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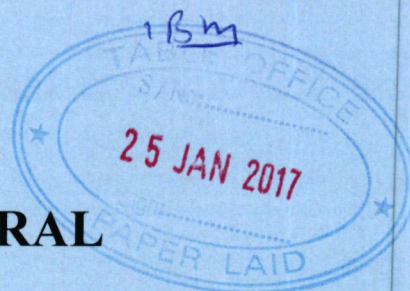
OFFICE OF THE AUDITOR-GENERAL

REPORT

PAPER LAID BY THE
LEADER OF THE
MAJORITY PARTY
(HON. ADEN DUARIE, MP)
ON 25/01/2017

OF

THE AUDITOR-GENERAL



ON

THE FINANCIAL STATEMENTS OF
TANA WATER SERVICES BOARD

FOR THE YEAR
ENDED 30 JUNE 2016



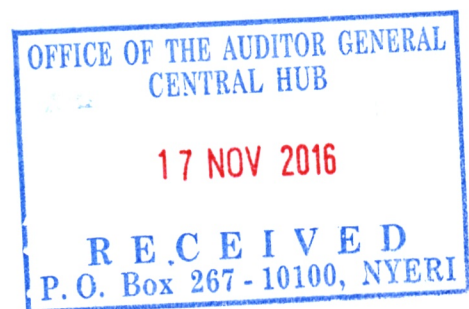


TANA WATER SERVICES BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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



**TANA WATER SERVICES BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**TANA WATER SERVICES BOARD
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I. KEY BOARD INFORMATION AND MANAGEMENT

(a) Background information

The Board was established under section 51 of the Water Act 2002 vide gazette notice no. 1329 of 13th February 2004 as the Central Region Water Services Board. The Board was later renamed as Tana Water Services Board vide gazette notice no. 1413 of 12th January 2006. The Board is a state corporation currently under the Ministry of Water & Irrigation and the Board members who are responsible for the general policy and strategic direction are appointed by the Cabinet Secretary in charge of the ministry.

(b) Principal Activities

The principal mission of the Board is to develop sustainable bulk water service utilities that enhance socio-economic growth for our stakeholders.

(c) Key Management

The Board's day-to-day management is under the following key Departments and Divisions:

- Chief Executive Officer
- Technical Services Department
- Finance Department
- Planning and Strategy Department
- Internal Audit Division
- Human Resource and Administration Division
- ICT Division
- Procurement Division

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Eng Moses M. Naivasha
2.	Ag. Technical Services Manager	Eng John Mbogori
3.	Finance Manager	Mr Nicholas M. Kanyeke
4.	Ag. Planning & Strategy Manager	Mr Irari Wageroka
5.	Ag. HRAM	Mrs Pauline W. Miriga

(e) Fiduciary Oversight Arrangements

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

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- ***Finance and Administration Committee***

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

- i. Doreen Nkirote Mpuru – Chairperson
- ii. Jamal Abdi
- iii. Winfred Mwai
- iv. P.S The National Treasury
- v. P.S Ministry of Water and Irrigation

- ***Technical Planning and Strategy Committee***

The committee is responsible for strategic planning, developing proposals for funding and investment programs for the Board. This committee has oversight responsibility of ensuring that water service providers are complying with the agreements signed between them and the Board being the asset holder. It ensures that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water infrastructures. The members are:

- i. Moses Migwi Mbutia - Chairman
- ii. James Mureithi wa Kang'ara
- iii. Moses Kithinji Rutere
- iv. P.S Ministry of Water and Irrigation

- ***Audit and Governance Committee***

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

- i. Kiambi Kiriro - Chairman
- ii. Dr. Joseph Ngugi
- iii. P.S The National Treasury

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(f) TWSB Headquarters

P. O. Box 1292 – 10100
Maji House
Baden Powell road
Nyeri, KENYA

(g) TWSB Contacts

Telephone: 061- 2032282
Fax: 061- 2034118
Email address : info@tanawsb.or.ke
Website: www.tanawsb.or.ke

(h) TWSB Bankers

Kenya Commercial Bank
Nyeri Branch
P.O Box 215 - 10100
Nyeri, KENYA

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS



Mr. Peter Kimari Kihara – Chairman

Mr. Kiharawas appointed as the Chairman of the Board on 22nd January 2016 vide gazette notice No. vol CX VIII - 8. He has been a director at Mt. Kenya Academy Foundation, Association of Insurance Brokers Kenya (AIBK), Treasure Sixteen Co. Ltd, Apotach Technologies Co. Ltd, Silver Rano Motors Co. Ltd, Utmost Insurance Brokers Ltd. Previously he was in charge of claims at Madison Insurance Co. Ltd for 7 years, Kenyan Alliance Insurance Co. Ltd for 3 years and Regional Loans Building Society for 4 years. Mr Kihara, hold a BA from UoN. He is a member of ACC and AIIK.



Mr. James Mureithi wa'Kangara

Mr. Kangara was appointed to the Board on 17th April 2015 vide gazette notice No. vol CX VII – 43 representing Kirinyaga County. He is a large scale farmer and a businessman dealing with a wide range of products and services. He was a nominated councillor of the defunct Kirinyaga county council from the year 1992 to 2012



Dr. Joseph Ngugi (PhD)

Dr. Ngugi was appointed to the Board on 17th April 2015 vide gazette notice No. vol CX VII – 43 representing Murang'a County. He has a wealth of experience in consultancy and scholarly work having worked at JKUAT, KEMU, California Marmar University and currently he is an Ass. Professor at USUI in charge of and training. Dr. Ngugi holds a PhD in Business Administration, MBA (Marketing), MBA (HRM) and Bsc degree.



Ms. Doreen Nkirote Mpuru

Ms. Nkirote was appointed to the Board on 17th April 2015 vide gazette notice No. vol CX VII – 43 representing Meru County. She was a Board member of TANAATHI WSB. Previously she worked at Barclays Bank of Kenya in charge of card centre and logistics. She is a business lady dealing with a wide range of products. Ms. Nkirote holds an MBA, B.Com and a Diploma Degree. She is a member of ACCA

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Ms. Winfred Mwai

Ms. Mwai was appointed to the Board on 2nd October 2015 vide gazette notice No. vol CX VII – 107 representing Nyeri County. She is a director at chamber of commerce and Chairperson Mama Winnie foundation. She is a business lady dealing with a wide range of products she previously worked at the Ministry of Foreign Affairs and Kenya Airways. Ms. Mwai holds an MBA, a Bachelor's degree and a diploma in BA degree.



Mr. Moses Migwi Mbuthia

Mr. Migwi was appointed to the Board since 2nd October 2015 vide gazette notice No. vol CX VII – 107 representing Tharaka Nithi County. He is a member of IQSK, CIAK and AAK. He previously worked as a senior civil servant in the ministry of Public Works for 12 years. Was an assistant registrar, BORAQS for 4 years, Mr. Migwi has provided consultancy services to the African Development Bank Health Project II & III. He is the CEO, Marimo Construction LTD. He holds an MBA and BA, Building & Economics Degree.



Mr. Jamal Abdi

Mr. Abdi was appointed to the Board on 2nd October 2015 vide gazette notice No. vol CX VII – 107 representing Embu County. He holds a degree in Bachelor of education from KU. He is a businessman.



Mr. Kiambi Kiriiro

Mr. Kiriiro was appointed to the Board on 2nd October 2015 vide gazette notice No. vol CX VII – 107 representing Embu County. He is the Managing Director at Patiala Distiller (K) LTD. He has served in various positions in the sales department at Erdermann Co. (K) LTD. He was as a Research Assistant at UoN. Mr. Kiriiro holds an Msc. in Agronomy and a Bsc. degree.



Mr. Moses Kithinji Rutere

Mr. Rutere was appointed to the Board on 2nd October 2015 vide gazette notice No. vol CX VII – 107 representing Meru County. He has been a scholar at MUST, UON and MKU. Previously worked at Ecoplan Consulting for 5 years in charge of Environment programmes, geographic Information system data analyst CENTRAD for 3 years In charge of data analysis, population & housing census and South Imenti youth Company. He holds an MA degree, in project planning and management from UON He has a Bsc. in Environmental Science from Egerton University.



Dr Kamau Thugge (PhD) Principal Secretary/ National Treasury

Dr. Kamau Thugge was appointed to the Board on 17th April 2015 vide gazette notice No. vol CX VII – 50 he is currently the Principal Secretary of The National Treasury. He has previously worked in the Ministry of Finance as head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor. Before joining the Ministry of Finance, he worked with the International Monetary Fund (IMF) as Economist, Senior Economist and Deputy Division Chief. Dr. Thugge is widely published and holds a (PhD) degree in Economics from John Hopkins University; Master's degree in Economics from also John Hopkins University, USA; and BA (Economics) degree from Colorado College, USA



Mr. Prof. Fred Harun Kiptoon Segor (PhD) Principal Secretary Ministry of Water and Irrigation.

