

REPUBLIC OF KENYA



*Paper Laid
on Tuesday
4/2/2015
The Leader of
Majority Party
Hon Aden Di*

KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2014**





TANA WATER SERVICES BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

**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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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 Environment, Water and Natural Resources 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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 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.	Planning & Strategy Manager	Mr Timothy W. Kibaki
5.	Internal Audit Manager	Mr Peter M. Gichaaga

(e) Fiduciary Oversight Arrangements

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

- ***Finance and Administration Committee***

The Finance and Administration committee is responsible for ensuring that the 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.

- ***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.

- ***Audit 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.

(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

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(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



Nelson Ng'ang'a Karanja – Chairman

Mr. Karanja holds a Masters of Business Administration Degree from Thames Valley University and a Bachelor of Science degree from the Kenyatta University. He was born on 6th September 1967 and joined the Board on 8th October 2012. He is a director and a lecturer at St. Paul's University he served as the operations coordinator from 2002 to 2007 at Clark worldwide, UK and as a financial consultant in Coca-cola Africa in the year 2001. He is also a full and active member of the Institute of Directors (Kenya)



Geoffrey Wachira Mahinda – Director

Mr. Mahinda holds a Bachelor of commerce degree from the University of Nairobi. He was born on 9th December 1957 and joined the Board on 20th May 2011. Prior to joining Tana Water Services Board, he served as a Board Member of Kenya Bureau of Standards from 2007 - 2010. He is an insurance and finance consultant and is the Managing Director of Trade Insurance Broker Ltd where he has served for 32 years since 1982. He has previously served as the chairman and Director of a financial institution serving small and medium enterprises Osmosys Solutions Ltd, Japan Trading Network Ambient Construction Ltd and Mabros properties Ltd. He is an associate member of the Association of Insurance Brokers of Kenya, member of Kenya National Chambers of Commerce and Industry and also a member of the Agricultural Society of Kenya. His term in office lapsed on 19th of May 2014.



Dominic Charles Muthuri – Director

Mr. Muthuri is a career banker, having served as the operations manager NIC bank for 2 years from 1999 to 2000 and worked at Barclays Bank of Kenya for 30 years where he also served in various managerial positions for 10 years from 1988 to 1998. He was born on 25th May 1951 and joined the Board on 3rd September 2010. He also served as a commissioner for Poverty Eradication Commission for 3 years from 2004 where he also served as the chair of the finance and administration subcommittee. In 2005 he was elected as a director and vice chairman of M.C.F Sacco where he served up to the year 2007. His term in office lapsed on 2nd of September 2013.

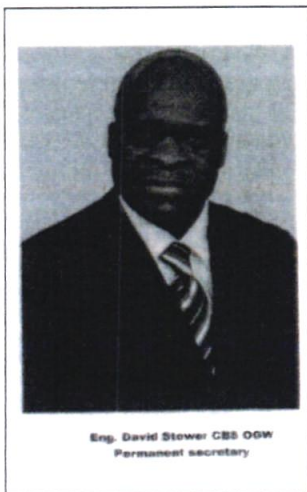


Mary Igoki Kavinda – Director

Ms. Kavinda holds a diploma in psychological counselling from Amani Counselling Centre and a PI teacher's certificate from Kagumo Teachers College. She is 56 years old and joined the Board on 3rd September 2010. She is a director/proprietor at Mary's supermarket in Runyenjes town. She is also a chairperson of Mary Goretti Secondary school and a Board member of Moi High School Mbiruri, Sacred Heart Kyeni Girls and Embu hospital. She served as the deputy head teacher of Sacred Heart – Kyeni for 10 years from 1986 to 1996. Her

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term in office lapsed on 2nd of September 2013



Eng. David Stower CBS, OGW – PS Ministry of Water and Irrigation

Eng. Stower holds a Bachelor of Science degree as well as a masters of Science degree. He was born on 3rd March 1956. He joined the civil service in 1979 as an Assistant Engineer and served for 25 years rising to the position of Director of Water. He was appointed Permanent Secretary Ministry of livestock and fisheries development in 2004. He is a director at East Africa Engineering Consultants.



