

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



**REPORT**

*Paper laid by  
the LOM on 10/5/2017 (pm)*



**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE 2016**



# COAST WATER SERVICES BOARD



OFFICE OF THE AUDITOR GENERAL  
KENYA NATIONAL AUDIT OFFICE  
27 JAN 2017  
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MOMBASA HUB

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
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## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

**COAST WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

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**Contents**

1.0	Board Information.....	3
1.1	Board Members.....	4-5
1.2	Management Team.....	6
1.3	Chairman's Statement.....	7
1.4	Report of Chief Executive Officer.....	8
1.5	Corporate Governance Statement.....	9-10
1.6	Corporate Social Responsibility Statement.....	11
1.7	Report of Directors.....	12
1.8	Statement of Board Members' Responsibility.....	13
1.9	Statement of Independent Auditors.....	14
2.0	Statement of Comprehensive Income.....	15
2.1	Statement of Financial Position.....	16
2.2	Statement of Changes in Net Assets.....	17
2.3	Statement of Cash Flows.....	18
2.4	Statement of Comparison of Budget and Actual.....	19-20
2.5	Notes to Financial Statements.....	21-31



**BOARDS INFORMATION**

**Establishment**

The Coast Water Services Board is a corporate body established under the Provisions of the Water Act 2002 of the laws of Kenya and it is domiciled in Kenya.

**Registered Office and Principal Place of Business**

Mikindani Street  
Off Nkrumah Road  
P.O Box 90417,80100

**MOMBASA**

**Bankers**

KCB Bank  
Treasury Square  
P.O. Box 90254, 80100

**MOMBASA**

**Independent Auditors**

Auditor - General  
Anniversary Towers  
P.O Box 30084-00100

**NAIROBI**

**Principal Legal Advisor**

The Attorney - General  
State Law Office  
Harambee Avenue  
P .O BOX 40112  
City Square 00200

**NAIROBI**







**COAST WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

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Dr Mathis Kai  
P.O Box  
**KILIFI**

From 3<sup>rd</sup> December 2015

Sureya Ali Hersi  
P.O Box  
**KILIFI**

From 3<sup>RD</sup> December 2015

Gharib S Gharib  
P.O Box 98082 -80100  
**MOMBASA**

From 17<sup>th</sup> April 2015

Permanent Secretary  
Ministry of Water and Irrigation  
P.O Box 49720  
**NAIROBI**

Permanent Secretary  
The National Treasury  
P. O Box 30007  
**NAIROBI**

Joseph Omwange  
Ag.Chief Executive Officer  
P.O Box 90417  
**MOMBASA**



**MANAGEMENT TEAM**

1. Mr. Joseph Omwange - Ag. Chief Executive Officer
2. Mr. Martin Tsuma - Technical Manager
3. Mr. Stephen. M. Kivuva - Ag. Finance Manager
4. Mr. Simon Charo - Human Resource Manager
5. Miss .Fatma Gakuria - Corporate Manager
6. Mr. Alex Masake - Company Secretary



**CHAIRMANS STATEMENT**

The mandate of CWSB is to efficiently and economically provide water and sanitation services within its area of jurisdiction as provided by section 53(1) of the Water Act 2002. One of the priorities of the Kenya Government within the overall policy framework in the Kenya Vision 2030 is increasing accessibility to sustainable, quality and affordable water services. In performing its mandate CWSB has continued to improve the water situation in the region.

The future seems promising after the finalization of the Water Supply Master Plan for Mombasa and other towns within the Coast Region. This will see the gap between demand and supply tremendously narrowed.

The government has increasingly been funding the drought mitigation projects to counter the adverse effects generated by the vagaries of our Kenyan climate. Though the UNICEF programme that has been successfully implemented since 2008 is coming to an end we are remain hopeful that other donors will come on board to fund other stand-alone programs in drought hit areas and those without piped water.

Coast Water Services Board recently prepared its 2013/2018 Strategic Plan and intends to implement it to boost the water production.

On behalf of the Board of Directors, I would like to extend our sincere gratitude to all our stakeholders who have reposed great trust in us and in our Work. I also thank the various central and county governments for supporting us in our activities and helping us achieve our mandate.



**GRANTON SAMBOJA**

**CHAIRMAN**



**REPORT OF THE CHIEF EXECUTIVE OFFICER**

During the year under review, strategies aimed at securing adequate water supply, expanding water access to Coast region consumers, improving the quality of supply and service to our customers, as well as the financial performance, took the centre-stage of our operations. Accordingly, the Board fast tracked a World Bank funded project (WaSSIP-AF) investment activities with an aim of raising the production and distribution

**Financing**

To meet our strategic objectives and capacity expansion plan, we have continued to engage various development financial institutions to acquire affordable long-term financing to fulfil CWSB's vision of providing quality water and sewerage services .In this regard we wish to record our appreciation to the Government for its continued support to secure concessional loans from the development Partners.

**Outlook**

I am greatly encouraged as I reflect on the strides we have made this year, and the pace at which they have been achieved. We shall continue implementing the Water Supply Master Plan for Mombasa and other towns within the Coast Region. This will see the gap between demand and supply tremendously narrowed.