Prof. Segor was appointed to the Board on 17th April 2015 vide gazette notice No. vol CX VII – 50 is currently the P.S Ministry of Water and Irrigation. He holds a PhD, Msc. and Bsc. degrees from UoN. He has worked as a Research Fellow at the Institute for Physikalische Chemie, Albert Ludwigs Universitat, Freiburg, Germany for one year under DAAD Fellowship.

He worked as a chemist in the Ministry of Energy He rose to through ranks to the position of Associate Professor of Chemistry, University of Eldoret in 2012. He served as the Vice Chairman, Kenya Chemical Society and has served in various positions at the DAAD Scholars Association, Kenya National Academy of Sciences and is actively involved in community services. He was appointed Principal Secretary in the Ministry of Health in 2013. He was transferred to the Ministry of Agriculture Livestock and Fisheries at the State Department of Livestock in the same capacity in 2014.

III. MANAGEMENT TEAM



Eng. Moses Mbae Naivasha – Chief Executive Officer

Eng. Naivasha holds a Bachelor of Science degree from University of Nairobi and a Post Graduate Diploma in Hydraulic and Environmental Engineering from the International Institute for Hydraulic and Environmental Engineering (IHE), Delft, The Netherlands. He was appointed to the Board on 1st December, 2008. His main responsibilities include: ensuring safe custody and management of the Board's assets, providing strategic direction and leadership to the Board's staff, developing and maintaining a conducive working environment for attracting, retaining and motivating employees. His main responsibilities include; ensuring safe custody and developing policies, recommending to the Board the corporate policies, long term strategy, business plans and annual operating budgets and ensuring effective planning and effective implementation of the Board's strategies and approved work plans.



Eng. John Nyaga Mbogori – Ag. Technical Services Manager

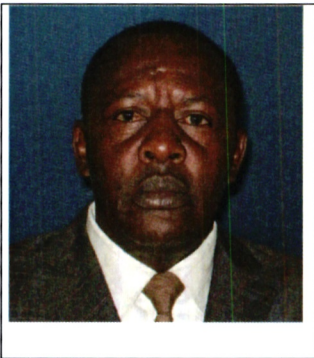
Eng. Mbogori holds a Bsc. degree from North-East Saxony University, Germany. His main responsibilities include; Overseeing the engagement, management and supervision of contractors and consultant, management of contractual works and preparation of project certificates, directing, co-ordinating, controlling and managing the Board's technical operations and ensuring good maintenance of infrastructure for quality water and sewerage services of existing Water Service Providers(WSP) and close consultation with development partners and other stakeholders to ensure efficient and effective implementation of funded water and sanitation infrastructure.



Mr. Nicholas Mutunga Kanyeke – Finance Manager

Mr. Kanyeke holds an MBA degree from KCA University and a B.Com degree from UoN. He is a member of ICPAK and CISA. He joined the Board on 25th May 2009. His responsibilities include; establishing financial and management systems for the effective implementation of the Board's goals and policies, advice the CEO and the Board on the financial position of the proposed projects and investments, ensuring compliance with the International Accounting Standards on financial reporting for the Board and the Water Service Providers and advice the CEO.

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Mr. James Irari Wagereka – Ag. Planning and Strategy Manager

Mr. Irari holds a Bsc. Degree in Civil Engineering from UoN and a Post Graduate Diploma in Water Resources Management from the International Institute for Aerospace Survey and Earth Sciences, Netherlands. He joined the Board on 11th November 2004 he was appointed acting Planning and Strategy Manager in October 2015. His main responsibilities as include;

carrying out pre-feasibility, feasibility studies and designs for water and sewerage services, identification of existing water sources, coverage and gaps to be taken into account in the preparation of master plans, ensuring that demand analysis is carried out to facilitate preparation of meaningful and relevant plans, ensuring effective planning and implementation of approved work plans associated with the area of assignment.



Mrs. Pauline Wairimu Miriga.- Ag. Human Resource Administration Manager

Mrs. Pauline Miriga holds a MBA degree (Human Resource Management) from KEMU, a Bachelor of Business Administration (Entrepreneurship) degree, a higher diploma in management from the Kenya Technical Training Institute and a Diploma in Human Resource Management from Kenya Institute of management. She joined the Board on 6th February, 2006. Her main responsibilities include: Developing departmental strategies, policies, plans to facilitate achievement of overall Board's goals. Conduct recruitment, selection and induction of staff, recommending appropriate deployment and placement of staff. Developing and maintaining a conducive work environment for

attracting, retaining and motivating employees. Conducting training and employee development programmes. Managing payroll, medical and pension schemes terminal benefits, staff welfare activities and ensure timely submission of statutory deductions.

IV. CHAIRMAN'S STATEMENT

STAKEHOLDERS

I am pleased to present the annual report and financial statements of our Board, Tana Water Services Board, for the year ended 30 June 2016. The financial year 2015/2016 was definitely a busy one for TWSB given the demand by our client to complete our major projects that were under implementation. In addition, there were challenges experienced as a result of misinterpretation of the transitional arrangements transfer of the water services function from the National to County Governments.

OVERVIEW OF OPERATING ENVIRONMENT

The water sector and other sectors of the economy in our region and the country in general have experienced turbulence due to the unfavourable weather conditions. Despite the consequences of this unfavourable development that reduced and curtailed the operations in our region, leadership at TWSB and commitment to good corporate governance by the Board of Directors and the management ensured that the Board sustained an upward growth in the year. Aggressive resource mobilization and revenue collection efforts had indeed a positive impact that resulted to completion and good progress in several development projects, commissioning of new ones and proposals that have moved pretty close to attracting substantial external funding.

Tana Water Services Board continued to seize opportunities and to address the challenges to strengthen its position in line with its vision of ensuring Sustainable access to quality water and enhanced sanitation for socio-economic prosperity.

FUTURE OUTLOOK

With the introduction of the fundamental changes brought about by the Constitution to the water and sanitation sector the National Government through the Water Services Boards plays an important role of policy formulation and regulation of water and sanitation sector. This will enhance effectiveness of water and sanitation sector by guaranteeing the right to water and obligating the Board to ensure that every person has access to safe and adequate quantities of water and a further right to reasonable standards of sanitation as required by the constitution. The Board shall also ensure the right to health and the right to a clean environment proper and effectiveness sanitation services.

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APPRECIATION

On behalf of the Board of Directors, I wish to appreciate the entire Tana Water Services Board (TWSB) team in their industrious resolute towards the attainment of the targets set out in the 2015/16 performance contract. In addition TWSB has been ISO 9001:2008 re-certified.

The maintaining of the ISO 9001:2008 certification is a testimony that TWSB has continued to embrace international best practices for efficiency in service delivery and customer satisfaction through provision of quality services and continual improvement. The Board members are well aware that it has been a long journey that started way back in 2007, but with determination and hard work, all our efforts have not been in vain. The Board of TWSB shall provide the necessary support to the management to ensure continual improvement in service delivery, process re-engineering, customer focus, leadership and staff involvement. To support these initiatives, the Board shall ensure availability of required resources for maintenance and improvement of TWSB's QMS.

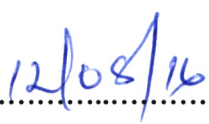
I take this opportunity to sincerely thank our parent ministry i.e. Ministry of Water & Irrigation, Water Services Regulatory Board, other water sector institutions, our development partners and the stakeholders for the continuous support of all our activities. The Board remains committed to provide the necessary leadership to facilitate continual improvement of TWSB's operations.

I remain confident that we have the skills and resources necessary to manage the significant opportunities and challenges that lie ahead.

May I also take this opportunity to thank all our stakeholders for their support without which our remarkable performance would not have been achieved.

Finally, I sincerely thank the Government of Kenya, particularly the Ministry of Water & Irrigation, The National Treasury, Ministry of Devolution and Planning, our Development Partners, Water Services Regulatory Board and all other State Corporations under the Ministry of Water & Irrigation for their guidance, continued support and co-operation.

CHAIRMAN: 

DATE: 

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am happy to report the continued growth in our operations and financial performance. The annual report and financial statements as at 30 June 2015 are an indication of a successful year. I am indeed elated to be part of the team that delivered such results. We have refocused our strategic direction to concentrate on our core business and enhanced capacities at all levels which has strengthened management systems for continued service delivery to all our customers. During the year, the Board made tremendous achievement implementation of water and sanitation projects.

PROJECTS IMPLEMENTATION

Tana Water Services Board guided by its Strategic Plan (2013-2017) and Water Development Master Plan (2006-2015) has prioritized areas that require intervention, improvement and expansion of existing water infrastructure.

In 2015/2016 Financial Year, the Board through the support of the World Bank funded Wassip Programme completed Mwea Makima Water Supply. In the same Financial Year the National Government has provided budgetary allocations to support seventeen (17) for extensions and rehabilitations. Maua Drainage, Water and Sewerage Project has also been provided budgetary allocation to enable commencement of the project. The Government has also provided allocations for planning and design of five (5) Bulk Water Supply and Sanitation Projects and engaged potential development partners who are likely to support the construction of the projects.

