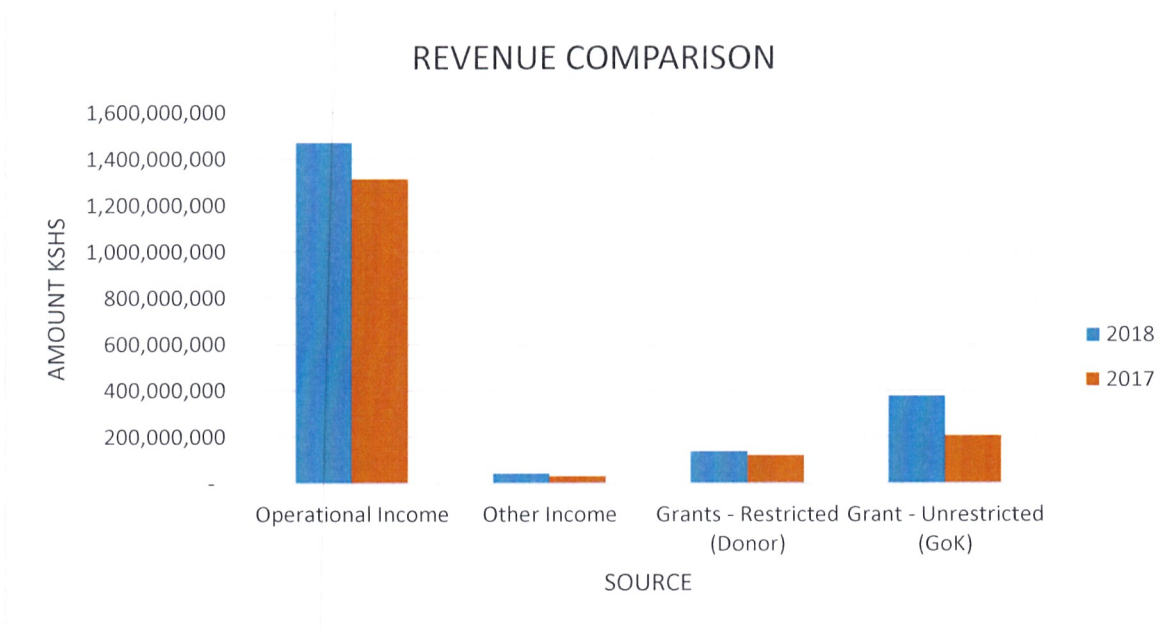


Figure 2: FY 2017 Revenue Distribution

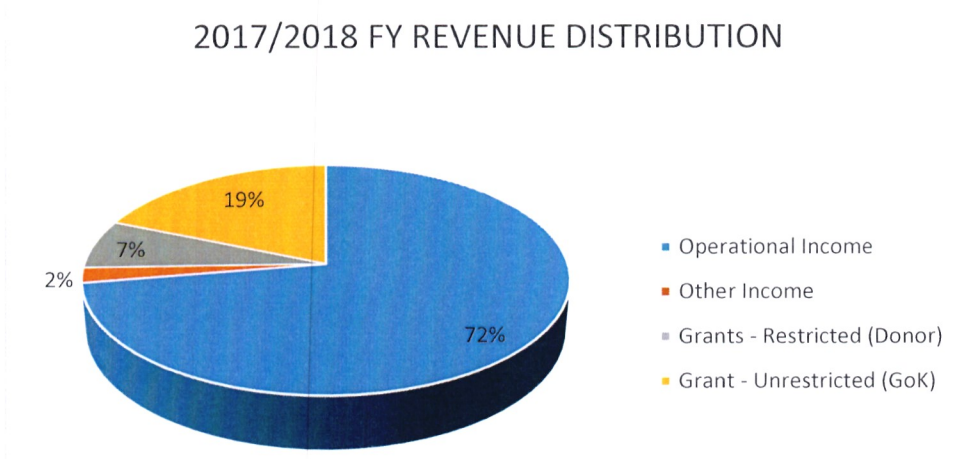
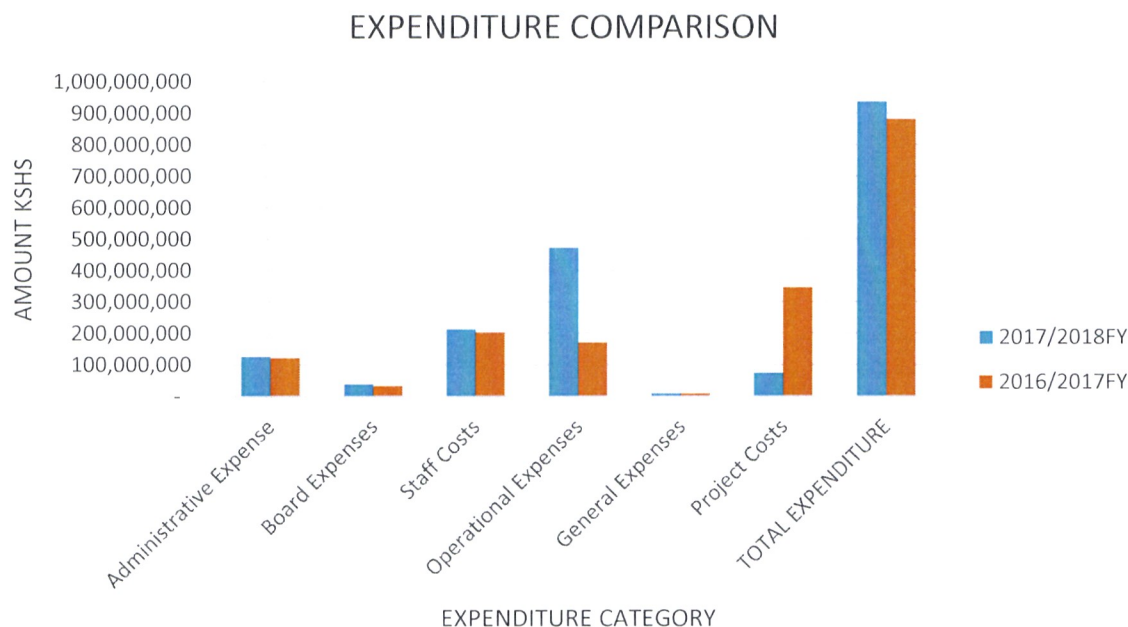


Figure 3: Expenditure Comparison FY 2018 and FY 2017



During the financial year ending 30th June 2018 the asset Base of AWSB increased to Kshs. 44.24 from Ksh 36.42 Billion same period last year, this represents an increase of 21%.

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 Mwhiko

3	Extension Of Nairobi Water Supply (Northern Collector)	40% of the works have been done	17 th January 2014	31 st December 2021	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	15 th April 2016	15 th October 2019	1,200,000,000	Deliver additional 9,000m ³ /day (from existing 1,200m ³ /d pumped system) to areas of Kakuku, Ithanga
5	Water & Sanitation Services & Improvement Project (Athi WSB)	64% of the program works have been done	19 th December 2012	15 th December 2019	16,000,000,000	Additional 140,000 m ³ /day for Nairobi; 14,000 m ³ /day for Muranga, 14,000m ³ /day for Kiambu, 14,000 m ³ /day for Meru, Machakos, Makueni, Kitui and Kajiado counties
6	Rehabilitation Of Water Supply And Sewerage For Oloitokitok Town	works are 18% complete	8 th April 2017	9 th 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 6,000m ³ /d to improve on sanitation
7	Kajiado Rural Water Supply	works are 65% complete	19 th April 2016	18 th April 2019	1,320,000,000	Additional 9,000m ³ /day water supply to the residents within the project area
8	Kiserian Sewerage Project	works are 20% complete	10 th January 2016	30 th 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 6,000m ³ /d
9	Kenya Towns Sustainable water supply and Sanitation Program	Consultancy phase is on going	9 th February 2017	31 st 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	2 nd Sept 2017	3 rd March 2020	24,000,000,000	Additional 51,000m ³ /day Water produced for Karuri, Kiambu and Githunguri
11	Nairobi Metro Area Bulk water Sources-Karimenu II	Design work on going	3 rd May 2017	4 th November 2020	21,000,000,000	Additional 70,000m ³ /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 2017/18 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. Non-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.