Mr Joseph Kinyua – PS Ministry of Finance/ Treasury

Mr. Kinyua is a career economist he holds a Bachelor of Arts degree and a masters of Arts in Economics degree from University of Nairobi. He served as the Permanent Secretary, Ministry of Finance, Republic of Kenya He joined Central Bank of Kenya in 1980 and served his way through the ranks from an Economist to Director of Research. He also served as an Economist with International Monetary Fund (IMF) from 1985 to 1990, after which he returned to Central Bank of Kenya. He served as Financial Secretary to the Treasury of Kenya from June 1995 to July 1999. Since October 2000, he served as the Chief Economist of Central Bank of Kenya. Mr.Kinyua served as the Permanent Secretary to the Treasury, Kenya from September 2002 to January 2003 and since January 2003, he served as Permanent Secretary in the Ministry of Planning and National Development. From July 2003 to July 2004, he served as Permanent Secretary in the Ministry of Agriculture, Kenya. Mr.Kinyua served as Chairman of the Board of East African Development Bank until December 28, 2008 and its Director until June 27, 2013. He has been a Non Executive Director of Safaricom Limited since February 28, 2008. He serves as a Director of The Kenya Post Office Savings Bank. He has been a Director for central bank He has been a Director of The Kenya Power since April 2004. He served as Director of Kenya Reinsurance Corporation Ltd. Since April 2004. He serves as a Director for Central Bank of Kenya, National Bank of Kenya Ltd., East African Portland Cement and Consolidated Bank of Kenya Limited. He serves as a Director of State Corporations and Kenya Railways Corporation. He has been a Director of Kenya Commercial Bank Ltd. since July 2013. Mr.Kinyua served as a Non-Executive Director of National Oil Corporation of Kenya Ltd and Kenya Electricity Generating Company. He served as Director of Mumias Sugar Company Ltd. He served as a Non-Executive Director of Kenya Airways Ltd. until 2013. He served as a Director of Housing Finance Company of Kenya Ltd. since July 1, 2004. He is a Member of the Board of Governors of African Economic Research Consortium (AERC). He served as a Director of Kenya Power & Lighting Co. Ltd. since October 22, 2004 until June 19, 2013

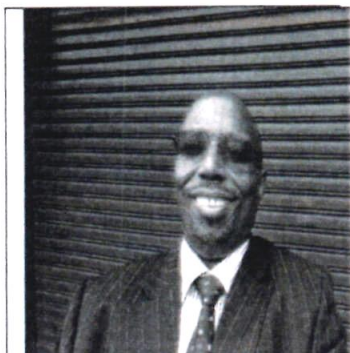
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Prof Karega Mutahi – PS Ministry of Local Government

Prof. Karega holds a Doctor of Philosophy in linguistics from University of Nairobi, Masters of Arts from the University of California Los Angeles and a Bachelor of Arts Degree from University of Nairobi

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 born on 4th January 1959. 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 of and 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.



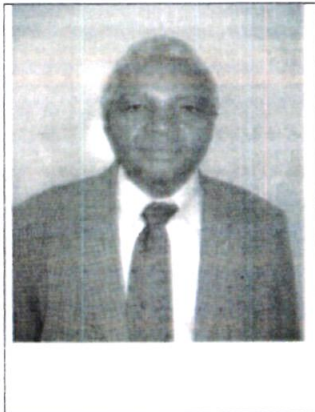
Eng. John Nyaga Mbogori – Ag. Technical Services Manager

Eng. Mbogori holds a Bachelor of Science degree from North-East Saxony University, Germany. He was born on 6th November 1962. 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.



Nicholas Mutunga Kanyeke – Finance Manager

Mr. Kanyeke holds a Bachelor of commerce degree from University of Nairobi and a Masters degree from Kenya College of Accountancy University. He is a Certified Public Accountant and CISA member. He was born on 30th October 1967. 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.



Timothy Wakaru Kibaki – Planning and Strategy Manager

Mr. Kibaki holds a Bachelor of Science degree from University of Nairobi. He is 62 years old. He joined the Board on 11th November 2004 as the Acting Chief Executive Officer and was later appointed as the Planning and Strategy manager on 14th September 2005. His main responsibilities include; carrying out pre-feasibility and feasibility studies for water and sewerage services, identification of existing water sources, coverage and gaps to be taken into account in the preparation of the master plans, ensuring that demand analysis work 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.



Peter Mwangi Gichaaga – Internal Audit Manager

Mr. Gichaaga holds a Bachelor of Business Administration degree, a Masters of Business Administration degree from Kenya Methodist University and a diploma in Business Management from the Kenya Institute of Management. He is a Certified Public Accountant and a Certified Public Secretary. He was born on 14th March 1977. He joined the Board on 19th December 2005. His main responsibilities include; ensuring annual, medium term and long Audit plans are prepared in line with the Board's corporate goals and objectives, institute internal control systems to fight corruption throughout the Board area, both at the WSP level and the Board, ensuring that all fixed and current assets are accounted for on a regular basis by continuous verification of the existence of such assets through regular checks, including physical counts, review the systems established to ensure compliance, including the management information systems and other operating systems.

IV. CHAIRMAN'S STATEMENT

STAKEHOLDERS

I am delighted to present the annual report and financial statements of our Board, Tana Water Services Board, for the year ended 30 June 2014. The year 2013 was yet another year of outstanding performance. This remarkable improved performance is testable to the great potential that the Board has and emphatically stamps Tana Water Services Board's both technical and managerial strength. Some of the instruments that guided the achievements realized during the year include the 4 years strategic plan (2009 – 2012).

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 the Board 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

We will continue our growth strategy by focusing on our mandate to enhance our revenue and significantly contribute positively to the stakeholders' interests. We will concentrate on building capacities of the Water Services Providers through development of water and sewerage infrastructure that will facilitate the delivery of bulk water to meet the current and future water supply deficits and the internal capacity of the Board to monitor their asset development requirements. Our other priority will be to continue aligning our operations with the constitution and the Water bill 2014 once it is enacted.

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APPRECIATION

On behalf of the Board of Directors, I wish to take this opportunity to congratulate and acknowledge the tireless efforts exhibited by the entire Tana Water Services Board (TWSB) fraternity in working towards maintaining the ISO 9001:2008 certification.