The Board also maintained active engagement with the already established alliances with development partners to enhance resources mobilisation for expanding the water and sanitation infrastructure to the unserved areas.

IMPROVED MANAGEMENT PRACTICES

The Board continued to adopt Performance Contract Management Approach In line with the Government Reforms initiatives. During the financial year, the Board signed a performance contract with the Ministry of Water & Irrigation for implementation by the Board and cascaded the set targets

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to Head of Departmental/Divisional. This approach improved the utilization of available resources leading to better service delivery and better value for money in the Board activities.

In addition, During 2015/2016 financial year, the Board has continued to maintain constructive engagements with Development Partners and Stakeholders to support the rehabilitation and augmentation of the existing water services infrastructure and to initiate new schemes to increase coverage in line the Kenya Vision 2030.

CHALLENGES

The main challenge to the Board is to seek for funding to upgrade water and sewerage infrastructures to ensure quality and sustainable service delivery. As reported in the previous years' report, the Board inherited water infrastructure from National Water Conservation and Pipeline Corporation and Ministry of Water & Irrigation Schemes and Local Authorities which were in a dilapidated state. This has led to high unaccounted for water; low connections; and sub-optimal access to quality water even in many areas that are serviced by the existing systems. Other challenges identified include: degraded catchment areas which affect the quality and adequacy of water resources which was further compounded by drought situation; numerous and unsustainable community water schemes that are poorly managed, over –abstraction of water due to poor enforcement of apportionment regulations and polluted sources of water with the attendant risks to consumers.

FUTURE OUTLOOK

There are on-going effort to (re)align laws and policies within the Board to be in line with the Constitution of Kenya order and the draft Water bill (2014). While there is a general process of implementation of the devolved system of government, there will be a sector-specific approach to the implementation process. In the water and sanitation sector, the pre-2010 sector reforms form the basis of the implementation of devolved system of Government. The Board will strive to save the benefits harnessed from earlier sector reforms while conforming to the current Constitutional requirements relevant to the sector.

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APPRECIATION

Once again, good performance during the financial year 2015/16 would not have been possible without the good policy guidance from the Board of Directors and the continued commitment and dedication of the management and entire staff of the Board. I thank them all for this support that is not taken for granted.

My sincere thanks also go to our stakeholders, our parent Ministry of Water and Irrigation, Water Services Regulatory Board, our Development partners, other Water Service Boards, our WSPs and other institutions whose support was instrumental to our success.

I therefore take this opportunity to sincerely thank all those not named above but have given us moral and/or material support to get to where we are today from our humble beginning.



**Eng. M. M. NAIVASHA
CHIEF EXECUTIVE OFFICER**

DATE:*12/08/16*.....

VI. CORPORATE GOVERNANCE STATEMENT

The Structure of Tana Water Services Board starts with the Board Members who represent various stakeholder interests. TWSB has established a governance culture built on the principles of integrity, accountability and transparency. TWSB is managed under the direction of the Board Members whose responsibility is to maximize long-term economic value for all stakeholders. The Chairman and members of the Board oversee the corporate governance, advises management in developing financial plans, corporate strategy, goals and objectives as well as evaluating management's performance in pursuing and achieving those goals.

OVERSIGHT ROLE OF THE BOARD OF DIRECTORS

The Board of Director's most significant responsibilities include coming up with policies and guiding the Board with a view to ensuring long-term, sustainable returns for stakeholders while delivering exceptional services to our customers and having regard to the interests of the stakeholders, including staff, regulators and the communities in which the Board operates.

The Board of Directors provide strategic direction with a focus on consistent business performance in an atmosphere of transparency and accountability while also reviewing and monitoring proper corporate governance throughout the Board.

The Board of Directors have provided strong leadership to TWSB resulting delivery of services to the furthest reaches within the TWSB's jurisdiction and in the generation of great stakeholder wealth. The Board of Directors has continued to supervise the delivery of strong business growth coupled with continued delivery of very strong financial performance.

The Board has also attracted outstanding managers who have shown great commitment and enthusiasm in discharging their duties and obligations to the organisation while also demonstrating the spirit and ethos of the organization. The directors subscribe to the Code of Conduct which is constantly reviewed and which guides them in the fulfilment of their duties and responsibilities to stakeholders, customers, employees and respective communities.

TANA WATER SERVICES BOARD
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The Directors meet at least four times a year however, since there was no quorum in the first and second quarter the Board only met two times. The directors are given appropriate information so that they can maintain full and effective control over financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day to day business to the Chief Executive Officer.

During the year, 11 members served on the Board.

BOARD COMMITTEES

TWSB has established three Board Committees governed by charters and aligned to the Board's delivery of its vision and mission. The secretary to each board committee being the Chief Executive Officer with the exception of the Audit & Governance Committee whose secretary is the head of the Audit Division. The following is the composition of the Board:

- ***Finance and Administration Committee***
 - i. Doreen Nkirote Mpuru – Chairperson
 - ii. Jamal Abdi
 - iii. Winfred Mwai
 - iv. P.S The National Treasury
 - v. P.S Ministry of Water and Irrigation
 - vi. Chief Executive Officer - Secretary
- ***Technical Planning and Strategy Committee***
 - i. Moses Migwi Mbutia - Chairman
 - ii. James Mureithi wa Kang'ara
 - iii. Moses Kithinji Rutere
 - iv. P.S Ministry of Water and Irrigation
 - v. Chief Executive Officer - Secretary
- ***Audit and Governance Committee***
 - i. Kiambi Kiriro - Chairman
 - ii. Dr. Joseph Ngugi
 - iii. P.S The National Treasury
 - iv. Internal Audit Manager – Secretary

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VISION

An Innovation and Resourceful Institution in development of bulk water services utilities.

MISSION

To develop sustainable Bulk Water Services utilities that enhances socio-economic growth for our stakeholders.

CORE VALUES

TWSB core values constitute the fundamental bedrock beliefs that drive the Board. These beliefs are essential and must be upheld because they shape TWSB culture as it seeks to achieve leadership in quality service delivery. TWSB therefore upholds the following core values;

1. Competence:

We shall strive to uphold high level of capability and innovativeness in all our activities.

2. Teamwork:

We shall strive to value and promote team spirit.

3. Quality:

We shall strive to emphasize on excellence to comply and exceed the set standards.

4. Integrity:

We shall be transparent and accountable in all our undertakings.

5. Customer Focus:

We shall strive to deliver exceptional service, ensure customers profitability, deliver customer life time value and grow customer equity.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Board acknowledges its responsibility to society in its capacity as a corporate citizen. Consequently, it endeavours to play an active role in national and regional matters as per its mandate besides contributing to various worthy causes. In the financial year under review, the board continued to offer technical advice and support to different stakeholders in the water sector, particularly the county governments to facilitate access to safe, clean water and in adequate quantities.

In line with the constitution, the board provided access to safe and clean drinking water in an environmentally friendly manner.

VIII. REPORT OF THE DIRECTORS

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

Principal activities

The principal activities of the Board as envisioned in the Draft Water Bill 2014;-

- Develop national public water works for water services
- Formulate, Development and investment plans
- Resource mobilization
- Provide technical assistance in relation to asset development
- Facilitate the establishment of cross-county water service providers

Results

The results of the entity for the year ended June 30, 2016 are set out on page 1

Directors

The Board has 11 Directors including the alternate to the P.S The National Treasury and Ministry of Water and Irrigation who were appointed to the Board by the president on various dates In

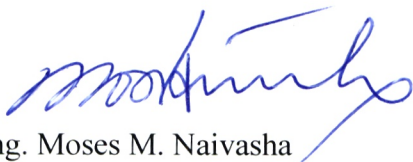
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accordance with Section 6(1) of the States Corporations Act (2012). The Directors have all signed the code of conduct and Mwongozo code of Governance. In addition, the Directors have all been inducted by State Corporation Advisory Committee (SCAC). The information on the Directors is shown on page v to viii.

Auditors

The Auditor General is responsible for the statutory audit of the *Board* in accordance with the Section 81.4 (a) of the Public Finance Management Act, 2015 Cap 412C.

By Order of the Board



Eng. Moses M. Naivasha

Chief Executive Officer

Nyeri

Date:.....12/08/14.....