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 2017/2018, 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 2017/18, 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 2017-2018 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.

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

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.

REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2018 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 2018 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 17/04/2019

ATHI WATER SERVICES BOARD

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, 2018. 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, 2018, 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 30th August 2018 and signed on its behalf by:



ENG. MICHAEL M. THUITA
CHIEF EXECUTIVE OFFICER

Date. 17/04/2019



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

Date 17/04/2019



MR. WACHIRA M. KEEN
CHAIRMAN

Date. 17/04/2019

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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 2018

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 36, which comprise the statement of financial position as at 30 June 2018, and the statement of financial 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, 2015. 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 effects of the matters described in the Basis for 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, 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2002.

Basis for Qualified Opinion

1. Cash and Bank Balances

The cash and bank balance reflects Kshs.1,217,997,568 as at 30 June 2018, as disclosed in note 18. Included in this amount is a current account number 01136084618500 maintained by the Board in Co-operative Bank of Kenya, which is mainly used for its recurrent activities. It was however observed that the Board does not maintain a separate bank account for its development activities but instead the government funds received by the Board for various capital projects, together with related transactions on the projects during the year under review, were transacted through the recurrent account, as detailed in the table below:

Capital Project	Transfers from the Ministry (Kshs)
Nairobi Water Distribution Network	75,000,000
Nairobi Satellite Towns Water & Sanitation	130,000,000

Report of The Auditor-General on the Financial Statements of Athi Water Services Board for the year ended 30 June 2018

Capital Project	Transfers from the Ministry (Kshs)
Northern collector(extension of Nairobi water supply)	250,000,000
Ithanga Water supply	17,000,000
Water & Sanitation Services Improvement Project	186,000,000
Rehab Water Supply & Sewerage- Olotokitok Town	33,000,000
Kajiado Rural Water Supply	22,000,000
Kiserian Sewerage	116,000,000
Kenya Towns sustainable water supply and sanitation	12,000,000
Nairobi metro area bulk water sources Ruiru II dam	8,000,000
Nairobi city and sewerage support services interventions	106,000,000
Karimenu II dam	803,000,000
Nairobi metropolitan services improvement project	250,000,000

No separate cashbooks were therefore maintained for the recurrent activities and the various capital project fund. Similarly, there were no separate bank reconciliation statements, to facilitate performance of the necessary bank reconciliation audit procedures. Under the circumstances, it was not possible to confirm the balance as per bank records and balance as per cashbook, for the various capital project funds, which are included in the cash and bank balance.

2. Property, Plant and Equipment

2.1 Fully Depreciated Assets

The property, plant and equipment balance reflects Kshs.31,093,890,875, as disclosed in note 16. Included in these assets are fully depreciated assets whose original cost is Kshs.213,150,059. These assets are still in good working conditions and were being utilized by the Board, during the year under review. It was observed that management has not revalued the above assets and recognized them in the books at the revaluation amounts, contrary to the requirements of IPSAS 17 paragraph 44. Further, management did not review the useful economic life of the above assets before they were fully depreciated.

2.2 Inherited Assets

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.

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.31,093,890,875 as at 30 June 2018.

3. Un-serviced Loan

The financial statements of the Board reflect loans amounting to Kshs.29,160,609,808, as disclosed in note 27. Included in these is an AFD loan with a book balance of Kshs.2,931,382,826, (original amount: Kshs.3,850,000,000) on-lent to the Board by the National Treasury in two parts of Kshs.1,870,000,000 and Kshs.1,980,000,000 in 2006 and 2009, respectively, and repayable in 15 years at interest rate of 2.9%, among other terms. According to the provisions of the subsidiary agreement between the Board and the National Treasury, the former is required make semi-annual payments to the latter, comprising both the principal and interest on the loan, as they fall due. However, during the year under review, the Board did not make the due payments amounting to Kshs.77,081,224, in relation to the 2017/2018 financial year. Further, the above outstanding payable has not been included in the payables figure of Kshs.1,043,490,578, reflected under note 23. Under the circumstances, it was not possible to confirm that the Board met its obligations as and when they fell due.

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

Key Audit Matters

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

Other Matters

1. Long Outstanding Receivables

The exchange transactions reflects Kshs.4, 491,863,884, as disclosed in note 19. Included in these is Kshs.3,246,511,671 owed by Nairobi County Water and Sewerage Company, which has been outstanding for periods beyond the financial year under review. The financial statements further reflect receivables from non-exchange transactions amounting to Kshs.7,402,772,343, as disclosed in note 20. These include other receivables of Kshs.680,114,599, which further include Kshs.7,092,497 due from a High Court of Kenya, which arose in 2014/2015.

Consequently, it has not been possible to confirm the recoverability of the receivables from exchange and non-exchange transactions of Kshs.3,253,604,168 as at 30 June 2018, which have been long outstanding.

2. 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 Services Boards 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 Services Board, the Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation had finalized the revaluation of the assets, Athi Water Services Board had not taken over the Assets as at 30 June 2018. The Board is therefore in contravention of legal Notice No. 101 of August 2005 and the Water Act 2002.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance, were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and 1330. The standards require that I plan and perform the audit to obtain assurance on whether effective processes and systems of internal control, risk management and governance, were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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 maintaining effective internal control as management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of the internal control, risk management and governance.

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 and using the going concern basis of accounting unless the management is either aware of any intention to cease operations of the Board, or have no realistic alternative but to do so.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of management's systems for monitoring compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 which 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. 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 and weakness 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.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion on whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance

with the authorities which govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control which might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Board's policies and procedures may deteriorate.

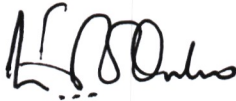
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 which 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.
- 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 which 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 which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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 which are identified during the audit.