I extend my appreciation to the Government including National Treasury, the National Assembly and our parent Ministry, the Ministry of Environment, Water and Natural Resources for their continued support and insights. I would also like to thank the CWSB Board of directors and the staff and management for their determination and commitment to the company.

Above all, I extend my thanks to all staff of CWSB,WSPs and the county water officers who have made it possible to keep the water flowing and are continuously working to ensure we bring more water projects in the pipeline. Over the next year, Kenya will rely on this highly talented team to use all the skills and resources at our disposal to ensure that we meet our targets.

  
**JOSEPH OMWANGE**

**Aq.CHIEF EXECUTIVE OFFICER**



**CORPORATE GOVERNANCE STATEMENT**

Coast Water Services Board is committed to the values and principles of good corporate governance. Good Corporate governance requires that The Board of Directors governs the State Corporation with integrity and enterprise in a manner that entrenches and enhances its mandate.

**Board of Directors**

The Board of Directors exercises leadership, enterprise, integrity and judgment in directing Coast Water Services Board. The Board is mandated with determining the purpose and values of coast Water Services Board, the strategy to achieve that purpose, and the implementation of its values.

The Board of Directors is expected to enhance the corporate governance practices in running of coast Water Services Board and to bring the level of governance in the corporation in line with international standards. The essence of corporate governance is to protect stakeholder interests including the Government, water services providers during the transition period, consumers and the communities during the transition period.

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

**Role of the Chairperson and Chief Executive**

Local and international best practices require a separation of the roles of the Board and the Management.

The Board is headed by the chairperson who is appointed by the Cabinet Secretary in charge of Environment Water and Natural resources under the Water Act 2002 for a period not exceeding three years as specified in the instrument of his appointment and is eligible for reappointment from time to time. All the directors are also appointed by the Cabinet Secretary in charge of Environment Water and Natural resources according to the Water Act 2002.



**COAST WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

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The responsibility for execution of the Board's policies and resolutions lies with the management headed by the Chief Executive Officer. The Chief Executive Officer's role is to provide the strategic leadership for the organization and act as the link between staff and the Board of Directors.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

At Coast Water Services Board, we are committed to conducting our business in a socially responsible and ethical manner. We recognize our responsibility to contribute positively to the community that supports us.

Coast Water acts beyond its legal obligations and integrates social, environmental and ethical concerns into business process. It recognizes our corporate and social responsibilities to our employees, customers and suppliers and ensures that Coast Water is committed to conducting business in a way which will achieve sustainable growth, in line with legal and moral obligations. We aim to achieve our business objectives in a caring and responsible manner taking into account economic, social and environmental impacts.

Through stakeholder engagement, we have listened to and talk with 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.

Coast Water has re-considered its CSR priorities and further structured the approaches to three principal areas that this policy will focus on:

- **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 neighbors. This also includes offering scholarships to students in our area of jurisdiction and employees
- **Business:** Taking good care as we go about our business (sourcing, supply, engagement)

## **REPORT OF DIRECTORS**

The Directors submit their report together with the audited Boards financial statements for the year ended 30 June 2016 which show the state of the Corporation's affairs.

### **Activities**

The core business of the parastatal continues to be the Bulk production and distribution of water to the Water Service Providers who sale to the final consumers on retail and construction and rehabilitation of new and old water infrastructure in the Coast Region.

### **Results**

The results of the 2015/2016 financial year's performance are set out on pages 15-16. Investment Activities which involve the construction and rehabilitation of water sources and infrastructure are usually funded by the government and donors while the recurrent expenditures are met from funds generated by the board.

### **Directors**

The members of the Board of Directors who served during the year are shown on page 4 and 5. In accordance with regulations given by Water Regulatory Board and State Corporation guidelines directors serve for a period of 3 years that can be renewed.

### **Auditors**

The Auditor General is responsible for the statutory audit of the Boards books of accounts in accordance with Sections 35 of the Public Audit Act, 2015, which empowers the Auditor-General to nominate other auditors to carry out the audit on his behalf. This year's financial statements will be audited by Auditor General Kenya.



**STATEMENT OF BOARD MEMBERS RESPONSIBILITIES**

The Board Members are required to prepare financial statements which give a true and fair view of the state of affairs of the Board as at the end of each financial year and of its surplus or deficit for that year. The Board Members are required to ensure that the Board maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the Board. They are also responsible for safeguarding the assets of the Board.

The Board Members accept responsibility for annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Public Sector Accounting Standards - Accrual

The Board Members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Coast Water Services Board as at 30<sup>th</sup> June 2016 and of its surplus for the year then ended. The Board Members further confirm the accuracy and completeness of the accounting records maintained by the Board which have been relied upon in the preparation of financial statements, as well as adequacy of the internal controls.

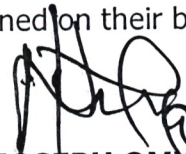
Nothing has come to the attention of the Board Members to indicate that the Board will not remain a going concern for at least twelve months from the date of this statement.