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IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 Section 88 and the State Corporations Act 2012 Section 6(1), require the Directors to prepare financial statements in respect of the Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results of the Board for that year. The Directors are also required to ensure that the Board 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 Board'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, 2016. 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 entity; (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 the Board'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 and the State Corporations Act. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2016, 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 the 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 12/08/16 2016 and signed on its behalf by:



Chair (Finance & Admn. Committee)



Board Chairman

**TANA WATER SERVICES BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

X. REPORT OF THE INDEPENDENT AUDITORS ON TANA WATER SERVICES BOARD

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Tana Water Services Board set out on pages 1 to 34, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity, 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 the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the 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 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

Report of the Auditor-General on the financial statements of Tana Water Services Board for the year ended 30 June 2016

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 Non-Current Assets

1.1 Inherited Assets

As previously reported, the Board inherited a number of non-current assets previously owned by the Ministry of Water and Irrigation and National Water Conservation and Pipeline Corporation, which have not been incorporated in the Board's financial statements. These assets include land and building (Maji House Nyeri), Water and Sewerage infrastructure assets of unknown value spread within its jurisdiction and fifteen (15) motor vehicles and various District Water Offices of unknown value. Further, as similarly noted in the previous year, the assets net book values as at 30 June 2016 include the value of four motor vehicles still bearing G.K registration numbers and which have not been transferred to the Board's name.

Further, there was no comprehensive Fixed Assets register maintained by the Board to indicate all the assets vested to it under the Board jurisdictional area as they await the execution of transfer plan in line with the Water Act, 2002.

Under the circumstances, the value, existence and completeness of Non-Current Assets cannot be ascertained

1.2 Property, Plant and Equipment – Grants

Similarly and as previously reported, the Property, Plant and Equipment balance of Kshs.5,602,661,032 as at 30 June 2016 excludes unknown value of a water boozer and several water tanks received from the parent Ministry and which are being used by the Board. This has in effect understated the value of property, Plant and Equipment in the financial statements and the commensurate depreciation.

Further, the Japanese International Cooperation Agency (JICA) funded through a grant water project under Embu Water and Sanitation Company Limited, a water services provider (WSP) under the jurisdiction of the Board. Although the Board estimates the cost of the project to be Kshs.2.3 billion, the assets developed under the project have not been included in the financial statements and no documentary evidence was provided in support of these costs.

In addition, the Property, Plant and Equipment balance includes an amount of Kshs.26,252,205 in respect of Kiambere-Mwingi water supply project which is under the jurisdiction of Tanathi Water Services Board but whose initial development cost was borne by Tana Water Services Board. Although the Board does not draw any benefits from Kiambere-Mwingi Water Project, the Board continues to reflect as assets the cost of these assets in its books and charges annual depreciation on these assets. In addition, no documentary evidence in respect of transfer of the project assets from Tana Water Services Board to Tanathi Water Services Board was made available for audit verification.

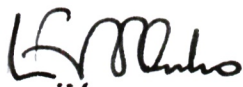
Consequently, the accuracy, existence and completeness of Property, Plant and Equipment balance of Kshs.5,602,661,032 as at 30 June 2016 could not be confirmed.

2.0 Water Projects funded by African Development Bank – Penalty on Delayed Payment

As previously reported in 2014/2015, the Board delayed in settling fifty one (51) certified works prompting the contractors to raise interest claims amounting to Kshs.48,026,522 contrary to section 14.8.1 of the contract agreement. Although quantified and billed, the amount has not been included as a liability in the financial statements. This nugatory expenditure could have been avoided had the bills been settled within the stipulated time.

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 Tana 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.



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

Nairobi

21 December 2016

**XI. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016**


Revenue from non-exchange transactions	Note	2015/2016	2014/2015
		Kshs	Kshs
Board's Administrative Cost fee	3	139,106,202	114,495,079
Government Grants	4	22,751,436	24,677,910
		161,857,638	139,172,989
Revenue from exchange transactions			
Finance Income - external investments		-	-
Other Income	5	2,943,614	5,081,522
		2,943,614	5,081,522
Total revenue		164,801,252	144,254,511
Expenses			
Employee Costs	6	48,717,640	51,262,031
Board Expenses	7	6,987,951	1,327,686
Depreciation and Amortization expense	8	151,735,976	105,416,833
Repairs and Maintenance	9	6,500,427	10,964,779
Contracted Services	10	2,451,349	4,504,551
General Expenses	11	162,387,441	100,387,667
Finance Costs*	12	448,911	252,426
Total expenses		379,229,695	274,115,971
Surplus for the period - Note 2 (h) & Annex IV		(214,428,443)	(129,861,461)
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		(214,428,443)	(129,861,461)
		(214,428,443)	(129,861,461)


* Finance costs relates to Bank charges

**XII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

Assets		2015/2016	2014/2015
Current assets	Note	Kshs	Kshs
Cash and Cash Equivalents	13	51,219,647	183,230,524
Receivables from Non-Exchange Transactions	14	325,469,648	228,559,185
Inventories	15	333,170	832,607
Prepayments	16	3,683,252	2,609,727
		380,705,717	415,232,043
Non-Current Assets			
Property, Plant and Equipment	17	5,602,661,032	3,687,269,645
Work In Progress	18	367,597,154	1,903,735,470
		5,970,258,186	5,591,005,114
Total Assets		6,350,963,903	6,006,237,157
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	19	10,842,974	36,704,907
		10,842,974	36,704,907
Non-Current liabilities			
Borrowings - ADB Loan	20	3,184,275,329	3,143,688,030
		3,184,275,329	3,143,688,030
Total Liabilities		3,195,118,304	3,180,392,937
Net Assets		3,155,845,599	2,825,844,220
Reserves	22	3,254,166,902	2,710,166,902
Accumulated Fund	23	(98,321,303)	115,677,318
Total Net Assets and Liabilities		3,155,845,599	2,825,844,220

The Financial Statements set out on pages 1 to 23 were signed on behalf of the Board of Directors by:


Chief Executive Officer
 Date..... 12/08/16


Chairman
 Date..... 12/08/16

**XIII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2016**

	Accumulated surplus	Capital Reserves	Total
	Kshs	Kshs	Kshs
Balance as at 30 June 2014	247,840,508	1,997,593,813	2,245,434,321
Surplus/(deficit) for the period	(129,861,461)		(129,861,461)
Transfers to/from accumulated surplus - Gratuity	2,076,969		2,076,969
Payment during the year - Gratuity	(4,378,697)		(4,378,697)
Capital Reserves		712,573,089	712,573,089
Balance as at 30 June 2015	115,677,318	2,710,166,902	2,825,844,220
Surplus/(deficit) for the period	(214,428,443)		(214,428,443)
Transfers to/from accumulated surplus - Gratuity	1,635,087		1,635,087
Payment during the year - Gratuity	(1,205,265)		(1,205,265)
Capital Reserves		544,000,000	544,000,000
Balance as at 30 June 2016	(98,321,303)	3,254,166,902	3,155,845,599

The Gratuity Account has a balance of Kshs. 2,848,316 which relates to the Gratuity money transferred to the Gratuity Account for the officers which contract terms are not yet due.

XIV. STATEMENT OF CASH FLOWS

	Note	2015/2016	2014/2015
Cash Flows from Operating Activities			
Receipts			
Board's Administrative Costs Fee		139,106,202	114,495,079
Government Grants		22,751,436	24,677,910
Other Income		2,943,614	5,081,522
		164,801,252	144,254,511
Payments			
Employee Costs		48,717,640	51,262,031
Board Expenses		6,987,951	1,327,686
Depreciation and Amortization Expense		151,735,976	105,416,833
Repairs and Maintenance		6,500,427	10,964,779
Contracted Services		2,451,349	4,504,551
General Expenses		162,387,441	100,387,667
Finance Costs		448,911	252,426
		379,229,695	274,115,973
Surplus for the year		(214,428,443)	(129,861,461)
Net Cash Flows from Operating Activities	24	(186,038,951)	(252,787,753)
Cash Flows from Investing Activities			
Purchase of Property, Plant, Equipment and Intangible Assets		(2,067,127,363)	(309,804,850)
Work In Progress		1,536,138,316	(431,063,160)
Infrastructure Development		-	-
Net Cash Flows used in Investing Activities		(530,989,047)	(740,868,010)
Cash Flows from Financing Activities			
Loan - ADB Murang'a Bulk		-	-
Loan - ADB Small Towns		40,587,299	383,474,685
Gratuity		429,822	(2,301,728)
Capital Reserves		544,000,000	712,573,089
Net Cash Flows used in Financing Activities		585,017,121	1,093,746,046
Net Increase/(Decrease) in Cash and Cash Equivalents		(132,010,877)	100,090,283
Cash and Cash Equivalents at 1 July 2015	14	183,230,524	83,140,241
Cash and Cash Equivalents at 30 June 2016	14	51,219,647	183,230,524