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



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

Nairobi

25 June 2019



**ATHI WATER SERVICES BOARD
STATEMENT OF FINANCIAL PERFORMANCE
PERIOD ENDED 30TH JUNE 2018**

	Notes	Jun-18 KSH	Jun-17 KSH
REVENUE			
Revenue from non-exchange transactions			
Grants - Restricted (Donor)	<u>6</u>	138,686,379	121,381,276
Grants - Unrestricted (GoK)	<u>7</u>	379,016,509	205,663,640
Revenue from exchange transactions			
Receipts from Water Service Providers	<u>8</u>	1,472,579,127	1,315,243,143
Finance Income	<u>9</u>	43,299,805	31,877,071
TOTAL REVENUE		2,033,581,821	1,674,165,130
EXPENDITURE			
Administrative Expense	<u>10</u>	126,976,639	121,393,993
Remuneration of Directors	<u>11</u>	39,012,772	32,892,814
Employee Cost	<u>12</u>	213,907,071	202,057,923
Operational Expenses	<u>13</u>	238,520,205	19,426,571
General Expenses	<u>14</u>	9,992,687	9,005,777
Project Costs	<u>15</u>	309,448,730	496,735,736
Depreciation & amortization	<u>16 & 17</u>	547,094,155	409,065,514
Finance Cost	<u>27</u>	85,010,102	84,819,176
TOTAL EXPENDITURE		1,569,962,360	1,375,397,503
Other gains/(losses)			
Decrease/(increase) in provisions	<u>24</u>	246,155,770	(1,782,478)
NET SURPLUS/(DEFICIT)			
TRANSFER TO ACCUMULATED FUND		217,463,691	300,550,105

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

Date 17/04/2019



MICHAEL KIHUNGI KIMOTHO
HEAD OF FINANCE & STRATEGY
ICPAK Member No: 6490

Date 17/04/2019



MR. WACHIRA M. KEEN
CHAIRMAN

Date 17/04/2019

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

**ATHI WATER SERVICES BOARD
STATEMENT OF FINANCIAL POSITION
PERIOD ENDED 30TH JUNE 2018**

		<i>Kshs</i> Jun-18	<i>Kshs</i> Jun-17
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents	<u>18</u>	1,217,997,568	386,587,937
Receivables from exchange transactions	<u>19</u>	4,491,863,884	3,246,511,671
Receivables from non-exchange transactions	<u>20</u>	7,402,772,343	6,225,160,563
Inventories	<u>21</u>	3,617,654	747,321
prepayments	<u>22</u>	19,112,321	17,390,345
Total current assets		13,135,363,771	9,876,397,837
Non-current assets			
Property Plant and equipment	<u>16</u>	31,093,890,875	26,522,346,511
Intangible assets	<u>17</u>	13,287,666	23,879,387
Total non-current assets		31,107,178,540	26,546,225,898
TOTAL ASSETS		44,242,542,311	36,422,623,735
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	<u>23</u>	1,043,490,578	628,768,759
Provisions	<u>24</u>	249,568,135	3,412,366
Deferred income Short Term	<u>25</u>	2,492,789	4,736,497
Employee entitlements and payroll creditors	<u>26</u>	5,653,305	5,454,860
Total current liabilities		1,301,204,807	642,372,482
Non-current liabilities			
Loans	<u>27</u>	29,160,609,880	24,048,961,760
Deferred income Long Term	<u>28</u>	12,652,729,115	10,820,754,676
Total non-current liabilities		41,813,338,995	34,869,716,436
TOTAL LIABILITIES		43,114,543,802	35,512,088,918
NET ASSETS		1,127,998,509	910,534,818
RESERVES			
Accumulated surplus	<u>29</u>	1,127,998,509	910,534,818
TOTAL NET ASSETS AND LIABILITIES		44,242,542,311	36,422,623,735

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

Date 17/04/2019



MICHAEL KIHUNGI KIMOTHO
HEAD OF FINANCE & STRATEGY
ICPAK Member No: 6490

Date 17/04/2019



MR. WACHIRA M. KEEN
CHAIRMAN

Date 17/04/2019

**ATHI WATER SERVICES BOARD
STATEMENT OF CHANGES IN NET ASSETS
PERIOD ENDED 30TH JUNE 2018**

ACCUMULATED FUND

	Kshs
Balance brought forward as at 1st July 2016	609,984,713
Surplus for the period	300,550,105
Balance carried down as at 30th June 2017	<u>910,534,818</u>
Balance brought Forward as at 1st July 2017	910,534,818
Surplus for the period	217,463,691
Balance carried down as at 30th June 2018	<u>1,127,998,509</u>

**ATHI WATER SERVICES BOARD
STATEMENT OF CASHFLOWS
PERIOD ENDED 30th JUNE 2018**

	Notes	2018 Kshs	2017 Kshs
Cash flow from operating activities			
Surplus for the period		217,463,691	300,550,105
Adjustments for:			
Depreciation	<u>16 & 17</u>	547,094,155	409,065,514
Operating surplus before working capital changes		764,557,846	709,615,619
(increase)/Decrease in Debtors		(2,422,963,993)	(5,568,755,410)
(increase)/Decrease in prepayments		(1,721,976)	224,935
(increase)/Decrease in Inventories		(2,870,333)	19,934
increase/(Decrease) in creditors & Accruals		414,920,264	(378,368,717)
increase/(Decrease) in current provisions	<u>23</u>	246,155,770	(1,782,478)
Net cash flow from operating activities		(1,766,480,270)	(5,948,661,736)
Investing Activities			
Increase in Fixed and intangible Assets	<u>16 & 17</u>	(5,108,046,797)	(5,092,886,957)
Net cash flow from investing activities		(5,108,046,797)	(5,092,886,957)
Financing Activities			
increase/(Decrease) in deferred income		1,829,730,731	4,597,320,214
Increase in loan		5,111,648,120	5,314,828,339
Net cash flow from financing activities		6,941,378,850	9,912,148,553
Net increase in cash and cash equivalent		831,409,629	(419,784,521)
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of period	<u>18</u>	386,587,939	806,372,460
Cash and cash equivalents at the End of period		1,217,997,568	386,587,939

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

DESCRIPTION	Original budget	Adjustments Kshs	Final budget Kshs	Actual on comparable basis Kshs	Performance difference Kshs	% variance	Remarks
Receipts from Water Companies for loan repayment and administration fees	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018		
Administration fee from NWSC	0			386,986,089	N/A		AWSB continued to charge administration fee since no policy direction to the contrary was issued
Administration fee from Other WSPs	0			70,796,745	N/A		AWSB continued to charge administration fee since no policy direction to the contrary was issued
Loan repayment from NCWSC	924,974,692		924,974,692	924,974,688	0	0%	within budget
Loan repayment from other WSPs			0	89,821,605	0		Revenue earned was higher than budgeted due to inclusion of loan repayment by Thika and Ruiru-Juja water companies
Gross administration fee	924,974,692	-	924,974,692	1,472,579,127	-	0%	within budget
Miscellaneous income	7,500,000.00		7,500,000	43,299,805	35,799,805	477%	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)	258,500,000.00	-	258,500,000	138,686,379	(119,813,621)	-46%	Low disbursements on donor grants because most projects are just starting
Grant - Unrestricted (GoK)	470,000,000.00	(335,000,000)	135,000,000	379,016,509	244,016,509	181%	within the budget
Subtotal Grant Income	728,500,000	(335,000,000)	393,500,000	517,702,888	124,202,888		
TOTAL INCOME	1,660,974,692	(335,000,000)	1,325,974,692	2,033,581,821	160,002,694	12%	
Expenses							
A) Administration			0				
Rent and Rates	26,000,000		26,000,000	25,405,284	594,716	2%	within budget
Advertising	15,000,000	(10,000,000)	5,000,000	4,990,142	9,858	0%	Cash flow challenges led to budget underutilization
Official Entertainment	1,800,000		1,800,000	683,766	1,116,234	62%	Cash flow challenges led to budget underutilization
General office running expenses	3,000,000	500,000	3,500,000	3,558,257	-58,257	-2%	within budget
Printing & Stationary	4,800,000		4,800,000	3,685,929	1,114,071	23%	Cost cutting measures were put in place due to cash flow challenges