This statement is approved by the Board Members and is signed on their behalf by:



**Mr. Granton Samboja**  
**CHAIRMAN**

Date 26/1/2017.....



**Mr. JOSEPH OMWANGE**  
**Ag. CHIEF EXECUTIVE OFFICER**

Date 26/1/2017.....



# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON COAST WATER SERVICES BOARD FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Coast Water Services Board set out on pages 15 to 31, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, 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.

#### **Management's Responsibility for the Financial Statements**

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

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

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

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*Report of the Auditor-General on the Financial Statements of Coast Water Services Board for the year ended 30 June 2016*

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

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

## **Basis for Qualified Opinion**

### **1.0. Property, Plant and Equipment - Excluded Assets**

As previously reported, the property, plant and equipment balance of Kshs.1,356,447,793 as at 30 June 2016 (2014/2015 Kshs.1,392,615,690) excludes assets of undetermined value transferred to the Board from the Ministry of Water and Irrigation and National Water Conservation and Pipeline Corporation pursuant to Legal Notice No.101 of 12<sup>th</sup> August, 2005. Further, the land and office buildings acquired while undertaking various Water and Sanitation Services Improvement Project (WASSIP) and institutional projects such as Mkanda Dam of at least 53.79 hectares and acquired at a cost of Kshs.10,832,423 have been excluded in these financial statements and have also not been updated in the fixed assets register. In addition, scrutiny of land status report revealed that approximately more than one third of Coast Water Services Board land has been encroached by private developers, including 22 acres of land occupied by staff houses in Shanzu, Mombasa. The land has been apportioned into 42 title deeds and issued to private developers. There is no evidence to the effect that the Board has raised the issue with the National Land Commission. This is indicative that the management has not played its custodial role and the Board's assets have not been properly safeguarded in accordance with Section 72(1) ( a) of the Public Finance Management Act, 2012, which states that the Accounting Officer for national government entity shall be responsible for the management of the entity's assets and liabilities.

In the circumstances, the accuracy, validity and completeness of the property, plant and equipment balance of Kshs.1,356,447,793 as at 30 June 2016, could not be confirmed.

### **2.0 Trade and Other Receivables**

As similarly reported in the previous years, the trade and other receivables balance of Kshs.2,532,953,026 as at 30 June 2016 (2014/2015 Kshs.2,121,971,031) includes long overdue debts of Kshs.84,427,767 due from Mombasa Water and

Sewerage Company Limited and further a sum of Kshs.4,807,409 and Kshs.2,312,284 relating to overdue outstanding imprest and unrecovered salary advances respectively. As reported previously, no reason has been provided for the failure to have the receivables recovered. Further and as previously reported, the Water Service Providers balances reflected in the Board's financial statements as at 30 June 2016 differ by Kshs.805,209,332 as shown in the books of respective Water Service Providers below:

<b>Water Service Provider</b>	<b>Balance as per Board (Kshs)</b>	<b>Balance as per Water Company (Kshs)</b>	<b>Difference (Kshs)</b>
Mombasa Water and Sewerage Company	1,156,446,496	837,861,947	318,584,549
Malindi Water and Sewerage Company	388,885,167	271,967,586	116,917,581
Kilifi-Mariakani Water and Sewerage Company	426,494,985	329,948,848	96,546,137
Kwale Water and Sewerage Company	221,378,556	71,876,648	149,501,908
Taveta Water and Sewerage Company	322,976,472	201,932,076	121,044,396
Lamu Water and Sewerage Company	6,593,586	3,978,826	2,614,760
<b>Total</b>	<b>2,522,775,262</b>	<b>1,717,565,931</b>	<b>805,209,331</b>

The total difference amounting to Kshs.805,209,331 has not been reconciled or explained.

In the circumstances, the accuracy and valuation of the trade and other receivables balance of Kshs.2,532,953,024 as at 30 June 2016 could not be ascertained.

### **3.0 Trade and Other Payables**

#### **3.1 Unremitted Statutory and Other Deductions**

As similarly reported in the previous years, included in the trade and other payables balance of Kshs.961,148,142 as at 30 June 2016 (2014/2015 Kshs.850,499,465) are unremitted statutory and other deductions of Kshs.61,587,916 and Kshs.94,496,967 in respect of the Paymaster General and Ukulima and other deductions respectively. The balances have been increasing over the years and there is no evidence of settlement.

In addition, no provision in respect of penalties and interest resulting from non-payment of these deductions have been provided for in these financial statements.

Consequently, the accuracy and completeness of the trade and other payables balance of Kshs.961,148,142 as at 30 June 2016 could not be confirmed.

### **3.2 Audit Fees**

Included in the trade and other payables balance of Kshs.961,148,142 as at 30 June 2016 is provision for audit fees balance of Kshs.6,753,481 owed to the Office of the Auditor-General. However, records maintained by the Office of the Auditor-General indicated a balance of Kshs.7,150,000 as at 30 June 2016 resulting to unexplained and unreconciled variance of Kshs.396,519. This is contrary to Section 41 of the Public Audit Act, 2015, which requires that the funds of the Office of the Auditor-General shall consist of audit fees charged at rates prescribed by the Auditor-General. Consequently, the Board is in breach of the law.