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 mid 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 Quality Management System.

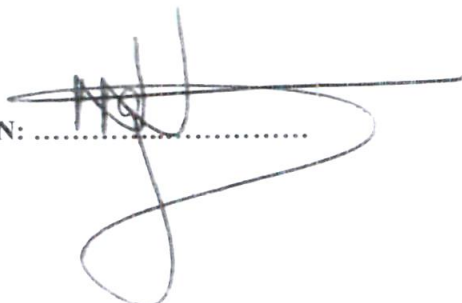
I take this opportunity to sincerely thank our Ministry of Environment, Water & Natural Resources, Water Services Regulatory Board, other water sector institutions, our development partners and the stakeholders for the continuous support of all our activities. The Board remains committed to provide the 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 Environment, Water and Natural Resources, The National Treasury, Ministry of Devolution and Planning, our Development Partners, Water Services Regulatory Board and all other State Corporations under the Ministry of Environment, Water and Natural Resources for their guidance, continued support and co-operation.

CHAIRMAN:



DATE: 26/11/14

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

It is a great honour to report the continued growth in our operations and financial performance. The annual report and financial statements as at 30 June 2014 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 in the following areas:

PROJECTS IMPLEMENTATION

In the financial year 2013/2014, the Board made remarkable achievements in project implementation and collaboration with our development partners. The Board completed the construction of Kandara Bulk Water Supply, Murang'a Urban Bulk Water Supply including the augmentation of the Murang'a Town Sewerage System. Also during the year under review the Board also substantially completed Othaya Water Supply System, Mukurwe-ini Water Supply system, Maua Water Supply and Othaya Sewerage. Under the small dams and pans project funded through the Ministry of Devolution construction of 15 small dams and pans were completed and a further 28 are under construction. Designs for an additional 13 small dams and pans were finalized waiting for allocation of funds for implementation in the following year.

The Board also continued with the planning of TharakaNithi County Bulk Water Supply System which covers Chuka and Chogoria and Kirinyaga County Bulk Water Supply System. Also during the year under review tenders for the construction of independent community water projects under the Northern Collector Tunnel Phase 1 project in Murang'a County were advertised and tender awarded. Construction will commence in the following year. The detailed design for tender for MweaMakima Water project was also completed within the year and tender for its construction advertised and awarded by the end of the year. Construction is due to commence in the following year. The feasibility study for Kamumu multi-purpose dam was completed and then the Board engaged a Korean Consultant who showed interest in assisting the board to review the report and align it to Korean requirements for funding. The Board also maintained an 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

In line with the Government Reforms initiatives, the Board continued to adopt Performance Contract Management Approach. During the financial year, the Board signed a performance contract with the Ministry of Environment, Water & Natural Resources for implementation by the Board and cascaded the set targets to Departmental Managers, the District Water Officers and the contracted Water Service Providers.

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

CHALLENGES

As reported in the previous years' report, the Board inherited water infrastructure from National Water Conservation and Pipeline Corporation and Ministry of Environment, Water & Natural Resources 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. The main challenge to the Board is to seek for funding to upgrade water and sewerage infrastructures to ensure quality and sustainable service delivery.

FUTURE OUTLOOK

As a way forward to sustained operations in the face of the challenges mentioned above, the Board will continue to implement our Ministry's policies and the Water Services Regulatory rules and guidelines and adhere to good corporate governance in our functional approaches to deliver on our mandate.

We will also continue to work very closely with the County Governments and support their efforts in conducting effective monitoring and evaluation to the Water Service Providers, expanding the

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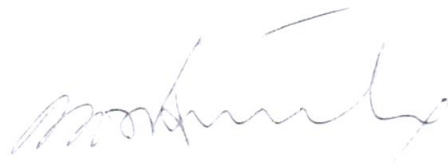
infrastructure network, and rededicate ourselves to service innovations in the provision of water and sanitation services.

APPRECIATION

Once again, good performance during the financial year 2013/14 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 Environment, Water and Natural Resources, 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: 26/11/14

VI. CORPORATE GOVERNANCE STATEMENT

The Structure of Tana Water Services Board starts with the Board Members comprising of eight members representing various stakeholder interests. The Board has established a governance culture built on the principles of integrity, accountability and transparency. The Board is managed under the direction of the Board Members whose responsibility is to maximize long-term economic value for all stakeholders. The Chairman 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 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 provides 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 has provided strong leadership to the Board resulting in the Board taking services to the furthest reaches within the Board'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 Board 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.

During the year, eight directors served on the Board.