Athi Water Services Board Annual Report And Financial Statements For the year ended, June 30, 2018

DESCRIPTION	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% variance	Remarks
Receipts from Water	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018		
Education & training	19,000,000		19,000,000	16,930,066	2,069,934	11%	within budget
Library Expenses	500,000	200,000	700,000	627,000	73,000	10%	Establishment of offices
Workshop and Seminars	12,000,000		12,000,000	12,681,564	-681,564	-6%	within budget
Travel and accommodation	20,597,500		20,597,500	13,466,501	7,130,999	35%	within budget
Telephone Expenses	3,450,000		3,450,000	3,304,583	145,417	4%	within budget
Audit Expenses	800,000		800,000	812,000	-12,000	-2%	Within budget
Bank Charges	4,800,000	1,300,000	6,100,000	6,649,644	-549,644	-9%	There were fewer transactions in the period owing to the cash flow challenges
I.T Costs	9,595,108		9,595,108	6,167,969	3,427,139	36%	within budget
Transport operating	13,800,000		13,800,000	8,940,325	4,859,675	35%	Cash flow challenges led to budget underutilization
Uniform and clothing	1,962,400		1,962,400	109,680	1,852,720	94%	The unit costs were higher than earlier envisaged
Repairs & maintenances-Office Equipment, Furniture and Fittings	3,000,000		3,000,000	1,721,088	1,278,912	43%	Cash flow challenges resulted to little expenditure on the this item
Emergency Works and Hire of plant & Equipment	800,000		800,000	0	800,000	100%	All plant hire was done under the various projects
Professional Consultancy Fees	6,000,000	8,000,000	14,000,000	13,793,667	206,333	1%	within budget
Monitoring and Evaluation	3,500,000		3,500,000	3,449,173	50,827	1%	Within budget
Sub -total	150,405,008	0	150,405,008	126,164,639	24,240,369	16%	
B) Remuneration of Directors							
Honoraria	960,000		960,000	960,000	0	0%	within budget
Board Allowances	37,542,600		37,542,600	38,052,772	-510,172	-1%	within budget
Sub total	38,502,600	0	38,502,600	39,012,772	-510,172	-1%	
C) Employees Costs							
Basic pay	143,872,769		143,872,769	128,825,832	15,046,937	10%	Some positions fell vacant in the year and were not replaced in the year
House allowance	28,667,520		28,667,520	25,010,666	3,656,854	13%	Some positions fell vacant in the year and were not replaced in the year
Entertainment allowance	1,080,000		1,080,000	199,666	880,334	82%	Some positions fell vacant in the year and were not replaced in the year

Athi Water Services Board Annual Report And Financial Statements For the year ended, June 30, 2018

DESCRIPTION	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% variance	Remarks
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018		
Receipts from Water							
Transport allowance	10,176,000		10,176,000	7,771,266	2,404,734	24%	Some positions fell vacant in the year and were not replaced in the year
Leave and Passage allowance	1,878,763		1,878,763	1,565,685	313,078	17%	within budget
Gratuity Contributions	29,905,096		29,905,096	22,447,174	7,457,922	25%	within budget
N.S.F Employers contribution	2,079,000	0	2,079,000	152,000	1,927,000	93%	The earlier proposed NSSF contributions were never implemented
Staff Welfare	4,260,000	0	4,260,000	3,128,283	1,131,717	27%	cash flow challenges forced the Board to reduce on staff welfare activities
Medical Expenses	25,016,000	0	25,016,000	20,301,377	4,714,623	19%	The outpatient component which is on reimbursement basis performed better than envisaged resulting to the savings
Interns Allowance	3,500,000	0	3,500,000	95,122	3,404,878	97%	cash flow challenges forced the Board to reduce on interns during the year
Other Allowances- Bonus	4,500,000	0	4,500,000	4,410,000	90,000	2%	within budget
Sub total	254,935,148	0	254,935,148	213,907,071	41,028,077	16%	
D) General Expenses							
Membership to professional associations	4,000,000	-	4,000,000	4,054,692	(54,692)	-1%	within budget
General Insurance	6,000,000	-	6,000,000	5,937,995	62,005	1%	within budget
Sub total	10,000,000	-	10,000,000	9,992,687	7,313	0%	
E) Operation Expenses							
Planning and Design	6,000,000	-	6,000,000	-	6,000,000	100%	This item was financed under the various projects due to cash flow challenges
Environmental impact Assessment	4,000,000	-	4,000,000	-	4,000,000	100%	This item was financed under the various projects due to cash flow challenges
Pans & Dams	-	-	-	-	-		
Project Cost-Crop compensation	2,500,000		2,500,000	2,106,316	393,684	16%	within budget
Project costs	325,500,000		325,500,000	309,448,730	16,051,270	5%	within budget
Provision for bad debts				236,413,889	(236,413,889)		This is a non cash item hence was not budgeted for
Sub total	338,000,000	-	338,000,000	547,968,934	(209,968,934)		
Depreciation				547,094,155	(547,094,155)		It is not a cash flow item hence was not budgeted for
Interest on loan/loan repayment			912,016,848	85,010,102	827,006,746		Cash flow challenges crippled the Board's ability to service the loans during the year

Athi Water Services Board Annual Report And Financial Statements For the year ended, June 30, 2018

DESCRIPTION	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		% variance	Remarks
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018		
Receipts from Water	791,842,756		-		1,703,859,604	1,569,150,360	134,709,242					
Total Expenditure	869,131,936		(335,000,000)		(377,884,912)	464,431,461	25,293,451					
Recurrent Surplus before provisions						246,155,770	(246,155,770)					It is not a cash flow item hence was not budgeted for
Less increase in provisions												
Recurrent Surplus after provisions	869,131,936		(335,000,000)		(377,884,912)	217,463,691						

Note: The adjustments on budget items were due to re allocation of the budget during the year

Capital budget

SUMMARY OF CAPITAL BUDGET ABSORPTION						
NO	NAME OF PROJECT	Annual Budget (Ksh. Million)	Revised Budget	Cumulative Expenditure	Variance	Explanation for the Variance
1	Nairobi Water Distribution Network	1,610.00	650.00 ¹	666.90	(16.90)	Within Budget
2	Nairobi Satellite Towns Water & Sanitation	496.00	54.72 ²	29.70	25.02	There was delay in the procurement of the Works Contract due to delay by the Donor in giving the No Objection.
3	AFD Supported Northern Collector	1,700.00	1,718.00	1,346.60	371.40	The Disbursement by wrong classification of revenue and Appropriation in Aid (AIA)
4	Water & Sanitation Services Improvement Project	2,167.00	1,914.00 ³	2,696.00	(782.00)	There was Cash in Transit from the previous financial year that was received in the year.
5	Rehabilitation of Water supply and Sewerage for Olotokitok Town	140.00	283.20 ⁴	123.50	159.70	Work delayed because of the implementation of the Resettlement Action Plan
6	Kajiado Rural Water Supply	432.00	432.00	422.00	10.00	Within Budget
7	Kiserian Sewerage	120.00	115.66 ⁵	115.68	-	Within Budget
8	Ithanga Water Supply	220.00	516.60 ⁶	516.60	-	Within Budget
9	Kenya Towns Sustainable Water Supply and Sanitation Programme	34.00	31.627	24.83	6.79	Within Budget
10	Nairobi Metro Area Water Sources-Ruiru II Dam	10.00	10.00	10.00	-	Within Budget
11	Nairobi Metro Area Water Sources-Karemenu II Dam	10.00	800.00 ⁸	800.00	-	Within Budget
12	Nairobi Rivers Restoration	-	208.24 ⁹	115.79	92.45	The Balance is retention money for the project as all works have been completed.
13	Thika and Githunguri	-	50.00 ¹⁰	17.74	32.26	The consultant had not finalized on the final design.
	Total	6,939.00	6,784.06	6,885.34	(101.28)	