### **4.0 World Bank Loan**

As similarly reported in the previous years, included in the statement of financial position as at 30 June 2016 as reported in note 18 to the financial statements is an amount of Kshs.6,753,636,870 (2014/2015 Kshs.5,754,658,653) in respect of a World Bank Loan. In the year 2008, the Government of Kenya entered into a financing agreement with the World Bank to finance water and sanitation services in Coast Province through Coast Water Services Board and agreed to disburse USD 45,203,760 at an interest rate of 1.5 per cent per annum. The repayment period was given as thirteen (13) years with effect from 30 March, 2013, with an annual repayment being USD 4,906,636 for which the principal amount was USD 3,168,030 and interest USD 1,738,606. Records confirming repayment of the loan were not provided for audit verification. In addition, during the year under review, it was observed that the loan under IDA-4376-KE credit was denominated in foreign currency. International Public Sector Accounting Standards (IPSA) 4 paragraph 27 requires foreign currency monetary items to be translated using the closing rate. However, the loan balance was translated on transaction date rate hence foreign exchange gain/loss was not determined. Further, the accounting policy on translation of foreign denominated transactions and balances was not disclosed in the notes to the financial statements in line with the accounting standards.

Consequently, it has not been possible to confirm whether the management is in conformity with the terms of the loan and that the loan balance of Kshs.6,753,636,870 as at 30 June 2016 is fairly stated.

### **5.0 Board Expenses**

The statement of comprehensive income for the year ended 30 June 2016 indicated that Kshs.19,617,680 had been incurred as board expenses against a budget of Kshs.15,000,000. The approval of the excess expenditure of Kshs.4,617,680 was not availed for audit verification. The board members were also observed to have attended public events and other unplanned activities thus incurring expenses

outside the Board calendar amounting to Kshs.5,129,931 for the year ended 30 June 2016.

Further, the board was observed to have a membership of eleven (11), exceeding the recommended number by the Code of Governance – Mwongozo, Chapter 1, paragraph 1.1, which recommends a board membership of minimum of seven (7) and maximum of nine (9).

Consequently, the Board was in breach of the Code of Governance on maximum membership and the propriety and validity of payment amounting to Kshs.9,747,611 for the year ended 30 June 2016 could not be ascertained.

### Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Coast Water Services Board as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2002.

### Other Matter

#### 1. Staff Acting More than 6 Months


Perusal of human resource records revealed that senior management positions of the Board are being held by staff in acting capacity. Six (6) members of staff had been in acting capacity for more than six (6) months in contravention of the Human Resource Policy Manual, Section 4.6 which states that the acting appointment shall automatically lapse after six months from the date of the appointment unless the Chief Executive Officer reviews the same.

The table below indicates management positions occupied by staff in acting capacity:

Item No.	Number of officer	Designation	Department	Job Group	Acting Capacity Duration
1	one	Ag. Chief Executive Officer	Legal Department	4	8 Months
2	one	Ag. Technical Manager	Technical Services	3	10 Months
3	one	Ag. Finance Manager	Finance and Administration	3	Over 1 year
4	one	Ag. Managing Director – Mazeras Bulky Water Supply	Technical Services	4	Over 1 year
5	one	Ag. Internal Audit Manager	Internal Audit	3	8 Months
6	one	Ag. O & M Engineer	Technical Services	4	Over 1 Year

In addition, since January 2015, three (3) persons have been appointed by the Board of Directors as acting Chief Executive Officers.

Despite the Board placing two (2) advertisements with the Standard Group and the Daily Nation for recruitment of the Chief Executive Officer on 25 November and 10 December, 2015 respectively, for more than a year now, the Board has not filled this position. Consequently, the Board is in breach of the Human Resource Policy Manual and delayed appointment of a substantive Chief Executive Officer may lead to delays in implementation of the Board's strategic development plans.



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

**Nairobi**

**10 March 2017**

**COAST WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

**Statement of Comprehensive Income**  
**For the year ended 30<sup>th</sup> June 2016**

Description	Notes	2016 Kshs.	2015 Kshs.
<b>REVENUE</b>			
Operational Income	2	1,058,302,272	1,011,450,470
Grants	4	122,643,035	671,469,368
Other Incomes	3	10,041,485	3,965,762
<b>TOTAL REVENUE</b>		<b>1,190,986,792</b>	<b>1,686,885,600</b>
<b>EXPENDITURE</b>			
Administrative Expenses	10	209,520,113	278,096,863
Board Expenses	11	19,617,680	12,495,049
Staff Costs	6	181,300,056	177,993,629
General Expenses	7	22,521,774	14,128,974
Operational Expenses	5	467,913,377	453,152,889
Project Costs	8	177,579,959	233,940,442
Finance Costs	9	99,084,806	406,800,000
<b>TOTAL EXPENDITURE</b>		<b>1,177,537,765</b>	<b>1,576,607,846</b>
<b>Surplus/(Loss)before Tax</b>		<b>13,449,027</b>	<b>110,277,754</b>