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The Director's Attendance for 2013/2014 was as follows:

Director	Full Board		Finance & Administration Committee		Technical & Planning Committee		Audit & Governance Committee	
	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended
Nelson N. Karanja	1	1	2	-	1	-	1	-
Geoffrey W. Mahinda	1	1	2	-	1	-	1	1
Dominic C Muthuri	1	1	2	2	1	-	1	-
Ms. Mary Igoki Kavinda	1	1	2	-	1	1	1	-
PS National Treasury	1	-	2	1	1	-	1	1
PS Ministry of Environment, Water & Natural Resources.	1	-	2	2	1	1	1	-
PS Ministry of Devolution and Planning	1	1	2	-	1	1	1	1
Rep. Inspector General. State Corporations	1	1	2	2	1	-	1	-
Eng. Moses M. Naivasha	1	1	2	2	1	1	1	1

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BOARD COMMITTEES

The Board 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 committees:

Board Committee	Members
Finance & Administration Committee	<ol style="list-style-type: none"> 1. Mr. Dominic C. Muthuri - Chairman 2. PS National Treasury 3. PS Ministry of Environment, Water & Natural Resources. 4. Eng. Moses M. Naivasha - Chief Executive Officer/Secretary
Technical & Planning Committee	<ol style="list-style-type: none"> 1. Ms. Mary Igoki Kavinda - Chairperson 2. PS Ministry of Environment, Water & Natural Resources. 3. PS Ministry of Devolution and Planning 4. Eng. Moses M. Naivasha - Chief Executive Officer/Secretary
Audit & Governance Committee	<ol style="list-style-type: none"> 1. Mr. Geoffrey W. Mahinda - Chairman 2. PS National Treasury 3. PS Ministry of Devolution and Planning 4. Mr. Peter Gichaaga - Internal Audit Manager/Secretary

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 through its pro poor programmes continued to increase coverage for both water and sanitation to the unserved and underserved within its area of jurisdiction during the financial year.

The Board provided water to eight villages in Solio IDP settlement. Eight boreholes fully equipped were operated by the Board, which facilitated with chemical and footed the cost of electricity bills and borehole attendant's salaries. This costed the board over Kshs 2,161,012 during the year under review. The scheme serves a population of over 30,000 people. The water project was ultimately handed over to the community towards the end of the financial year. The management committees handed over to were thoroughly trained on governance issues, basic management principles, financials and operations and maintenance. The board undertook this to ensure that the community accessed safe and clean drinking water for its people and also their livestock.

In Embu County, through Embu Water and Sewerage Company, the Board resource mobilized for funding from Water Services Trust Fund in form of Aid on Delivery (AoD) grant. The AoD grant is funded by KfW and serves to incentivize commercially financed projects in the water sector. Through this programme a population of 75,000 benefited and 131 institutions including schools, clinics and churches.

In Dallas, a heavily populated informal settlement area of Embu, a total of 1,200 VIP toilets were constructed through a Safi Sanitation programme in collaboration with WSTF. A population of over 18,000 people benefited from improved sanitation at a cost of over Kshs28million.

The Board constructed two earth dams in Wiyumiririe Internally Displaced settlement in Laikipia County. Though not within our area of jurisdiction the board undertook this for the better good of Kenya. The dams have a capacity of 105,000m³ serving 1557 households with a population of 11,000 people. The settlement benefited from two tanks distributed by the board in each of the four villages. The board also drilled 4no. boreholes and donated a 10m³ tank at each of the sites.

The Board distributed 5 lorries of firewood to 5 childrens homes in Nyeri County. The firewood was from cleared areas where water infrastructural development were being constructed in Othaya and Mukurwe-ini.

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During the financial year, the board provided technical assistance to communities in developing bankable funding proposals.

The Board touched the lives of 59,000 people by providing safe and clean drinking water and improved sanitation during the financial year under review. This being in line with the new constitutional dispensation of right to water and safe environment.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the Board's affairs.

Principal activities

The principal activities of the Board as envisioned in the Draft Water Bill 2012;-

- 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, 2014 are set out on page 1

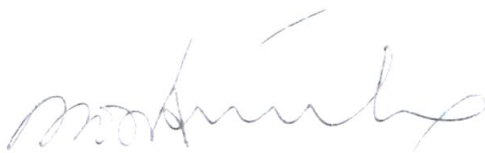
Directors

The members of the Board of Directors who served during the year are shown from page v to vi except for the chairman Mr Nelson Ng'ang'a Karanja all the other Board of director's term in office lapsed before the end of the year.

Auditors

The Auditor General is responsible for the statutory audit of the *Board* in accordance with the Section 24.10 of the Public Finance Management (PFM) Act, 2012.

By Order of the Board



Eng. Moses M. Naivasha
Chief Executive Officer

Nyeri
Date:..... 26/11/14

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

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of that Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year/period and the operating results of the Board for that year/period. 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 (period) ended on June 30, 2014. 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, 2014, 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.

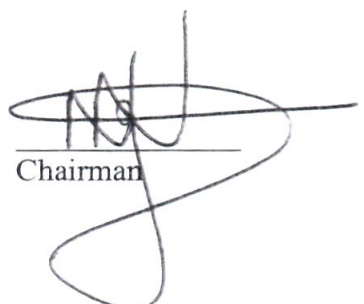
Nothing has come to the attention of the Directors to indicate that the Board will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Board's financial statements were approved by the Board on 26/11/ 2014 and signed on its behalf by:



Chief Executive Officer



Chairman

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

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

Tana Water Services Board. Although the Board does not draw any benefits from Kiambere-Mwingi Water Supply Project, the Board continues to reflect as assets the cost of these assets in its books and charge depreciation on the 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 availed for audit verification.