- ¹ The ministry reduced the budgetary allocation for Nairobi Water distribution Network following the low disbursement in the first half of the year
- ² The ministry reduced the budgetary allocation for Nairobi Satellite Towns Water and Sanitation project following the low disbursement in the first half of the year
- ³ The ministry reduced the budgetary allocation following the low disbursement in the first half of the year
- ⁴ The Budget for the project was revised upwards due to increased rate of disbursement in the first half of the year
- ⁵ The budget for Kiserian project was reduced following the slow disbursements in the first half of the year
- ⁶ The budget was revised upwards based on the first half year disbursement
- ⁷ The budget for Kenya Towns project was revised downwards because slow disbursements in the first half of the year
- ⁸ The budget for Karemenu was increased to take care compensation for people affected by the project
- ⁹ The budget for Nairobi Rivers was re-introduced to finance the Kariobangi WWTP which was yet to be completed
- ¹⁰ The budget for Thika & Githunguri project was reintroduced in the revised budget to take care of the ongoing consultancy cost

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 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 AWSB does not operate a defined benefit scheme. The management staff are on gratuity and the rest of the staff are on a guaranteed pension scheme. Both schemes are not managed directly by the organization. This standard is therefore not expected to have any impact on AWSB

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The Board did not have any business combinations or acquisitions in the year and there are no expectations that the same will happen in the foreseeable future. The standard is not expected to have any impact on AWSB

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018

4. SIGNIFICANT ACCOUNTING POLICIES.

a) Revenue recognition

Revenues from lease fees and miscellaneous income have been recognized as exchange transactions. Grants for the donors and Government of Kenya have been recognized 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) 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.

	Details	2017 - 2018 Kshs	2016 - 2017 Kshs
6	Donor Grants Restricted		
	ACP-EU	4,841,256	5,029,926
	IDA	6,131,628	12,078,584
	KWSP	-	1,016,148
	AFD	66,098,282	66,188,377
	WaSSIP	33,561,124	28,465,151
	KISSIP	7,503,573	6,737,438
	KFW-NTS	16,578,550	
	ADB - Kibera	1,865,652	1,865,652
	Kajiado rural	2,106,315	-
	Total-it includes income earned from donor financing	138,686,379	121,381,276
7	Government of Kenya Grants-Un restricted	379,016,509	205,663,640
	GOK-This is government support for project specific recurrent costs	379,016,509	205,663,640
8	Receipts from Water Service Providers for loan repayment and administration fees		
	Administration fee from Nairobi Water & Sewerage Company	386,986,089	1,213,644,090
	Administration fee from Other WSP's	70,796,745	101,599,053
	Loan repayment from NCWSC	924,974,688	
	Loan repayment from other WSPs	89,821,605	
	Total-This is a reimbursement to the recurrent costs of AWSB and loan repayment amount	1,472,579,127	1,315,243,143
9	Finance Income		
	Miscellaneous income	993,062	7,515,710
	Interest on deposit	42,306,744	24,361,361
	Gain/(Loss) on Disposal	-	
	Total-it includes majorly income from sale of tenders, and interest earned on bank deposits	43,299,805	31,877,071
10	Administrative Expense		
	Rent and Rates	25,405,284	23,779,625
	Advertising Expenses	4,990,142	10,332,029
	Entertainment & Office Tea	683,766	819,934
	General Office Running Expenses	3,558,257	2,608,038
	Printing & Stationery	3,685,929	3,227,215
	Education and Training	16,930,066	16,418,730
	Library & subscription Expenses	627,000	666,520
	Workshops & seminars	12,681,564	11,759,726
	Travel and Accommodation	13,466,501	18,805,711
	Telephone Expenses	3,304,583	3,079,612
	Audit & Management fees	812,000	812,000
	Bank Charges	6,649,644	4,375,879
	IT Costs & Accessories	6,167,969	6,841,250
	Transport operating	8,940,325	8,101,577
	Uniform & Clothing	109,680	2,035,700
	Repairs& maintenances-Office Equipment, Furniture and Fittings	1,721,088	918,941
	Emergency Works and Hire of plant & Equipment		
	Professional Consultancy Fees	13,793,667	5,529,428
	Monitoring and Evaluation	3,449,173	1,282,081

	Details	2017 - 2018 Kshs	2016 - 2017 Kshs
	Total	126,976,639	121,393,993
11	Remuneration of Directors		
	Honoraria	960,000	960,000
	Board Allowances	38,052,772	31,932,814
	Total	39,012,772	32,892,814
12	Employee Costs		
	Basic Pay	128,825,832	121,090,465
	House Allowance	25,010,666	26,566,629
	Entertainment Allowance	199,666	1,014,701
	Transport Allowance	7,771,266	8,090,760
	Leave and Passage allowance	1,565,685	1,759,672
	Gratuity Contribution	22,447,174	23,240,515
	N.S.S.F Employers Contribution	152,000	166,400
	Staff Welfare	3,128,283	3,129,090
	Medical Expenses	20,301,377	12,740,590
	Intern Allowance	95,122	282,857
	Other Allowance-Bonus	4,410,000	3,976,244
	Total	213,907,071	202,057,923
13	Operational Expense		
	Planning and Design		-
	Environmental Impact Assessment		360,424
	Pans & Dams		18,526,147
	Project Cost-Crop compensation	2,106,316	540,000
	Provision for Bad & Doubtful Debts	236,413,889	-
	Total	238,520,205	19,426,571
14	General Expenses		
	Membership of Professional Associations	4,054,692	3,218,025
	Insurance	5,937,995	5,787,752
	Total	9,992,687	9,005,777
15	Project Cost		
	GOK	235,024,238	151,672,146
	IDA	3,292,700	
	KWSP		961,760
	WASSIP	51,958,598	110,336,501
	ADB		48,177,721
	KFW-NST	16,578,550	
	AFD - NCT	2,594,644	185,587,609
	Total	309,448,730	496,735,736

16. Property plant and equipment for the year ended 30th June 2018: Fixed Asset Schedule

	Office Equipment		Furniture & Fittings		Motor Vehicles & cycles		Plant & Equipment		Dams & Pans		Land		Meters		Water Infrastructure		Sewerage Infrastructure		Work in Progress		Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST																						
Cost Fully depreciated	41,416,172	12,621,477	153,839,310	261,000	3,075,619,991	51,322,174	5,012,100	5,982,362,351	5,319,471,960	8,345,408,422	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	51,661,573			57,880,492							0											
Purchase																						
Disposal																						
Reclassification	2,702,426		33,488,661	-10,000,000	92,677,452						5,074,527,731											
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											
Cost Fully depreciated	43,291,409	13,464,907	166,545,378	5,166,617	3,168,297,443	51,322,174	5,012,100	8,447,885,499	7,552,850,689	8,494,976,099	253,480,410											
Cost Depreciable	60,665,607	2,528,350	59,683,405	167,988,703	3,168,297,443	51,322,174	77,206,500	8,447,885,499	7,552,850,689	8,494,976,099	28,083,404,468											
Subtotal Cost As at 1 July 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											
Additions											0											
Purchase	5,289,488																					
Disposal																						
Reclassification																						
As at the 30 June 2018	109,246,503	15,993,257	246,228,783	173,155,320	3,168,297,443	52,840,074	82,218,600	8,447,885,499	7,552,850,689	13,596,215,514	33,444,931,682											
DEPRECIATION																						
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 Disposed Assets	194,075			-1,063																		
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											
As at 1 July 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											
Charge for the year	20,542,764	252,835	14,920,851	16,358,423	79,207,410		15,441,300	211,197,138	178,581,713		536,502,433											
Depr/adj for Disposed Assets																						
As at 30 June 2018	81,780,978	14,858,114	208,014,915	65,655,870	505,265,738	0	49,479,669	836,905,089	589,080,427	0	2,351,040,801											
Net Book Value 30th June 2018	27,465,525	1,135,143	38,213,868	107,499,450	2,663,031,705	52,840,074	32,738,931	7,610,980,409	6,963,770,262	13,596,215,514	31,093,890,875											
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											