# COAST WATER SERVICES BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016

## Statement of Financial Position As at 30<sup>th</sup> June 2016

ASSETS	Note	2016 Kshs	2015 Kshs
<b>CURRENT ASSETS</b>			
Inventories	13	10,657,502	16,612,932
Trade and Other Receivables	16	2,532,953,026	2,121,971,031
Cash and Bank Balances	12	128,806,358	425,945,844
<b>TOTAL CURRENT ASSETS</b>		<b>2,672,416,886</b>	<b>2,564,529,807</b>
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	14	1,356,447,793	1,392,615,690
Work in Progress	15	4,957,780,977	3,906,424,238
<b>TOTAL NON CURRENT ASSETS</b>		<b>6,314,228,770</b>	<b>5,299,039,928</b>
<b>TOTAL ASSETS</b>		<b>8,986,645,656</b>	<b>7,863,569,735</b>
<b>CURRENT LIABILITIES</b>			
Trade and other Payables	17	961,148,142	850,499,465
<b>TOTAL CURRENT LIABILITIES</b>		<b>961,148,142</b>	<b>850,499,465</b>
<b>NON-CURRENT LIABILITIES</b>			
World Bank Loan	18	6,753,636,870	5,754,658,653
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>6,753,636,870</b>	<b>5,754,658,653</b>
<b>TOTAL LIABILITIES</b>		<b>7,714,785,012</b>	<b>6,605,158,118</b>
<b>NET ASSETS</b>		<b>1,271,860,644</b>	<b>1,258,411,617</b>
<b>ACCUMULATED SURPLUS</b>		<b>1,271,860,644</b>	<b>1,258,411,617</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>1,271,860,644</b>	<b>1,258,411,617</b>

The Financial Statements set out on pages 15 and 16 were signed on behalf of Directors by:

  
Mr. Graton Samboja  
**CHAIRMAN**

Date: ..... 26/1/2017 .....

  
Mr. Joseph Omwange  
**Ag. CHIEF EXECUTIVE OFFICER**

Date: ..... 26/1/2017 .....



**Statement of Changes in Net Assets  
For the Year Ended 30 June 2016**

**Attributable to the owners of the controlling entity**

	<b>Accumulated surplus Kshs</b>	<b>Reserves Total Kshs</b>
<b>Balance as at 30.6.2015</b>	<b>1,148,133,863</b>	<b>1,148,133,754</b>
Surplus for the period	110,277,754	110,277,754
<b>Balance as at 1.7.2016</b>	<b>1,258,411,617</b>	<b>1,258,411,617</b>
Surplus for the period	13,449,027	13,449,027
<b>Balance as at 30.6.2016</b>	<b>1,271,860,644</b>	<b>1,271,860,644</b>



**Statement of Cash Flows**  
**For the Year Ended 30<sup>th</sup> June, 2016**

<b>Cash flows from operating activities</b>		<b>2016</b>	<b>2015</b>
	<b>Notes</b>	<b>Kshs.</b>	<b>Kshs.</b>
Surplus for the year		13,449,027	110,277,754
<b>Adjust for:</b>			
Depreciation	14	135,757,078	112,058,779
		<b>149,206,105</b>	<b>222,336,533</b>
<b>Changes in Working Capital</b>			
Decrease/(increase) in Inventory		5,955,430	(9,479,527)
Decrease/Increase in Trade and Other Receivables		(410,981,996)	(424,970,527)
(Decrease)/increase in Trade and Payables		110,648,677	580,726,684
		<b>(294,377,889)</b>	<b>146,277,147</b>
<b>Net cash flows from operating activities</b>		<b>(145,171,784)</b>	<b>368,613,680</b>
<b>Cash flows from investing activities</b>			
Projects/Work in Progress		(1,051,356,739)	(285,856,243)
Purchase of Computers, Furniture and Equipment		(99,589,180)	(1,217,409,010)
<b>Net cash flows from investing activities</b>		<b>(1,150,356,739)</b>	<b>(1,503,265,253)</b>
<b>Cash flows from financing activities</b>			
World Bank Loan		998,978,217	1,000,000,000
<b>Net cash flows from financing activities</b>		<b>998,978,217</b>	<b>1,000,000,000</b>
Net increase in cash and cash Equivalents		(297,139,487)	(134,651,572)
Cash and Cash Equivalent at 1.07.2015		425,945,844	560,597,417
<b>Cash and Cash Equivalent at 30.06.2016</b>		<b>128,806,358</b>	<b>425,945,844</b>

**COAST WATER SERVICES BOARD**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**For the Year Ended 30<sup>th</sup> June, 2016**