Consequently, the accuracy and validity of the Property, Plant and Equipment of Kshs. 3,482,881,628 as at 30 June 2014 could not be confirmed.

2. Water Projects funded by African Development Bank - Penalty on Delayed Payment

During the year under review, the Board delayed in settling fifty one (51) certified works certificates prompting the contractors to raise interest claims amounting to Kshs. 48,026,522.00 in accordance with section 14.8.1 of the contract agreement.

Although quantified and billed, the amount has not been included in these financial statements. This contingent 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 of Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Tana Water Services Board as at 30 June 2014, and its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards and comply with the Water Act, 2002.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

18 May 2015

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON TANA WATER SERVICES BOARD FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Tana Water Services Board set out on pages 1 to 23, which comprise of the statement of financial position, as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed 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 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 Company'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. Non-current Assets

(i) Inherited Assets

As reported in 2012/2013, 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 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 with various Water District Officers. Further, and as similarly noted in the previous year, the assets book value as at 30 June 2014 include the value of four motor vehicles still bearing G.K registration numbers and which have not been registered in the Boards name.

Under the circumstances, the value of the Non-Current Assets is understated by the value of the inherited assets not included in these accounts.

(ii) Property, Plant and Equipment – Grants

As previously reported, the Property, Plant and Equipment balance of Kshs.3,482,881,628 as at 30 June 2014 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.

In addition, the Japanese International Cooperation Agency (JICA) funded a 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. 2.3billion, 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, existence and completeness of Property, Plant and Equipment balance of Kshs. 3,482,881,628 as at 30 June 2014 could not be ascertained.

(iii) Water Projects

As reported in 2012/2013 the Property, Plant and Equipment balance of Kshs.3,482,881,628 as at 30 June 2014 include 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


**XI. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2014**

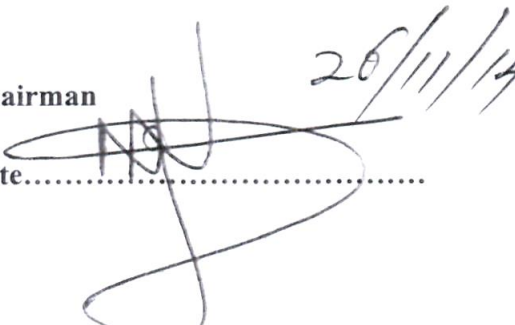
Revenue from non-exchange transactions	Note	2013/2014	2012/2013
		Kshs	Kshs
Board's Administrative Cost fee	3	106,935,060	178,124,562
Government Grants	4	24,348,648	20,064,913
		131,283,708	198,189,475
Revenue from exchange transactions			
Finance Income - external investments	5	2,719	81,813
Other Income	6	5,982,990	7,430,436
		5,985,709	7,512,249
Total revenue		137,269,417	205,701,724
Expenses			
Employee Costs	7	53,804,788	57,554,235
Board Expenses	8	2,982,093	6,241,914
Depreciation and Amortization expense	9	103,929,885	39,850,419
Repairs and Maintenance	10	6,261,688	5,766,140
Contracted Services	11	4,035,775	3,733,524
General Expenses	12	93,668,090	227,874,089
Finance Costs	13	254,855	467,874
Total expenses		264,937,174	341,488,195
Surplus for the period - Note 2 (h) & Annex IV		(127,667,758)	(135,786,471)
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		(127,667,758)	(135,786,471)
		(127,667,758)	(135,786,471)

**XII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

Assets		2013/2014	2012/2013
Current assets	Note	Kshs	Kshs
Cash and Cash Equivalents	14	83,140,241	25,362,379
Receivables from Non-Exchange Transactions	15	166,968,163	128,647,688
Inventories	16	344,363	225,144
Prepayments	17	1,972,924	2,262,095
		252,425,691	156,497,306
Non-Current Assets			
Property, Plant and Equipment	18	3,482,881,628	776,782,974
Work In Progress	19	1,472,672,310	2,052,022,691
Infrastructure Development	20	-	773,431,692
		4,955,553,938	3,602,237,357
Total Assets		5,207,979,629	3,758,734,663
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	21	202,331,963	102,117,929
		202,331,963	102,117,929
Non-Current liabilities			
Borrowings - ADB Loan	22	2,760,213,345	1,632,590,994
		2,760,213,345	1,632,590,994
Total Liabilities		2,962,545,308	1,734,708,923
Net Assets		2,245,434,321	2,024,025,740
Reserves	25	1,997,593,813	1,650,210,620
Accumulated Fund	26	247,840,508	373,815,120
Total Net Assets and Liabilities		2,245,434,321	2,024,025,740

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


Chief Executive Officer
Date..... 26/11/14


Chairman
Date..... 26/11/14

**XIII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2014**

	Accumulated surplus	Capital Reserves	Total
	Kshs	Kshs	Kshs
Balance as at 30 June 2012	509,581,117	1,110,938,732	1,620,519,849
Surplus/(deficit) for the period	(135,786,471)		(135,786,471)
Transfers to/from accumulated surplus - Gratuity	2,508,210		2,508,210
Payment during the year - Gratuity	(2,487,736)		(2,487,736)
Capital Reserves		539,271,888	539,271,888
Balance as at 30 June 2013	373,815,120	1,650,210,620	2,024,025,740
Surplus/(deficit) for the period	(127,667,758)		(127,667,758)
Transfers to/from accumulated surplus - Gratuity	2,400,640		2,400,640
Payment during the year - Gratuity	(707,495)		(707,495)
Capital Reserves		347,383,193	347,383,193
Balance as at 30 June 2014	247,840,508	1,997,593,813	2,245,434,321