17. Intangible assets

Description	2017-2018	2016-2017
	Kshs	Kshs
COST		
Cost Fully depreciated	26,217,020	16,435,857
Cost Depreciable	47,993,569	41,765,797
Subtotal Cost As at beginning of the year	74,210,588	58,201,654
Additions		
Purchase		18,361,360
Disposal		
Reclassification		-2,352,426
As at the 30 June 2018	74,210,588	74,210,588
Amortization and impairment at the beginning of the year	50,331,200	36,693,192
Amortization for the year	10,591,722	13,832,084
Amortization adj for transferred/disposed Assets		-194,075
As at end of the year	60,922,922	50,331,200
Net Book Value 30th June 2018	13,287,666	23,879,387

18.	Cash & Bank Balances	2017-2018	2016-2017
	Current account	1,079,040,941	121,396,782
	On - call deposits	126,000,000	65,000,000
	Fixed deposits account	12,902,852	200,108,385
	Staff car loan/ mortgage	-	-
	Others-cash in hand	53,775	82,769
	Total cash and cash equivalents	1,217,997,568	386,587,937

18 (a) Detailed analysis of cash and cash equivalents			
Financial institution	Account number	2017-2018	2016-2017
		Kshs	Kshs
a) Current account			
Cooperative Bank-operations	01136084618500	680,536,856	60,591,216
Cooperative Bank-Escrow	01141084618500	127,133	123,328
Kenya Commercial bank-WASSIP-AF	1139107380	121,822,702	12,910,387
Kenya Commercial bank-AFD-NCT	1156760372	263,056,596	13,637,029
Kenya Commercial bank-KISSIP	1143199359	929,164	902,771
NIC Bank-ADB NARSIP	1000017414	221,764	222,711
Chase Bank	0212056995003	12,346,726	33,009,340
Sub- total		1,079,040,941	121,396,783
b) On - call deposits			
Cooperative Bank		126,000,000	65,000,000
Sub- total		126,000,000	65,000,000
c) Fixed deposits account			
Cooperative Bank			200,000,000
Cooperative Bank		1,108,385	108,385

18 (a) Detailed analysis of cash and cash equivalents			
		2017-2018	2016-2017
Financial institution	Account number	Kshs	Kshs
SBM BANK		11,794,467	-
Sub- total		12,902,852	200,108,385
d) Others			
cash in hand		53,775	82,770
Sub- total		53,775	82,770
Grand total		1,217,997,568	386,587,938

18(b) Cash Held in Chase Bank: Included in the Cash and Cash Equivalent is an amount of that was held in Chase bank (in receivership). Chase Bank has been acquired by SBM Limited. 75% of this funds have been transferred to SBM Limited and placed in a fixed deposit account. 37.5% is unrestricted and can be readily accessed and the balance will be accessible annually for 3 years. 25% is held by Kenya Deposit Insurance Corporation (KDIC) in agreement with the Central Bank of Kenya.

	Description	2018 Kshs	2017 Kshs
19.	Receivable form Exchange Transaction		
	Receivables-WSPs	379,534,558	269,704,736
	Receivable NCWSC	4,112,329,326	2,976,806,935
		4,491,863,884	3,246,511,671
20.	Receivables from non-exchange transactions		
	Other Debtors	680,114,599	13,292,390
	Receivable SBM Bank	7,862,977	-
	Staff Debtors	4,562,730	3,274,938
	Advance payments	6,705,526,809	6,204,226,859
	Rent Deposit	4,705,228	4,366,376
	Total	7,402,772,343	6,225,160,563
21.	Inventory	2018	2017
	Office consumables	3,617,654	747,321
		3,617,654	747,321
22.	Prepayments		
	Prepaid maintenance	492,613	1,329,052
	Prepaid rent	12,184,470	11,381,040
	Prepaid insurance	6,187,738	4,680,254
	Parking fee	247,500	
	Total	19,112,321	17,390,345
23.	Trade & Other payables from Exchange transactions		
	VAT & W/holding Tax	89,192,171	83,742,739
	Accounts Payable	954,298,407	545,026,020
	Total	1,043,490,578	628,768,760

24. Current provisions						
	Untaken leave benefits Kshs	Audit and management fees Kshs	Provision for bad debts Kshs	Amount in KDIC Kshs	Total Kshs	
Balance as at 1st July 2016	4,320,844	874,000			5,194,844	
Provision for the year	712,972	812,000			1,524,972	
Provision utilized in the year	(2,495,450)	(812,000)			(3,307,450)	
Provision as at 30th June 2017	2,538,366	874,000	-		3,412,366	
Increase/decrease in provisions as at 30/6/2018	(1,782,478)	-	-		(1,782,478)	
Balance as at 1st July 2017	2,538,366	874,000	-		3,412,366	
Provision for the year	2,637,800	812,000	236,413,889	7,862,977	247,726,666	
Provision utilized in the year	(758,896)	(812,000)			(1,570,896)	
Provision as at 30th June 2018	4,417,270	874,000	236,413,889	7,862,977	249,568,135	
Increase/decrease in provisions	1,878,904	-	236,413,889	7,862,977	246,155,770	

	Description	2017 - 2018 Kshs	2016 - 2017 Kshs
25.	Deferred Income-Short Term		
	IDA	2,492,789	4,736,497
	Total	2,492,789	4,736,497
26.	Employee entitlements and payroll creditors		
	Employee Entitlements	56,360	56,269
	Payroll creditors	5,596,945	5,398,591
	Total	5,653,305	5,454,860
27.	LOANS		
	a. Loans-AFD		
	Opening balance	2,931,382,826	2,881,171,032
	Disbursement for the year		130,884,383
	Subtotal	2,931,382,826	3,012,055,414
	Interest	85,010,102	84,819,176
	Total Loan	3,016,392,928	3,096,874,590
	Less payment of AFD loan and Accrued Interest		165,491,764
	Loan Balances	3,016,392,928	2,931,382,826
	Interest on Opening Balances @ 2.9%	85,010,102	83,553,960
	Interest on Disbursements during the year @ 2.9% for an assumed period of 1/3 of an year	-	1,265,216
	Total Interest expense	85,010,102	84,819,176
	b. LOAN KfW-NST	109,298,592	96,170,642
	c. LOAN KfW-NCWDN	864,595,467	380,656,196
	d. Loan-AFD NTC	4,176,067,947	2,947,054,231
	e. Loan-Ithanga	284,755,499	
	f. Loan BADEA	222,942,855	
	g. Wassip Loan	16,147,842,698	13,470,781,385
	h. AfDB Loan - Nairobi Rivers	4,338,713,894	4,222,916,481
	Total	29,160,609,880	24,048,961,760
28.	Deferred Income-Long Term		
	IDA	5,974,923	9,862,852
	Kajiado rural	3,033,300	359,615
	GOK	9,977,770,872	8,064,273,426
	AFD	2,187,828,422	2,253,926,704
	WASSIP	17,781,919	17,781,919
	ACP-EU	94,009,954	98,851,210
	ADB	177,333,637	179,199,289
	KISSIP	188,996,088	196,499,662
	Total	12,652,729,115	10,820,754,676
29.	Accumulated Fund		
	Opening Balance	910,534,818	609,984,713
	Prior year		
	Surplus for the period	217,463,691	300,550,105
	Total	1,127,998,509	910,534,818

30. 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.