DETAIL	ACTUAL kshs	BUDGET kshs
Bulk Water Sales	880,163,226	918,071,908
Administration Fees	178,139,046	194,570,710
Grants from GoK Development	122,643,035	200,000,000
Total Grants	122,643,035	200,000,000
Tender Sales	400,500	
Rent Income	971,000	
Miscellaneous Income	8,551,985	3,184,404
Laboratory Income	118,000	
Total Other Income	<b>10,041,485</b>	<b>3,184,404</b>
<b>Gross Total</b>	<b>1,190,986,792</b>	<b>1,315,827,022</b>
Telephone, Fax, Internet, Courier and email	720,129	1,013,774
Travelling and accommodation	20,199,169	20,652,555
Travelling and accomm foreign		1,000,000
Subscription to newspaper	237,960	304,374
Advertising & publicity	15,715,249	17,330,378
Trade show & exhibitions	0	
World Bank operations		
Hire of transport, equipment & machinery	118,200	1,132,580
General office supplies	3,664,262	3,683,962
Laboratory expenses	47,190	1,300,000
Hospitality	2,725,698	3,000,000
Fuel & lubricants	3,202,385	3,774,720
Legal fees & related expenses	3,944,000	9,071,033
Fines and penalties		
Contracted professional services	12,662,540	15,000,000
Audit fees	1,172,760	1,172,620
Maintenance expenses- vehicles	3,375,590	3,500,000
Maintenance of office furniture & equipment	1,262,799	1,685,586
Maintenance of buildings & stations	741,208	3,000,000
Baricho clinic expenses		500,000
Stationery office	2,276,895	1,346,948
Depreciation of Motor Vehicles	53,020,548	53,020,548
Depreciation of Furniture	1,435,388	1,435,388
Depreciation of Office Equipment	4,862,675	4,862,675
Depreciation of Plant and Machinery	10,887,002	10,887,002
Depreciation of Computers	6,736,627	6,736,627

## COAST WATER SERVICES BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016

Depreciation expense for pipelines	27,004,303	27,004,303
Depreciation of Pumps	2,915,283	2,915,283
Depreciation of Motors	7,250	7,250
Depreciation of Bulk Meters	23,759,001	23,759,001
Depreciation of Water Tanks	5,129,000	5,129,000
Board expenses	18,573,680	20,000,000
Honoraria	730,800	1,044,000
Basic Salary	91,471,517	159,283,877
Medical Allowance	5,246,995	6,000,000
Commuter Allowance	9,093,400	10,000,000
Top up Allowances	1,548,378	2,000,000
Leave Allowance	1,679,900	2,805,564
Hardship Allowance	3,954,300	4,500,000
Acting Allowance	1,718,458	1,500,000
Airtime Allowance	1,056,000	1,246,000
Training expenses	653,718	1,000,000
World Bank staff Training	16,465,651	20,000,000
Staff Welfare		2,000,000
Transfer Allowance	353,680	1,000,000
Special Duty Allowance	265,440	650,000
Employer NSSF Contributions	510,200	532,800
Employer Pension Contributions	4,079,832	15,150,036
Employer WSIP Pension	7,024,770	
Medical Cover	5,824,931	6,133,652
Gratuity	1,634,886	2,064,153
Membership Fees, dues and subscription		500,000
House Allowance	28,718,000	
Office electricity	487,607	2,110,262
Motor Vehicle Insurance	5,580,383	5,514,462
WB Compensation	5,714,291	12,453,080
Security expenses	10,647,960	10,123,920
Electricity – Operations	364,183,202	371,603,667
Chemicals & other related	29,685,375	27,000,000
Bank interest	99,489,539	99,489,539
Maintenance of water assets	52,921,962	55,107,087
Water user charges	21,122,838	21,780,049
Lamu Projects	21,853,271	21,853,271
Mariakani – KIDDP Project	7,712,137	7,712,137
Mkanda Dam	81,424,183	100,000,000
Drought mitigation expenses	3,140,476	3,140,476
Unicef activities	2,297,659	2,297,659
Small dams and pans	61,152,234	61,152,234
Bank charges & commissions	1,697,001	2,000,000
<b>TOTAL</b>	<b>1,177,537,765</b>	<b>1,282,863,272</b>



**Notes to the Financial Statements  
For the Year Ended 30<sup>th</sup> June 2015**

**1. Accounting Policies**

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

**a) Basis of Preparation**

The Financial Statements have been prepared in accordance with International Public Sector accounting Standards - Accrual

**b) Revenue Recognition**

The Board adopts the modified accrual basis of accounting for grants. Revenue is recognized when grants are received from the Government of Kenya or other donor agencies. Self-generating income is recognized when it is earned. Expenses are recognized when incurred.

**c) Property, Plant and Equipment**

Property, Plant and Equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

	<b>% per Annum</b>
Equipment	12.5
Furniture, Fittings	12.5
Computers	33.33
Water Infrastructure	2.5
Water Equipment	2.5
Motor Vehicles and Motor Cycles	25

**Notes to the Financial Statements, Continued**  
**Receivables**

Accounts receivable are recognized and carried at original cost less any unrecoverable amounts.

**d) Reporting Currency**

All transactions are reported in Kenya Shillings

**NOTE 2.**

<b>Revenue</b>	<b>2016</b>	<b>2015</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Bulky Water Sales	880,163,226	845,834,810
Administrative Fees	178,139,046	165,615,660
<b>Total</b>	<b>1,058,302,272</b>	<b>1,011,450,470</b>

The Board's major sources of revenues are the water sales which are earned from the sale of water to the Water Service Providers and Administrative fees that is earned from the lease of its assets to the Water Service Providers. The Board does not sale water directly to the customers.