XIV. STATEMENT OF CASH FLOWS

	Note	2013/2014	2012/2013
Cash Flows from Operating Activities			
Receipts			
Board's Administrative Costs Fee		106,935,060	178,124,562
Government Grants		24,348,648	20,064,913
Other Income		5,985,709	7,512,249
		137,269,417	205,701,724
Payments			
Employee Costs		53,804,788	57,554,235
Board Expenses		2,982,093	6,241,914
Depreciation and Amortization Expense		103,929,885	39,850,419
Repairs and Maintenance		6,261,688	5,766,140
Contracted Services		4,035,775	3,733,524
General Expenses		93,668,090	227,874,089
Finance Costs		254,855	467,874
		264,937,174	341,488,195
Surplus for the year		(127,667,758)	(135,786,471)
Net Cash Flows from Operating Activities	24	38,325,639	(40,188,643)
Cash Flows from Investing Activities			
Purchase of Property, Plant, Equipment and Intangible Assets		(2,810,028,539)	(162,638,710)
Work In Progress		579,350,381	(1,081,574,124)
Infrastructure Development		773,431,692	(203,245,723)
Net Cash Flows used in Investing Activities		(1,457,246,466)	(1,447,458,557)
Cash Flows from Financing Activities			
Loan - ADB Murang'a Bulk		419,655,231	370,247,199
Loan - ADB Small Towns		707,967,120	563,400,856
Gratuity		1,693,145	20,474
Capital Reserves		347,383,193	539,271,888
Net Cash Flows used in Financing Activities		1,476,698,689	1,472,940,417
Net Increase/(Decrease) in Cash and Cash Equivalents		57,777,862	(14,706,783)
Cash and Cash Equivalents at 1 July	14	25,362,379	40,069,162
Cash and Cash Equivalents at 30 June	14	83,140,241	25,362,379

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

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2013-2014	Kshs	2013-2014	Kshs	2013-2014	Kshs	2013-2014	Kshs	2013-2014	Kshs
Revenue										
Board's Administrative Cost fee	84,250,000		-		84,250,000		106,935,060		22,685,060	
Government Recurrent Grants	35,645,000		(11,296,352)		24,348,648		24,348,648		-	
Government Counterpart Grants	100,000,000		-		100,000,000		-		-	
Other Income	3,050,000		-		3,050,000		5,985,709		2,935,709	
Total Income	222,945,000		(11,296,352)		211,648,648		137,269,417		25,620,769	
Expenses										
Employee costs	68,759,000		(11,296,352)		57,462,648		53,804,788		3,657,860	
Board Expenses	9,115,000				9,115,000		2,982,093		6,132,907	
Depreciation and Amortization expense	-				-		103,929,885		(103,929,885)	
Repairs and Maintenance	6,750,000				6,750,000		6,261,688		488,312	
Contracted Services/Consultancy & Legal expenses	7,000,000				7,000,000		4,035,775		2,964,225	
Membership fees & Subscriptions	250,000				250,000		225,962		24,038	
Audit fees	600,000				600,000		580,000		20,000	
Utilities, Supplies & Services	1,690,000				1,690,000		1,282,553		407,447	
Communications, Supplies & Services	4,060,000				4,060,000		2,779,700		1,280,300	
Travelling & Subsistence	15,428,000				15,428,000		8,769,085		6,658,915	
Printing, Advertising and Information Supplies & Services	7,050,000				7,050,000		6,967,052		82,948	
Training Expenses, Workshops & Meetings	6,500,000				6,500,000		6,410,111		89,889	
Catering Services & Staff Welfare Expenses	2,200,000				2,200,000		1,978,435		221,565	

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

Insurance Costs	11,260,000		11,260,000	11,269,018	(9,018)
Specialised Materials and Supplies - Staff Uniforms	820,000		820,000	24,400	795,600
Office & General Supplies	5,760,000		5,760,000	5,721,961	38,039
Fuel & Oil Lubricants	4,500,000		4,500,000	4,290,358	209,642
Finance Costs - Bank Charges	500,000		500,000	254,855	245,145
Centralised Billing charges	431,860		431,860	301,960	129,900
Exhauster services costs	2,409,238		2,409,238	2,409,238	-
Water Boozer costs	1,905,630		1,905,630	1,905,630	-
UNICEF Expenses	18,247		18,247	18,247	-
SNV Expenses	200,000		200,000	200,000	-
WSTF Expenses	659,450		659,450	659,450	-
ADB GOK Counterpart Expenses - Murang'a Bulk	11,703,000		11,703,000	10,633,579	1,069,421
ADB GOK Counterpart Expenses - Small Towns	48,714,563		48,714,563	6,644,976	42,069,587
Solio Ranch Expenses	2,161,012		2,161,012	2,161,012	-
Provision for Bad & Doubtful Debts	-		-	4,254,064	(4,254,064)
Security Costs and Ground Maintenance	2,500,000		2,500,000	1,725,741	774,259
Research, Feasibility Studies & Design Plans	-		-	12,455,558	(12,455,558)
Total Expenditure	222,945,000	(11,290,352)	211,648,648	264,937,174	(53,288,526)
Surplus for the period	-	-	-	(127,667,758)	-

I. 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.

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.