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Performance difference Notes
	2015-2016	2015-2016	2015-2016	2015-2016	2015-2016	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Board's Administrative Cost fee	84,250,000	-	84,250,000	139,106,202	54,856,202	
Government Recurrent Grants	34,699,000	(22,000,000)	12,699,000	22,751,436	10,052,436	
Government Counterpart Grants	175,200,000	(42,100,000)	133,100,000	-	-	
Other Income	5,000,000	-	5,000,000	2,943,614	(2,056,386)	
		-	-	-	-	
Total Income	299,149,000	(64,100,000)	235,049,000	164,801,252	62,852,252	
Expenses						
Employee costs	71,567,000	(22,000,000)	49,567,000	48,717,640	849,360	
Board Expenses	9,115,000		9,115,000	6,987,951	2,127,049	Note 1
Depreciation and Amortization expense	-		-	151,735,976	(151,735,976)	
Repairs and Maintenance	6,692,000	-	6,692,000	6,500,427	191,573	
Contracted Services/Consultancy & Legal expenses	2,500,000		2,500,000	2,451,349	48,651	
Membership fees & Subscriptions	330,000	-	330,000	313,590	16,410	
Audit fees	600,000	-	600,000	580,000	20,000	
Utilities, Supplies & Services	1,300,000	-	1,300,000	1,255,966	44,034	
Communications, Supplies & Services	4,100,000	-	4,100,000	4,025,270	74,730	
Travelling & Subsistence	24,000,000	-	24,000,000	23,663,856	336,144	
Printing, Advertising and Information Supplies & Services	7,500,000	-	7,500,000	7,142,869	357,131	
Training Expenses, Workshops & Meetings	8,500,000	-	8,500,000	8,203,163	296,837	
Catering Services & Staff Welfare Expenses	3,200,000	-	3,200,000	3,184,139	15,861	

TANA WATER SERVICES BOARD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Notes
	2015-2016	2015-2016	2015-2016	2015-2016	2015-2016	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Insurance Costs	14,000,000		14,000,000	13,434,294	565,706	
Specialised Materials and Supplies - Staff Uniforms	820,000		820,000	-	820,000	Note 2
Office & General Supplies	6,500,000		6,500,000	6,363,003	136,997	
Fuel & Oil Lubricants	5,000,000	-	5,000,000	4,862,312	137,688	
Finance Costs - Bank Charges	450,000	-	450,000	448,911	1,089	
Centralised Billing charges	25,000		25,000	24,000	1,000	
Exhauster services costs	3,000,000	-	3,000,000	2,989,391	10,609	
Water Boozer costs	1,500,000		1,500,000	1,417,725	82,275	
ADB GOK Counterpart Expenses - Murang'a Bulk	40,000,000		40,000,000	39,604,421	395,579	
ADB GOK Counterpart Expenses - Small Towns	77,100,000	(42,100,000)	35,000,000	23,802,804	11,197,196	Note 3
Provision for Bad & Doubtful Debts	-		-	10,788,830	(10,788,830)	
Security Costs and Ground Maintenance	1,200,000	-	1,200,000	1,178,260	21,740	
Engineering Designs & Plans	8,000,000		8,000,000	7,558,548	441,452	
Prefeasibility	1,500,000		1,500,000	1,371,000	129,000	
Computer Software	650,000		650,000	624,000	26,000	
Total Expenditure	299,149,000	(64,100,000)	235,049,000	379,229,695	(144,180,695)	
Surplus for the period	-	-	-	(214,428,443)	-	

Explanation of Performance Difference Notes

Note 1: The performance difference of 23% was as a result of some of Board of Directors were appointed during the month of October 2015.

Note 2 : The performance difference of 100% was as a result of there was no expenditure incurred on specialised materials and Supplies during the Financial Year.

Note 3 : The performance difference of 32% was as a result of the budget for ADB GoK Counterpart Small Towns includes budget for Works expenditure and that expenditure is not included in statement of actual comparison since the works expenditure was capitalised hence it is included in included in Property, plant and expenditure.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Compliance and basis of preparation

The entity'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 the entity. 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 direct method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

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

- **Grants**

Grant from Government and Development partners is recognized as capital reserves.

- **Board Administrative Costs Fees**

This relates to Water Service Providers (WSPs) share of Board administrative costs.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Interest income

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

b) Budget information – IPSAS 24

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 – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Capital Commitments

The Board had capital commitments for construction of Maua Water Supply Distribution Network, Sewerage & Drainage System at the end of the financial year.

d) Research and development costs

The Entity capitalises research and development costs on an individual project basis when it can be demonstrated that:

- The technical feasibility of completing the asset will be available for use
- Its intention to complete and its ability to use the asset
- the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

e) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through loans and borrowings.

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

f) Inventories – IPSAS 12

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

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary.

g) Provisions – IPSAS 19

Trade Debtors are recognized and carried at the net Board's Administrative costs fee less a general provision for bad and doubtful debts at 10% as at the balance sheet date. The general practice in the Industry reveals that revenue collection rate ranges between 90 – 95 % of the billing. However, this will be affected since WSPs in the Board area are reluctant to remit the Board Administration cost fee as Water Provision Services is a devolved function.

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

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.

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.

h) Nature and purpose of reserves

- **Capital Reserves** – This relates to the development grants allocated by the government including the grants from development partners.
- **Deficit for the year** – This relates to expenses recognised in the statement of Financial Performance whose corresponding income is a grant reflected in the Capital Reserve Account.

i) Changes in accounting policies and estimates – IPSAS 3

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

j) Employee benefits – IPSAS 25

Retirement benefit plans

The Entity provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Gratuity Fund– This is a sinking fund set for the purposes of payment of senior management staff upon expiry of their employment contract. This is calculated at 31% of their basic salary as per their employment contracts.

k) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized upon completion of the acquiring or construction of the asset.

l) Related parties – IPSAS 20

The Board regards the following as related parties:

- Water Companies under the Board’s jurisdiction who remits Board Administrative costs fee. During the Financial Year the Board Administrative cost fee was Kshs.139,106,202.

TANA WATER SERVICES BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- Government – The Board gets Grants from the Government. During the Financial year the received Recurrent Grants amounting to Kshs.22,751,436 and Development Grants amounting to Kshs. 544,000,000.
- Management – The board’s management comprises of the Chef Executive Officer and Senior Managers. During the financial year the Management salaries amounted to Kshs.10,795,407.
- Board of Directors – During the financial year the Board expenses amounted to Kshs.6,987,951.

Directors Meetings Schedule

Board Member	Finance & Administration Committee		Technical Committee	Audit & Governance Committee	Full Board		
	Special Board meeting					Special Full Board	
1. Mr. Peter Kimari Kihara					✓	✓	✓
2. Mr. James Mureithi wa Kang’ara			✓		✓	✓	✓
3. Dr. Joseph Ngugi				✓	✓	✓	✓
4. Ms. Doreen Nkirote Mpuru	✓	✓			✓	✓	✓
5. Ms. Winfred Mwai	✓	✓			✓		✓
6. Mr. Moses Migwi Mbutia			✓		✓	✓	✓
7. Mr. Jamal Abdi	✓	✓			✓	✓	✓
8. Mr. Kiambi Kiriuro				✓	✓	✓	✓
9. Mr. Moses Kithinji Rutere			✓		✓	✓	✓
10. Principal Secretary - National Treasury	✓	✓		✓			✓
11. Principal Secretary – Ministry of Water & Irrigation					✓		

Note:

This relates to the Board meetings from January 2016, some of the Board of Directors were appointed during the month of October 2015.

m) 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 various commercial banks at the end of the financial year.

n) Financial Risk Management

The Board’s risk management strategy recognizes the various risks the Board is exposed to including credit risk and liquidity risk. This is based on a clear understanding of the risk and the continuous risk assessment, measurement and monitoring.

TANA WATER SERVICES BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Credit Risk

Credit risk is the risk that a borrower is unable to meet his financial obligations to the lender. The Board's credit risk is attributable to its cash and cash equivalent and trade receivable. Both bank balances and trade receivables are fully performing and no debt has been impaired. The amount that best represents the Board's maximum exposure to credit risk is made up as follows;

	Total Amount (Kshs)
As at 30 June 2016	
Bank balances	51,219,647
Receivables from Non Exchange Transactions	325,469,648
As at 30 June 2015	
Bank balances	183,230,524
Receivables from Non Exchange Transactions	228,559,185

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. The Board manages liquidity risk by maintaining adequate cash reserves to ensure liabilities are paid as they fall due and to cushion against any liquidity risk. The table below show the Board's financial liabilities that will be settles on a net basis.