**NOTE. 3**

**Other Income**

The Board earned miscellaneous income from Laboratory, rent collection from its houses at Sabaki and from sale of tender documents.

	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Laboratory	118,000	95,000
Rental Income	971,000	1,393,500
Tender Sales	400,500	427,000
Other income	8,551,985	2,050,262
<b>Total</b>	<b>10,041,485</b>	<b>3,965,762</b>



**COAST WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

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**Notes to the Financial Statements, Continued**

**NOTE 4**

**Grants**

	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Government of Kenya Development	122,643,035	651,471,521
Unicef – Donor		
Water Services Trust Fund		
Italy Debt		19,997,847
<b>TOTAL</b>	<b>122,643,035</b>	<b>671,469,368</b>

**NOTE .5**

**Operating Expenses**

	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Electricity	364,183,202	394,176,401
Water Use Charges	21,122,838	10,370,844
Cost of Specialized Materials	29,685,375	15,844,007
Maintenance Of Water Assets	52,921,962	32,761,637
<b>Total</b>	<b>467,913,377</b>	<b>453,152,889</b>

**COAST WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

**Notes to the Financial Statements, Continued**

**NOTE 6**

<b>Staff Cost</b>	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries and Wages	154,421,850	154,391,588
Staff Leave Allowance	1,679,900	2,257,589
Other Staff Allowances	6,444,051	1,035,109
Staff Training	17,119,369	19,609,343
Gratuity	1,634,886	700,000
<b>Total</b>	<b>181,300,056</b>	<b>177,993,629</b>

**NOTE 7**

<b>General Expenses</b>	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Office Electricity	579,140	864,021
Motor Vehicles Insurance	5,580,383	3,760,074
Resettlement compensation	5,714,291	1,125,000
Security Expense	10,647,960	8,379,879
<b>Total</b>	<b>22,521,774</b>	<b>14,128,974</b>

**NOTE 8**

<b>Project Costs</b>	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Lamu Projects	21,853,271	30,736,506
Small dams and Pans	61,152,234	88,787,547
Mkanda Dam	81,424,183	68,140,038
Drought mitigation	3,140,476	11,609,993
Unicef Activities	2,297,659	9,329,972
Marikani – Kiddp project	7,712,137	25,336,386
<b>Total</b>	<b>177,579,959</b>	<b>233,940,442</b>



**Notes to the Financial Statements, Continued**

**NOTE 9**

<b>Finance Cost</b>	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Financing cost	99,084,806	406,800,000

The Finance cost relates to interest payable on the World Bank Loan as per treasury letter REF.DGIP/P/7/50. Bank charges have been treated as Administrative costs and thus adjusted accordingly.

**NOTE 10**

<b>Administrative Expenses</b>	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Telephone, Fax, Internet, Courier and Email	720,129	1,062,630
Travelling and accommodation- local	20,199,169	18,477,043
Travelling & accommodation foreign		1,505,025
Subscription to newspaper & magazine	237,960	285,900
Advertising & Publicity	15,715,249	12,102,814
World Bank Operations		37,907,995
Hire of transport equipment & machinery	118,200	954,340
General office supplies	3,664,262	3,743,056
Laboratory expenses	47,190	398,427
Hospitality	2,725,698	2,353,859
Fuel & Lubricant	3,202,385	2,975,906
Legal fees & related expenses	3,944,000	7,004,540
Bank charges	1,697,001	323,607
Contracted professional services	12,662,540	71,303,116
Audit fees	1,172,760	1,172,761
Maintenance expenses – vehicles	3,375,590	2,700,055
Maintenance of office furniture & equipment	1,262,799	704,314



**COAST WATER SERVICES BOARD**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016

**Notes to the Financial Statements, Continued**

Maintenance of buildings & stations	741,208	116,677
Stationery office	2,276,895	946,019
Depreciation	135,757,078	112,058,779
<b>TOTAL</b>	<b>209,520,113</b>	<b>278,096,863</b>

**NOTE 11**

<b>Board Expenses</b>	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Board Allowances	18,573,680	12,354,259
Honoraria	1,044,000	140,790
<b>TOTAL</b>	<b>19,617,680</b>	<b>12,495,049</b>

**NOTE 12**

<b>Cash and Cash Equivalent</b>	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Development	903,660	138,350,804
Operations	747,031	4,147,702
KWSP	40,278	45,678
Administration	15,363,299	3,108,948
Projects	81,878,369	260,239,216
World Bank IDA – 4376KE	120,050	125,450
Drought Mitigation	980,689	1,230,288
Administration Fees	2,221,714	153,374
Unicef	191,432	2,499,897
World Bank – AF	2,830,001	3,836,196
Italy Debt	4,489,763	12,208,290
KCB KISSIP	19,040,070	-
<b>Total</b>	<b>128,806,358</b>	<b>425,945,844</b>



**COAST WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

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**Notes to the Financial Statements, Continued**