All 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.

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 postemployment 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 entity has no related parties.

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) Comparative figures

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

o) 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:

- 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

p) 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, 2014.

3. Levies - Board Administrative Costs fee

	2013/14	2012/13
	Shs	Shs
Board Administrative Costs fee	108,006,608	179,934,961
Less: WASREB Fees	(61,402)	(112,718)
Asset Owner Lease fees	(248,746)	(771,803)
KRA Tax	(761,400)	(925,878)
Total	106,935,060	178,124,562

4. Transfers from other Governments - Agencies

	2013/14	2012/13
	Shs	Shs
Unconditional Grants		
GoK Recurrent Grants	12,699,000	8,199,000
GoK Grants - Salaries paid to Seconded Staff	11,649,648	11,865,913
	24,348,648	20,064,913
Total Government Grants and Subsidies	24,348,648	20,064,913

5. Finance Income

	2013/14	2012/13
	Shs	Shs
Interest on Bank balances	2,719	81,813
Total Finance Income	2,719	81,813

6. Other Income

	2013/14	2012/13
	Shs	Shs
Sale of Tender Documents	603,000	777,000
Centralised Billing Services	1,127,570	3,790,688
Exhauster Services Charges	3,051,820	2,460,048
Water Boozer Charges	1,065,600	372,500
National Industrial Training Authority	135,000	-
Sale of Old Tyres	-	30,200
Total Other Income	5,982,990	7,430,436

7. Employee Costs

	2013/14	2012/13
	Shs	Shs
Salaries and Wages	41,831,494	45,332,657
Contributions to Pension	987,784	1,176,746
NSSF-Employer Contribution	34,200	38,800
Gratuity	2,400,640	2,508,210
Leave Allowance	514,742	523,650
Salary Top Ups	8,035,928	7,974,172
Employee costs	<u>53,804,788</u>	<u>57,554,235</u>

The staff costs include salaries amounting to Kshs.11,649,648 paid by the MWI directly to 34 staff seconded to TWSB.

Staff Establishments	1,220*	1,921*
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Staff Establishment

*During 2013/2014 financial year the total staff establishment in the Board area of operation was 1,220 comprising of 93 staff at the Board's Head Office, 351 staff at District Water Offices (DWO's) and 776 staff at the contracted Water Service Providers(WSPs) offices.

**During 2012/2013 financial year the total staff establishment in the Board area of operation was 1,921 comprising of 94 staff at the Board's Head Office, 455 staff at District Water Offices (DWO's) and 1,372 staff at the contracted Water Service Providers(WSPs) offices.

8. Board Expenses

	2013/14	2012/13
	Shs	Shs
Honoraria	480,000	320,000
Sitting Allowance & Accommodation*	2,380,265	5,488,877
Directors Medical & GPA Insurance	121,828	433,037
Total Board Expense	<u>2,982,093</u>	<u>6,241,914</u>

* The Board members terms with exception of the Chairman lapsed during the 1st Quarter of the FY 2013/14 hence reduction in Board expenses costs

9. Depreciation and Amortization Expense

	2013/14	2012/13
	Shs	Shs
Property, Plant and Equipment	103,929,885	39,850,419
Total depreciation and amortization	<u>103,929,885</u>	<u>39,850,419</u>

10. Repairs and Maintenance

	2013/14	2012/13
	Shs	Shs
Property	1,458,906	2,093,804
Computer*	1,370,550	623,450
Vehicles	3,432,232	3,048,886
Total Repairs and Maintenance	<u>6,261,688</u>	<u>5,766,140</u>

* Computer Repairs and Maintenance costs include costs of restoration of Server System and its related infrastructure which had broken down during the Financial Year.

11. Contracted Services

	2013/14	2012/13
	Shs	Shs
Consultancy	4,035,775	3,733,524
Total Contracted Services	<u>4,035,775</u>	<u>3,733,524</u>

12. General Expenses

The following are included in General Expenses:

	2013/14	2012/13
	Shs	Shs
Advertising & Publicity	1,377,412	2,426,352
ASK Show Costs	1,345,220	4,619,092
Audit fees	580,000	160,000
Conferences and Meetings	501,350	862,840
Consumables - Office & House Keeping	1,889,052	2,374,469
Electricity and Water	1,282,553	1,126,307
Fuel and lubricants	4,290,358	5,352,797
Staff Insurances - Medical, Group Life, Work injury & GPA	8,906,435	7,983,584
Property & Employers liability Insurance	23,761	99,237
Motor Vehicle Insurances	2,338,822	2,243,256
Travelling & Subsistence	8,490,089	14,125,863