	Total Amount Kshs
As at 30 June 2016	
Trade Payables	10,842,974
As at 30 June 2016	
Trade Payables	36,704,907

o) Taxation

The Board is established under the Water Act 2002 and is funded by the exchequer and hence does not pay taxes.

p) Currency

The Financial statements are presented in Kenya Shillings (Kshs)

q) Comparative figures

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

r) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Property, Plant and Equipment

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

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

Amortization for Capital Grants

Capital grants relates to various assets which were donated by KWSP, GTZ and MWI at the formation of the Board. Amortization is calculated on a reducing balance basis using the respective asset items annual rate as follows:-

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Ultimate holding entity

The Board is a state corporation under the Ministry of Water and irrigation. It is an agent of National Government.

s)Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

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3. Levies - Board Administrative Costs fee

	2015/16	2014/15
	Shs	Shs
Board Administrative Costs fee	140,069,296	115,378,285
Less: WASREB Fees	(75,742)	(52,451)
Asset Owner Lease fees	(364,121)	(72,975)
KRA Tax	(523,231)	(757,780)
Total	139,106,202	114,495,079

4. Transfers from other Governments - Agencies

	2015/16	2014/15
	Shs	Shs
Unconditional Grants		
GoK Recurrent Grants	11,640,750	12,699,000
GoK Grants - Salaries paid to Seconded Staff	11,110,686	11,978,910
	22,751,436	24,677,910
Total Government Grants and Subsidies	22,751,436	24,677,910

5. Other Income

	2015/16	2014/15
	Shs	Shs
Sale of Tender Documents	49,000	84,000
Exhauster Services Charges	2,547,614	3,308,022
Water Boozer Charges	347,000	1,440,500
National Industrial Training Authority	-	234,000
Sale of Old Tyres	-	15,000
Total Other Income	2,943,614	5,081,522

9. Repairs and Maintenance

	2015/16	2014/15
	Shs	Shs
Property	505,739	938,990
Computer	4,551,548	4,337,450
Vehicles	1,443,140	5,688,339
Total Repairs and Maintenance	<u>6,500,427</u>	<u>10,964,779</u>

10. Contracted Services

	2015/16	2014/15
	Shs	Shs
Consultancy	2,451,349	4,504,551
Total Contracted Services	<u>2,451,349</u>	<u>4,504,551</u>

11. General Expenses

The following are included in General Expenses:

	2015/16	2014/15
	Shs	Shs
Advertising & Publicity	1,073,246	1,389,256
ASK Show Costs	1,391,505	1,950,425
Audit fees	580,000	580,000
Conferences and Meetings	749,000	558,450
Consumables - Office & House Keeping	2,559,922	2,151,657
Electricity and Water	1,255,966	1,541,690
Fuel and lubricants*	4,862,312	3,656,378
Staff Insurances - Medical, Group Life, Work injury & GPA	10,359,120	8,595,077
Property & Employers liability Insurance	58,959	55,186
Motor Vehicle Insurances	3,016,215	2,380,343
Travelling & Subsistence**	21,307,437	17,592,179
Foreign Travel	2,356,419	3,605,079

* The increase in fuel and lubricants is as a result of increased activities as a result of implementation of ADB Phase II Water Projects.

** The increase in Travelling and Subsistence is as a result of increased activities as a result of implementation of ADB Phase II Water Projects.

	2015/16	2014/15
Postage and Courier	209,957	284,875
Printing and stationery	4,247,958	4,018,915
Security costs and Ground Maintenance	1,178,260	1,644,437
Telecommunication/Telephone	2,811,169	3,481,049
Training	1,550,600	713,910
Internet and Networking*	1,004,144	416,792
Computer Stationery and Accessories	3,803,081	3,423,765
Library	430,160	386,740
Catering Services	1,656,089	891,617
Professional and Subscription fees	313,590	276,373
Staff Welfare	1,528,050	1,158,570
Workshop & Seminars	5,903,563	5,646,412
Laboratory Materials & Equipments	-	425,851
Centralised Billing Charges	24,000	139,900
Exhauster Services Costs	2,989,391	2,772,297
Water Boozer Costs	1,417,725	2,648,948
WSTF Expenses	-	4,753
ADB GoK Counterpart Expenses - Murang'a Bulk	9,254,421	10,416,021
ADB GoK Counterpart Expenses - Small Towns	9,632,893	6,575,343
GoK component - Small Towns Interest Earned **	14,169,911	-
GoK component - Board Support Interest Earned **	30,350,000	-
Computer Software***	624,000	-
General Prov. Bad and Doubtful debts	10,788,830	6,778,780
Engineering Designs & Plans****	7,558,548	225,200
Prefeasibility	1,371,000	2,902,975
Research & Feasibility Studies	-	1,098,424
Total General Expenses	162,387,441	100,387,667

* The increase in Internet & Networking is as a result of changing from previous slow internet connectivity which was also expensive in implementation to Wi-Max to transfer optic fibre and upgrading internet bandwidth from 2Mbps to

**These costs relates to interest charged by Contractors on delayed payments under ADB Funded Projects.

*** The cost of Computer Software relates to installation of E-Procurement Software cost and training staffs on how to use it

**** The increase in Engineering & designs is as a result of cost of carrying out detailed designs for Chogoria Bulk, Chuka Bulk, Kirinyaga Bulk, Buuri Bulk and Imenti South Bulk Water & Sewerage Project and Meru Sewerage Project.

12. Finance Costs

	2015/16	2014/15
	Shs	Shs
Bank Charges	448,911	252,426
Total Finance Costs	448,911	252,426

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13. Cash and Cash Equivalents

	2015/16	2014/15
	Shs	Shs
Account No. 1101-992-220-GOK Recurrent	296,890	643,305
Account No.1101-996-188-Gratuity	2,848,316	2,244,999
Account No.1101-998-733 -Dev.	44,864,178	168,616,897
Cash-on-hand and in transit	18	96,388
Account No.1115-530-089 -ADB Small Towns	91,700	96,989
Account No.1122-669-275- KIDDP	3,080,698	5,739,462
Account No.1127-326-287- Exhauster Services	37,847	20,851
Account No.1149-063-338- Small Dams & Pans	-	5,771,633
Total Cash and Cash equivalents	51,219,647	183,230,524

14. Receivables

Current Receivables

	2015/16	2014/15
	Shs	Shs
Trade debtors - Annex I (a)	318,929,603	221,830,140
Centralised Billing Debtors - Annex I (b)	1,774,016	1,774,016
Exhauster & WaterBowser Debtors - Annex I (c)	673,000	862,000
Receivables - GWAST	2,022,779	2,022,779
Staff imprest - Annex II	51,760	51,760
Deposits	18,490	18,490
Deposit - WASREB*	1,000,000	1,000,000
Deposit - Fuel Cards**	1,000,000	1,000,000
Total Current Receivables	325,469,648	228,559,185

*This relates to a bank guarantee to WASREB for service provision guarantee and is refundable.

** This relates to deposit made to Total Kenya ltd for implementation of motor fuel card system.

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15. Inventories

	2015/16	2014/15
	Shs	Shs
Computer Stationeries & Accessories	14,000	422,000
Office & House Keeping	2,400	30,249
Office Stationeries	204,670	244,258
Centralised Billing Stationeries	112,100	136,100
Total inventories at the lower of cost and net realizable value	333,170	832,607

16. Prepayments

	2015/16	2014/15
	Shs	Shs
Directors medical & life Insurances	146,338	6,135
Staff Insurances - Medical & Life	2,602,525	2,273,453
Motor Vehicles Insurance	904,196	325,210
Work Injury and Staff GPA	25,281	-
Property Insurance	4,912	4,929
	3,683,252	2,609,727

17 A. Property, Plant and Equipment

	Land and Buildings	ADB Project	Infrastructure	Kahuti Scheme	Motor Vehicles and Boat	Furniture and Fittings	Plant and Equipment	Computers and Accessories	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2014	26,208,046	1,847,149,894	1,683,005,118	17,770,088	90,540,030	4,592,941	10,287,572	32,067,077	3,711,620,766
Additions	-	-	308,964,575	-	-	249,275	-	591,000	309,804,850
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustment	-	-	-	-	-	-	-	-	-
At 30 June 2015	26,208,046	1,847,149,894	1,991,969,693	17,770,088	90,540,030	4,842,216	10,287,572	32,658,077	4,021,425,616
Additions	2,234,333	1,873,157,506	190,466,904	-	-	64,920	-	1,203,700	2,067,127,363
Disposals	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-
At 30 June 2016	28,442,379	3,720,307,400	2,182,436,597	17,770,088	90,540,030	4,907,136	10,287,572	33,861,777	6,088,552,979
Depreciation and impairment									
At 1 July 2014	-	46,178,747	90,971,052	3,258,113	53,658,367	2,560,806	5,713,204	26,398,849	228,739,138
Depreciation	-	45,024,279	47,524,966	362,799	9,220,416	285,176	914,874	2,084,323	105,416,833
Impairment	-	-	-	-	-	-	-	-	-
At 30 June 2015	-	91,203,026	138,496,018	3,620,912	62,878,783	2,845,982	6,628,078	28,483,172	334,155,971
Depreciation	-	90,727,609	51,098,515	353,729	6,915,312	252,299	731,899	1,656,613	151,735,976
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-
At 30 June 2016	-	181,930,635	189,594,533	3,974,641	69,794,095	3,098,281	7,359,977	30,139,785	485,891,947
Net book values									
At 30 June 2016	28,442,379	3,538,376,765	1,992,842,064	13,795,447	20,745,935	1,808,855	2,927,595	3,721,992	5,602,661,032
At 30 June 2015	26,208,046	1,755,946,868	1,853,473,675	14,149,176	27,661,247	1,996,234	3,659,494	4,174,905	3,687,269,645