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 2017/18 is 12.57 (FY 2016/17: 17.09)

	2017/18	2016/17
Financial Assets	Kshs	Kshs
Cash & Cash Equivalents	1,217,997,568	386,587,938
Receivables	11,705,176,504	9,471,672,234
Total Financial Assets	12,923,174,072	9,858,260,172
Financial Liabilities		
Payables	954,298,407	545,026,020
Total Financial Liabilities	954,298,407	545,026,020
NET LIQUIDITY	11,968,875,665	9,313,234,152
LIQUIDITY RATIO	12.54	17.09

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. 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.

31. 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 sanitation

DEVELOPMENT VOTE	Approved Estimates Ksh. Million	1st Quarter Ksh. Million	2nd Quarter Ksh. Million	3rd Quarter Ksh. Million	4th Quarter Ksh. Million	Total Ksh. Million
Nairobi Water Distribution Network	75	23	23	23	7	75
Nairobi Satellite Towns Water & Sanitation	130	20	20	20	70	130
Northern Collector (Extension of Nairobi Water Supply)	250	50	50	50	100	250
Ithanga Water Supply	17	5	5	5	2	17
Water & Sanitation Services Improvement Project	186	35	35	35	81	186
Reh. Water Supply & Sewerage - Oloitoktok Town	33	10	10	10	3	33
Kajiado Rural Water Supply	22	8	8	6		22
Kiserian Sewerage	116	30	30	30	26	116
Kenya Towns Sustainable Water Supply & Sanitation	12	4	4	4	1	12
Nairobi Metro Area bulk Water Sources - Ruiru II Dam	8	3	3	3	1	8
Nairobi City & Sewerage Support Services Interventions	106				106	106
Karimenu II Dam Water Supply Project	803		400	400	3	803
Nairobi Metropolitan Services Improvement Project	250				250	250
Total	2,008	187	587	585	650	2,008

c. Key management remuneration

	2018	2017
	Kshs	Kshs
Directors	39,221,972	32,892,814
Senior Management staff	16,007,148	25,353,429
	55,229,120	58,246,243

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:-

Details	2018	2017
Lease fees receivable from WSPS	Kshs	Kshs
As at 1st July	3,246,511,671	2,756,381,036
Lease fees receivable for the year	1,472,579,127	1,315,243,142
Amount due from WSPS	4,719,090,798	4,071,624,178
Lease fees received during the year	39,124,556	341,827,079
Write-offs during the year		483,285,428
Balance as at 30th June 2018	4,491,863,884	3,246,511,671

e. Amounts due to related parties

AWSB was owed a total of Kshs 4.49 Billion by WSPs as at 30th June 2018

32. 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.

33. Contingent assets and contingent liabilities

AWSB did not have any contingent liability as at 30th June 2018

34. Capital commitments

	Capital commitments	2017-2018 Kshs	2016-2017 Kshs
1	Nairobi Water Distribution Network	2,886,677,274	2,886,677,274
2	Nairobi Satellite Towns Water and Sanitation Program	189,416,061	189,416,061
3	Extension of Nairobi Water Supply (Northern Collector)	6,217,799,471	6,217,799,471
4	Ithanga Water supply		
5	Water & Sanitation Services & Improvement Project (Athi WSB)	5,907,685,463	5,907,685,463
6	Rehabilitation Of Water Supply And Sewerage For Oloitokitok Town	784,000,000	784,000,000
7	Kajiado Rural Water Supply	726,000,000	726,000,000
8	Kiserian Sewerage Project	501,000,000	501,000,000
9	Kenya Towns Sustainable water supply and Sanitation Program	811,569,873	-
10	Nairobi Metro Area Bulk water Sources-Ruiru II Dam	-	-
11	Nairobi Rivers Basin Rehabilitation And Restoration Programme: Sewerage Improvement Project	-	323,131,937
12	Nairobi Metro Area Bulk water Sources-Karimenu II	17,350,000,000	17,350,000,000
	TOTAL	35,374,148,142	34,885,710,206

35. Events after the reporting period

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

36. 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.

37. Currency

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

APPENDIX 1: 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 26,522,246,511 as at 30th June 2017. However and as reported 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>Further included in the property, plant and equipment balance of Kshs 26,522,346,511 as at June 2017 are fully depreciated assets whose Original cost is Kshs. 213,150,059. These assets are still in good working conditions and were in use during the year and review.</p> <p>The 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.</p>	<p>The non-implementation of transfer plan is a sector wide issue. By the close of the financial year the Board did not have the ownership documents and therefore could not incorporate the value of assets in the financial statements. The matter is being addressed during the transition period of the Water Act 2016. We are still waiting for policy direction from the Ministry on this matter.</p> <p>The Board has put in place an asset management team, who are in the process of establishing the impairment of the assets and advise on revaluation of the fully depreciated ones.</p>	Chief Executive officer	Partly resolved	31 st December 2018

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)
	<p>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 June 2017.</p>				
2.	<p>Debtors Long Outstanding Debtors The statement of financial position as at 30th June 2017 reflect 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 debtor's balance of Kshs 9,471,672,234 as at June 30th 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 keeping increasing. Also included in the other debtor's 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.</p>	<p>We confirm that NCWSC owes the Board a total of Kshs 2,976,806,935 but the collectability of the same is not in doubt WASREB authorized the Boards to take legal action against the WSPs in order to ensure the collection of the accumulated arrears. AWSB is in the process of engaging a debt collector to pursue the as the first step.</p> <p>The Kshs 7,092,497 was a requirement by the court that AWSB places a surety of the said amounts with the judiciary until the case is determined. As at the end of the financial year the case had not been concluded. The imprest advanced to Angela of WASREB has since been surrendered</p> <p>Meanwhile a reasonable provision has been proposed to the Board for approval.</p>	Head, Finance and Strategy	Partly resolved	30 th March 2019
	<p>In the circumstances, it has not been possible to</p>				