**NOTE 13**

<b>Inventories</b>	<b>2016 Kshs.</b>	<b>2015 Kshs.</b>
Machinery, Pipes and Fittings	3,594,164	5,880,052
Chemicals	3,534,750	6,156,000
Stationery	3,303,212	4,576,880
Telephone ,Fax	182,876	
Maintenance Motor Vehicle	42,500	
<b>Total</b>	<b>10,657,502</b>	<b>16,612,932</b>



**COAST WATER SERVICES BOARD**  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016

**Notes to the Financial Statements, Continued**

**NOTE. 14**

**Property, Plant and Equipment**

	Motor Vehicles	Computers	Office Equipment	Furniture and Fittings	Water Equipment	Water Infrastructure	Land	Total
<b>Rates</b>	25%	33.33%	12.5%	12.5%	12.5%	2.5%		
<b>COST</b>	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1.7.2014	72,891,412	37,163,721	15,360,482	8,764,266	370,086,542		150,000	504,416,423
Additions	90,844,800		21,463,875	8,921,195	16,007,014	1,080,172,125		1,217,409,009
As at 30.6.2015	163,736,212	37,163,721	36,824,357	17,685,461	386,093,556	1,080,172,125	150,000	1,721,825,432
Additions	98,294,280	1,294,900						99,589,180
<b>As at 30.6.2016</b>	262,030,492	38,458,621	36,824,357	17,685,461	386,093,556	1,080,172,125	150,000	1,821,414,612
<b>Depreciation</b>								
As at 1.7.2014	60,220,325	24,519,802	6,981,700	6,348,032	119,081,102			217,150,964
Charge for the year	28,446,978	6,335,733	4,884,894	1,468,293	43,918,577	27,004,303		112,058,778
<b>As at 30.6.2015</b>	88,667,306	30,855,535	11,866,594	7,816,325	162,999,679	27,004,303		329,209,742
Charge for the year	53,020,548	6,736,627	4,862,675	1,435,388	42,697,537	27,004,303		135,757,078
<b>As at 30.6.2016</b>	141,687,854	37,592,162	16,729,269	9,251,713	205,697,216	54,008,606		464,966,820
<b>Net Book Value</b>								
<b>As at 30.6.2015</b>	75,068,906	6,308,186	24,957,763	9,869,136	223,093,877	1,053,167,822	150,000	1,392,615,690
<b>As at 30.6.2016</b>	120,342,638	866,459	20,095,088	8,433,748	180,396,340	1,026,163,519	150,000	1,356,447,792

**COAST WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

**Notes to the Financial Statements, Continued**

**NOTE 15**

<b>Work In Progress</b>	<b>2016</b>	<b>2015</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Balance b/f	3,906,424,238	3,620,567,994
World Bank Informal	121,315,117	96,588,424
World Bank – wsp	37,370,028	285,242,252
World Bank – Bulky	137,283,129	442,924,205
World Bank – Drought	186,190,963	299,571,285
World Bank WSP	51,417,662	16,222,922
World Bank wip Baricho	58,453,740	52,471,935
World Bank wip msa lot .2	374,315,197	173,007,346
World Bank Taveta	7,953,920	
World Bank Sewarage	70,383,681	
World Bank Kibokoni	6,673,302	
TRANSFER		(1,080,172,125)
<b>Total</b>	<b>4,957,780,977</b>	<b>3,906,424,238</b>



**Notes to the Financial Statements, Continued**

**NOTE.16**

	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Trade and Other Receivables</b>		
Mombasa Water and Sewerage Company Ltd	1,156,446,497	1,007,818,274
Malindi Water and Sewerage Company Ltd	388,885,168	346,778,414
Kilifi Mariakani Water and Sewerage Ltd	426,494,985	371,019,659
Kwale Water and Sewerage Company Ltd	221,378,556	110,430,875
Taveta Water and Sewerage Company Ltd	322,976,472	274,219,605
Lamu Water and Sewerage Company Ltd	6,593,586	4,707,569
Salary Advances	2,312,284	1,581,749
Prepaid Internet Services		509,820
Provision for Bad Debt		
Prepaid Motor Insurance	3,058,069	
Staff Imprest	4,807,409	4,905,065
<b>TOTAL</b>	<b>2,532,953,026</b>	<b>2,121,971,031</b>

**NOTE 17**

	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Trade and Other Payables</b>		
Creditors	803,629,498	677,858,875
Provision for Audit Fees	1,433,761	1,433,761
Paymaster General	61,587,916	48,414,090
Ukulima and Other Deductions	94,496,967	122,792,740
<b>TOTAL</b>	<b>961,148,142</b>	<b>850,499,466</b>



**COAST WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

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**Notes to the Financial Statements, Continued**

<b>NOTE 18</b>	<b>2016.</b>	<b>2015.</b>
<b>World Bank Loan</b>	<b>Kshs</b>	<b>Kshs</b>
Balance B/F	5,754,658,653	4,754,658,653
Disbursements	998,978,217	1,000,000,000
<b>TOTAL</b>	<b>6,753,636,870</b>	<b>5,754,658,653</b>