17 B. Amortization of Capital Grant

	Motor Vehicles	Furniture and Fittings	Computers and Accessories	Total
Cost	Shs	Shs	Shs	Shs
At 1 July 2014	9,506,000	984,960	2,769,822	13,260,782
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
At 30 June 2015	9,506,000	984,960	2,769,822	13,260,782
Additions	-	-	-	-
Disposals	-	-	-	-
Transfer/adjustments	-	-	-	-
At 30 June 2016	9,506,000	984,960	2,769,822	13,260,782
Amortization				
At 1 July 2014	8,792,245	700,941	2,697,520	12,190,706
Amortization	178,439	35,502	24,077	238,018
Impairment	-	-	-	-
At 30 June 2015	8,970,684	736,443	2,721,597	12,428,724
Amortization	133,829	31,065	16,059	180,953
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfer/adjustment	-	-	-	-
At 30 June 2016	9,104,513	767,508	2,737,656	12,609,677
Net book values				
At 30 June 2016	401,487	217,452	32,166	651,105
At 30 June 2015	535,316	248,517	48,225	832,058

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18. Work In Progress	2015/16	2014/15
	Shs	Shs
KIDDP - Kathangachini & Kithuru	-	68,757,674
ADB - Small Towns	-	169,092,032
Refurbishment of Maji House	2,941,260	2,552,610
Mathira Community Water Projects	138,996,359	2,638,500
Mbeere South Water Project	19,900,641	-
Siakago Water Project	16,943,623	-
Hika Water Project	7,200,544	-
Gichugu Water Project	15,124,844	-
Nyeri Njogu-ini Water Project	6,170,777	-
Nyeri County Women Rep Water Project	16,381,155	-
Ndia Water Project	17,369,786	-
Imenti South Water Project	9,892,205	-
Kamumu Dam	864,729	-
Rupingazi Dam	864,729	-
Thambana Dam	864,728	-
Mutuati Borehole	126,350	-
Maua Water Supply Distribution Network, Sewerage & Drainage System.	113,955,424	-
Sub-total	367,597,154	243,040,815

ADB Small Towns

Loan Revenue - Special Account	-	24,592,653
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Direct Payments

Services: Consultancy for Detailed Design and Supervision	-	104,457,515
Services: Public Health Education & Gender Mainstreaming	-	14,522,880
Works: Construction of Water Supply and Sewerage Systems	-	1,510,129,415
Goods: Correlator Operated Leak Detection Equipments	-	6,992,191
Sub-total	-	1,660,694,655

Total Work In Progress	367,597,154	1,903,735,470
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19. Trade and Other Payables from Exchange Transactions

	2015/16	2014/15
	Shs	Shs
Trade payables - Annex III	10,842,974	36,704,907
Total Trade and Other Payables	10,842,974	36,704,907

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20. Borrowings

	2015/16	2014/15
	Shs	Shs
ADB Loan - Murang'a Bulk:		
(i) Loan Revenue - Special Account	15,903,200	15,903,200
(ii) Direct Payments	1,436,972,129	1,436,972,129
	<u>1,452,875,329</u>	<u>1,452,875,329</u>
ADB Loan - Small Towns:		
(i) Loan Revenue - Special Account	24,710,700	24,710,700
(ii) Direct Payments	1,706,689,300	1,666,102,001
	<u>1,731,400,000</u>	<u>1,690,812,701</u>
Less: Total Current Portion of Bank Loans	-	-
Total Non-Current Borrowings	<u><u>3,184,275,329</u></u>	<u><u>3,143,688,030</u></u>

The Total Non-Current Borrowings are non current liabilities. The purpose of the loan was for infrastructure development and the security are the infrastructure projects implemented. The loan was rendered at a interest rate of 3% per annum over a period of 30 years including a grace period of 5 years. The grace period of 5 years is from the date of completion of the Projects and the Projects were completed on December 2015.

21. Cash generated from operations

	2015/16	2014/15
	Shs	Shs
Surplus for the year before tax	(214,428,443)	(129,861,461)
Adjusted for:		
Depreciation	151,735,976	105,416,833
Working capital adjustments:		
Decrease in inventory	499,437	(488,244)
Increase in receivables	(96,910,463)	(61,591,022)
Decrease in payables	(25,861,933)	(165,627,056)
Increase in Prepayments	(1,073,525)	(636,803)
Net cash flows from operating activities	<u><u>(186,038,951)</u></u>	<u><u>(252,787,753)</u></u>

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22. Capital Reserves	2015/16	2014/15
	Shs	Shs
Balance b/f	2,710,166,902	1,997,593,813
GoK Development Grants	380,000,000	382,500,000
KIDDP - Tigania	-	20,000,000
KIDDP Kathangachini & Kithuru	24,000,000	66,000,000
Mathira Water projects	80,000,000	70,000,000
Nyeri County Women Rep Water Projects	30,000,000	-
Mbeere South Water Project	30,000,000	-
Ndia Water Projects	-	30,000,000
Mbeere North Water Projects	-	20,000,000
Nyeri Water Projects	-	35,000,000
Gichugu Water projects	-	15,000,000
Imenti South Water Projects	-	10,000,000
Small Dams & Pans	-	64,073,089
	3,254,166,902	2,710,166,902

23. Accumulated Fund		
Balance Brought Forward	115,677,318	247,840,507
Surplus for the Period	(214,428,443)	(129,861,461)
Amortisation of capital grant	180,953	238,018
Capital Grant b/f	(832,058)	(1,070,076)
Gratuity Fund	429,822	(2,301,728)
Capital Grant	651,105	832,058
	(98,321,303)	115,677,318

24. Events after the reporting period

There are no material adjusting events after the reporting date.

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XVII. 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	Status	Time frame
CEN.HU B/WAT ER CO./TA NA WATER /24G/1	<p>1. <u>Non- Current Assets</u> (i) <u>Inherited Assets</u> As reported in 2012/2013, the Board inherited a number of non-current assets previously owned by the Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation and which have not been incorporated in the financial statements. These assets include Maji House in Nyeri and the adjacent land, water and sewerage infrastructure assets spread within its jurisdiction, seven (7) motor vehicles allocated to area managers of water schemes in the region and forty (40) motor vehicles with various Water District Officers. Further and as similarly noted in the previous year, the net book value as at 30 June 2012 includes the value of four (4) motor vehicles still bearing G.K registration numbers, and which have not been registered in the Board's name. Under the circumstances the value of the noncurrent assets is understated by the value of the inherited assets not included in the accounts.</p>	<p>The former MWI and NWC&PC transferred assets to TWSB that were handed over to Water Service Providers. These assets have not been included in the financial statement because although the MWI contracted a consultant to undertake the valuation of assets and eventually handed over the draft valuation report, the value stated in the valuation report has not been formally agreed upon by the WSPs because some assets were not reflected in the valuation report. For this</p>	Eng M. M. Naivasha - Chief Executive Officer	TWSB is awaiting for official communication from MWI on the implementation of the transfer plan.	Immediately once the communication from the parent Ministry on the implementation of transfer plan is received.

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		<p>reason, the management of TWSB has not officially tabled the report to the Board of Directors for adoption so that the assets can be included in the financial statements of the Board.</p> <p>It is important to note that the initial transfer plan has already expired.</p> <p>However, the MWI is mandated to gazette the revised transfer plan and guide the water institutions on the road map towards its implementation.</p> <p>TWSB is therefore awaiting for official communication from MWI on the implementation of the transfer plan. In addition as indicated above the valuation report has not been formally agreed upon and some assets are not reflected in the valuation report leading to the</p>			
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	<p>exclusion of some assets in the Boards financial statements. However, the Board has made effort by requesting the Ministry of Water and Irrigation to have the motor vehicles transferred to the Board</p>			
<p>(ii) Property, Plant and Equipment – Asset Grants The property, plant and equipment balance of Kshs 3,428,881,628 as at 30 June 2014 excludes the value of a water boozer and several water tanks received from the parent Ministry and which are being used by the Board. This has in effect understated the value of property, plant and equipment in the financial statements and the commensurate depreciation.</p> <p>In addition, the Japanese International Cooperation Agency (JICA) funded a water project under Embu Water and Sanitation Company Limited, a Water Service Provider (WSP) under the jurisdiction of the Board. Although the Board indicates the cost of the project to be Kshs 2.3 billion, the assets developed under the project have not been included in the financial statements and no documentary evidence was provided in support of this cost. Consequently, the accuracy and completeness of property, plant and equipment balance of Kshs</p>	<p>These assets have not been included in the financial statements as their values are yet to be given by the Ministry.</p>	<p>Eng M. M. Naivasha - Chief Executive Officer</p>	<p>TWSB is awaiting for official communication from MWI on the values of these Asset Grants.</p>	<p>Immediately once the communication from the parent Ministry on the values of these Asset Grants is received.</p>