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)
	confirm the accuracy, completeness and recoverability of the debtor's balance of Kshs 9,471,672,234 as at 30 th June 2017.				
3.	<p>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 remains doubtful.</p>	<p>We are in agreement with this observation, AWSB has since accessed Kshs. 1million. 75% of this funds have been transferred to SBM Limited and placed in a fixed deposit account. 37.5% is unrestricted and can be readily accessed and the balance will be accessible annually for 3 years. 25% is held by Kenya Deposit Insurance Corporation (KDIC) in agreement with the Central Bank of Kenya. Disclosure has been made in the Financial statement. We still deem this funds as recoverable.</p>	Head, Finance and Strategy	Resolved	30 th June 2020
4.	<p>Relocation of Water and Sewerage Facilities at Thika Road 4.1 Contract Variation The Contracted Funan Construction Limited on 5 May 2009 to relocate the water and sewerage facilities along Thika road during the construction of the super highway at a contract 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</p>	<p>The Contract was completed and claim settled as per the actual measurements of the work done.</p>	Chief Executive Officer	Resolved	31 st December 2018

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)
	<p>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 later amended to Kshs 1,314,245,166. The same was finally settled out of Court Kshs 73,772,240.</p> <p>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.</p> <p>a. Voidable Legal Fees</p> <p>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.</p> <p>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 mire Kshs. 73,772,240. Had the legal fees based on the final settlement, it could have been Kshs. 2,282,153. The Board therefore overpaid the law firm by Kshs. 26,523,659.</p>	<p>The payment was based on advocate's remuneration schedule and an advice as given by the Office of the Attorney General</p>			
5.	<p>Representative Member from the Office of Attorney-General</p> <p>The composition of the Board does not include a</p>	<p>The Board always works in liaison with the office of attorney general where legal advice is required.</p> <p>Secondly, the appointment of Board</p>	Chief Executive Office	Partly resolved	30 th September 2018

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)
	<p>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 i.e. the Attorney-General. The absence of such legal expertise in the board can therefore lead to serious legal challenges in drafting contract agreements.</p>	<p>Members is a policy issue to be implemented by the appointing authority that is, the Cabinet Secretary Ministry of Water and Sanitation. As per state corporations Act Cap 446, provides the Boards of state corporations comprises of chairman, PS of the parent ministry, PS of the National Treasury and seven independent directors. Where legal advice is required on contractual we seek advice of the Attorney general. AWSB will communicate this requirement to the CS ministry of Water and Sanitation and continue to work in liaison with the Attorney General's office where legal advice is required.</p>			
<p>6.</p>	<p>Creditors and Accruals The Statement of Financial position indicates a creditors and accruals balance of Kshs 634,223,619 as 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.</p> <p>No reason has been given for the failure by the</p>	<p>We disagree with the auditors' observation that no aging report was provided and that no reason was given for the delayed payments.</p> <p>The aging analysis has since been provided to the auditors.</p> <p>The delayed payment was occasioned by the late receipt of the fourth quarter allocation which came after the year end closure. The creditors formed the first charge this year</p>	<p>Head, Finance and Strategy</p>	<p>Resolved</p>	<p>30th September 2018</p>

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)
	board to pay its obligation when they fall due and risk penalties and interest expenses.				
7.	<p>Unapproved Budget Expenditure</p> <p>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 totalling 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 prerequisites approvals.</p>	<p>The amounts in question were given mid-year for implementation of drought mitigation activities. The budget was approved at the ministry level and AWSB was chosen to participate in the implementation of the same. A disclosure will be provided in the future should the same recur.</p> <p>The GOK counterpart and project costs were budgeted for under the development vote, in future a portion of the same will be budgeted under recurrent.</p>	Head, Finance and Strategy	Resolved	30 th September 2018
8.	<p>Unsupported Expenditure</p> <p>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 projects 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 June 2017.</p>	<p>All the expenses had supporting documents and they were availed for audit. We however have resubmitted the same the auditor for a review of this matter</p>	Head, Finance and Strategy	Resolved	31 st December 2018

Athi Water Services Board Annual Report And Financial Statements For the year ended, June 30, 2018

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)
	<p>Other Matter Mon 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 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 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.</p>	<p>This is a sector wide matter and it is expected that it will be addressed during the transition to the Water Act 2016.</p>	<p>Chief Executive Officer</p>	<p>Not resolved</p>	<p>30th March 2019</p>



ENG. MICHAEL M. THUITA
 CHIEF EXECUTIVE OFFICER

Date 17/04/2019



MICHAEL KIHUNGI KIMOTHO
 HEAD OF FINANCE & STRATEGY
 ICPAK Member No: 6490

Date 17/04/2019



MR. WACHIRA M. KEEN
 CHAIRMAN

Date 17/04/2019

APPENDIX II: 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	2014-2019	2,805,000,000	yes	yes
Support to Water And Sanitation Services In Peri-Urban Area	BMZ NO.2013.6543.6	KFW	2015-2019	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
Kenya Towns Sustainable Water Supply and Sanitation Program	P-KE-E00-011	AfDB	2018-2021	5,026,000,000	yes	yes

Project completion status for the year ended 30th June 2018

Project	Total project Cost Kshs	Total expended to date Kshs	Completion % to date	Budget Kshs	Actual Kshs	Sources of funds
1. Nairobi Water Distribution Network	3,300,000,000	861,976,476	26%	650,000,000	664,266,137	KFW
2. Support To Water And Sanitation Services In Peri-Urban Area	3,080,000,000	128,185,695	4%	54,722,500	29,706,501	KFW
3. Nairobi Rivers Basin Rehabilitation and Restoration Programme: Sewerage Improvement Project	5,140,000,000	4,837,287,219	100%	216,000,000	123,763,174	African Development Bank
4. Water And Sanitation Service Improvement Project –Additional Finance	16,000,000,000	14,140,026,889	85%	3,500,000,000	2,668,231,808	World bank
5. Water Supply Extension Project And Additional Rehabilitation and Development of the Network	11,060,000,000	4,366,000,000	27%	1,918,000,000	1,254,000,000	AGENCE FRANCAISE DE DEVELOPPEMENT
6. Kenya Towns Sustainable Water Supply and Sanitation Program	7,026,000,000	10,500,000	0%	11,623,500	10,500,000	AfDB

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	ATHI WATER SERVICES BOARD		
	Break down of Transfers from the State Department of WATER			
	FY 2017/18			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Recurrent	29-Sep-17	10,000,000	2017-2018
	Recurrent	22-Jun-18	95,000,000	2017-2018
		Total	105,000,000	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	GoK Counterpart	19-Oct-17	189,000,000	2017-2018
	Karimenu II Dam	20-Nov-17	400,000,000	2017-2018
	Drought Mitigation	9-Feb-18	60,000,000	2017-2018
	WaSSIP-AF	15-Mar-18	25,821,300	2017-2018
	GOK counterpart	4-Apr-18	189,000,000	2017-2018
	Karimenu II Dam	9-Apr-18	400,000,000	2017-2018
	GOK counterpart	9-May-18	189,000,000	2017-2018
	GoK Counterpart	3-Jul-18	640,518,500	2017-2018
		Total	2,093,339,800	
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	657,381,807	2017-2018
	AFD-NCT	N/A	1,229,013,716	2017-2018
	NARSIP	N/A	115,797,413	2017-2018
	Nairobi Distribution -KfW	N/A	449,750,506	2017-2018
	Satellite town -KfW	N/A	13,127,950	2017-2018
		Total	2,465,071,392	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	WaSSIP-AF	25-Jun-18	441,418,700	2017-2018
	WaSSIP-AF	15-Mar-18	232,760,000	2017-2018
		Total	674,178,700	

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

During the financial year under review, AWSB received a total of Kshs 67,804,486 from the state department of housing in support of the KISSIP project

Inter Ministry Transfers – State Department of Housing, Urban Development			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
KISSIP	30-Jan-18	67,804,486	2017-2018