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3,428,881,628 as at 30 June 2014 could not be ascertained.				
<p>(iii) Water Projects As reported in last year the Property, Plant and Equipment balance of Kshs 3,428,881,628 as at 30 June 2014 includes an amount of Kshs 26,252,205 in respect of Kiambere- Mwingi Water Supply Project, which is under the jurisdiction of the Taanathi Water Services Board but whose initial development cost was borne by Tana Water Service Board. However, no evidence of transfer of Water Project cost from Tana Water Services Board to Tanaathi Water Services Board was availed for audit review.</p>	<p>The projects under Taanathi were developed by TWSB before the creation of Tanaathi. The exclusion of these assets from TWSB Financial Statements shall be effected after the official transfer is carried out between the two Boards. The official transfer of assets and liabilities has not stalled but it is expected to take place in due course because the exercise involves the Board of Directors and TWSB Board of Directors had deliberated on this matter.</p>	<p>Eng M. M. Naivasha - Chief Executive Officer</p>	<p>TWSB is awaiting for official transfer to be carried out between the two Boards</p>	<p>Immediately once the official transfer is carried out between the two Boards.</p>
<p>2. <u>Water Projects Funded by African Development Bank</u> (i) Penalty on Delayed payments During the year under review, the Board delayed in settling fifty one (51) certified work certificates leading to contractors to raise interest claims amounting to kshs.48,026,522 in accordance with section 14.8.1 of the contract agreement. Although quantified and billed, the amount has not been</p>	<p>There has been an inadequate provision of Counterpart funding. This has affected the payment of the GoK Component of every raised certificate with some payments pending for over 84 days.</p>	<p>Eng M. M. Naivasha - Chief Executive Officer</p>	<p>Amount paid in full</p>	

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<p>included in the financial statements. This expenditure could have been avoided had the bills been settled within the stipulated time.</p>	<p>This is a grave fundamental breach of Contract and it exposes the Government to great risks. However, the Management has made countless efforts to request for adequate provisions of Counterpart funding from the Line Ministry.</p>			
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CHIEF EXECUTIVE OFFICER

Date.....12/08/16.....



CHAIRMAN

Date.....12/08/16.....

TANA WATER SERVICES BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

ANNEX I

(A) TRADE DEBTORS AS AT 30 JUNE 2016

	2015/16	2014/15
(I) WSP COMPANY	AMOUNT (KSHS.)	AMOUNT (KSHS.)
Embe	5,586,137	4,460,064
Ewasco	52,104,937	37,113,243
Gatamathi	7,654,894	5,956,872
Gichugu	3,556,494	3,556,494
Imetha	6,102,749	3,156,240
Kahuti	10,685,180	8,722,935
Kathita Gatunga	39,934	39,934
Kathita Kiirua	510,980	281,616
Kirinyaga	24,155,920	22,347,052
Kyeni	125,238	124,862
Mawasco	50,140,328	41,510,888
Mewass	40,390,034	26,753,779
Murang'a	39,469,509	24,006,372
Murugi Mugumango	820,613	577,364
Muthambi 4K	285,626	263,696
Murang'a South	18,766,417	11,081,150
Ngagaka	3,965,925	3,942,454
Ngandori Nginda	12,942,318	10,300,767
Nithi	2,244,594	1,226,531
Nyewasco	31,781,643	10,633,551
Omwasco	31,895,533	24,057,338
Ruiru Thau	595,948	595,948
Rukanga	50,333	53,972
Teawasco	3,940,114	365,396
Tuuru	5,769,913	5,243,413
Naromoru	784,915	106,003
SUB TOTAL	354,366,226	246,477,934
LESS: 10% General Provision for Bad and Doubtful Debts	(35,436,623)	(24,647,793)
NET TRADE DEBTORS	318,929,603	221,830,140

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(B) CENTRALISED BILLING DEBTORS AS AT 30 JUNE 2016

Omwasco	149,282	149,282
Kawasco	301,551	301,551
Muthambi 4K	491,820	491,820
Murugi Mugumango	363,912	363,913
Imetha	373,526	373,526
Nithi	291,038	291,038
SUB TOTAL	1,971,129	1,971,130
LESS: 10% General Provision for Bad and Doubtful Debts		
	(197,113)	(197,113)
TOTAL	1,774,016	1,774,016

(C) EXHAUSTER & WATER BOWSER DEBTORS AS AT 30 JUNE 2016

Nyewasco	17,000	17,000
Nyeri County Government	56,000	56,000
Tharaka Nithi County	600,000	600,000
Karatina University	-	21,000
NW Realite	-	49,000
Ngandu Girls Secondary	-	119,000
SUB TOTAL	673,000	862,000

TANA WATER SERVICES BOARD
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ANNEX 11

STAFF OUTSTANDING IMPREST AS AT 30 JUNE 2016

DETAILS	DATE OF ISSUE	AMOUNT (KSHS.)
A. KWSP		
Ministry of Environment, Water & Natural Resources (G K Mathu)	26-Mar-07	51,760
Sub-total		51,760
GRAND TOTAL		51,760

ANNEX III

LIST OF CREDITORS AS AT 30 JUNE 2016	
DETAILS	AMOUNT (KSHS.)
A. RECURRENT	
PAYROLL LIABILITIES	1,333
KENYA NATIONAL AUDIT OFFICE	1,160,000
ASSET OWNER	1,029,440
WASREB	75,742
WHT - CONNEX LTD	161,500
NYERI MODERN GARAGE	29,000
LODAJOTS ENTERPRISES	242,800
STANDARD GROUP LTD	50,490
NATION MEDIA GROUP	97,249
UTUMONI LTD	96,240
JOGIAN INTERLINK LTD	96,240
SUB-TOTAL	3,040,034
B. DEVELOPMENT	
KING'ONG'O JUNCTION	41,902
G. K. KIBIRA	82,285
SATH CONSTRUCTION	113,028
AMG SAGRIN LTD	3,227,940
TODDY CIVIL ENGINEERING CO.	379,410
TODDY MERCHANTS LTD	1,566,000
CHINA JIANGXI INTERNATIONAL LTD - ADF X	1,132,452
RANJU LTD	748,500
TOTAL KENYA	511,423
SUB-TOTAL	7,802,940
GRAND TOTAL	10,842,974



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ANNEX IV

ANALYSIS OF DEFICIT FY 2015/16

Ksh.

(A) Expenses reflected in Comprehensive Income Statement which have no corresponding cash inflow (Income):

(i) Depreciation	151,735,976
(ii) General Provision for Bad & Doubtful debts	10,788,830
(iii) Audit fee provision	580,000
	163,104,806

Add:

(B) Expenses reflected in Comprehensive Income Statement whose cash inflow is from GoK Development grant which is reflected as capital reserves:

(i) ADB GoK Murang'a Bulk Counterpart Expenses	39,604,421.00
(ii) ADB GoK Small Towns Counterpart Expenses	23,802,804.00
(iii) Insurances	14,489,254.00
(iv) Trade shows and Exhibitions	1,378,770.00
(v) Consultancy	2,451,349.00
(vi) Workshops and Seminars	5,093,645.00
(vii) Bank charges - Devpt	406,471.00
(viii) Travelling & Accommodation	16,453,142.00
(ix) Computer Stationeries & Accessories	2,532,967.00
(x) Publishing, Printing & Stationery	2,141,115.00
(xi) Project Fuel & Lubricants	4,478,380.00
(xii) Project Vehicle Maintenance	956,109.00
(xiii) Foreign Travel	2,356,419.00
(xiv) Telephone	1,652,602.00
(xv) Salaries	12,115,641.00
(xvi) Office & House Keeping	1,267,745.00
(xvii) Electricity & Water	1,033,060.00
(xviii) Contracted Guards & Cleaning Services	210,920.00
(xix) Internet & Networking	604,600.00
(xx) Computer Software	624,000.00
(xxi) Advertising & Publicity	1,073,246.00
(xxii) Staff Training	304,800.00
(xxiii) Computer Repairs & Maintenance	4,432,548.00
(xxiv) Property Repairs & Maintenance	280,450.00
(xxv) Staff Welfare	1,397,050.00
(xxv) Board Expenses	6,961,376.00
(xxvi) Postage & Courier	90,054.00
(xxvii) Conference & Meetings	399,600.00
(xxviii) Professional & Subscription Fees	100,690.00
(xxix) Exhauster Services Cost	1,343,354.00
(xxxi) Engineering & Design	7,558,548.00
(xxxi) Prefeasibility	1,371,000.00
	158,966,130
	322,070,936

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Less:

(C) Accrued Income reflected in Comprehensive Income Statement:

(i) Accrued Board Administrative Costs fee (107,642,493)

Total - Reported Deficit in the Comprehensive Income Statement

214,428,443