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	2013/14	2012/13
Foreign Travel	278,996	219,040
Postage and Courier	309,642	358,209
Printing and stationery	3,914,575	3,475,269
Security costs and Ground Maintenance	1,725,741	1,549,798
Telecommunication/Telephone	1,910,508	1,938,697
Training	457,200	410,330
Internet and Networking	559,550	578,840
Computer Stationery and Accessories	3,832,909	3,747,354
Library	329,845	421,300
Catering Services	837,575	806,080
Professional and Subscription fees	225,962	251,232
Staff Uniforms	24,400	29,800
Staff Welfare	1,140,860	1,412,310
Workshop & Seminars	5,451,561	13,671,214
Laboratory Materials & Equipments	-	153,907
Centralised Billing Charges	301,960	2,210,500
Exhauster Services Costs	2,409,238	2,434,452
Water Boozer Costs	1,905,630	304,999
UNICEF Expenses	18,247	1,046,495
SNV Expenses	200,000	594,750
WSTF Expenses	659,450	-
ACP-EU GoK Counterpart Expenses	-	1,076,040
ADB GoK Counterpart Expenses - Murang'a Bulk	10,633,579	36,797,643
ADB GoK Counterpart Expenses - Small Towns	6,644,976	24,317,327
Solio Ranch Expenses	2,161,012	1,802,789
K. K. Nanga Boreholes	-	1,482,100
General Prov. Bad and Doubtful debts	4,254,064	1,973,434
Specific Prov. Bad and Doubtful debts	-	83,436,383
Research & Feasibility Studies	12,455,558	-
Total General Expenses	93,668,090	227,874,089

13. Finance Costs

	2013/14	2012/13
	Shs	Shs
Bank Charges	254,855	467,874
Total Finance Costs	254,855	467,874

14. Cash and Cash Equivalents

	2013/14 Shs	2012/13 Shs
Account No. 1101-992-220-GOK Recurrent	1,121,324	538,500
Account No.1101-996-188-Gratuity	27,139	2,771,074
Account No.1101-998-733 -Dev.	8,127	186,271
Cash-on-hand and in transit	26	1,523
Account No.1118-105-931 -ADB WSB Support	217	3,147
Account No.1115-530-089 -ADB Small Towns	6,975,619	18,606,403
Account No.1122-669-275- KIDDP	39,696	1,137,717
Account No.1121-637-892- UNICEF	-	1,049,547
Account No.1127-326-287- Exhauster Services	79,853	193,593
Account No.1130-351-432- WSTF	4,753	874,603
Account No.1149-063-338- Small Dams & Pans	74,883,487	-
Total Cash and Cash equivalents	83,140,241	25,362,379

15. Receivables

Current Receivables	2013/14 Shs	2012/13 Shs
Trade debtors - Annex I (a)	160,247,260	122,094,177
Centralised Billing Debtors - Annex I (b)	2,347,874	2,214,382
Exhauster & WaterBowser Debtors - Annex I (c)	280,000	-
Receivables - GWAST	2,022,779	2,022,779
Staff imprest - Annex II	51,760	297,860
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	166,968,163	128,647,688

*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.

16. Inventories

	2013/14	2012/13
	Shs	Shs
Computer Stationeries & Accessories	24,000	-
Office & House Keeping	10,880	33,420
Office Stationeries	154,083	166,224
Centralised Billing Stationeries	155,400	25,500
Total inventories at the lower of cost and net realizable value	344,363	225,144

17. Prepayments

	2013/14	2012/13
	Shs	Shs
Directors medical & life Insurances	1,607	104,149
Staff Insurances - Medical & Life	1,717,021	1,913,000
Motor Vehicles Insurance	195,626	186,937
Work Injury and Staff GPA	57,697	44,952
Property Insurance	973	13,057
	1,972,924	2,262,095

18 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	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost																		
At 1 July 2012	15,288,185	-	626,453,724	17,770,088	33,506,030	4,249,741	10,287,572	31,398,177	738,953,517									
Additions	8,549,867	-	96,564,743	-	57,034,000	117,200	-	372,900	162,638,710									
Disposals	-	-	-	-	-	-	-	-	-									
Transfers/adjustment	-	-	-	-	-	-	-	-	-									
At 30 June 2013	23,838,052	-	723,018,467	17,770,088	90,540,030	4,366,941	10,287,572	31,771,077	901,592,227									
Additions	2,369,994	1,847,149,894	959,986,651	-	-	226,000	-	296,000	2,810,028,539									
Disposals	-	-	-	-	-	-	-	-	-									
Transfer/adjustments	-	-	-	-	-	-	-	-	-									
At 30 June 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									
Depreciation and impairment																		
At 1 July 2012	-	-	32,896,620	2,504,368	24,972,629	1,971,009	3,140,122	19,474,086	84,958,834									
Depreciation	-	-	17,253,046	381,643	16,391,850	299,492	1,429,490	4,094,898	39,850,419									
Impairment	-	-	-	-	-	-	-	-	-									
At 30 June 2013	-	-	50,149,666	2,886,011	41,364,479	2,270,501	4,569,612	23,568,984	124,809,253									
Depreciation	-	46,178,747	40,821,386	372,102	12,293,888	290,305	1,143,592	2,829,865	103,929,885									
Disposals	-	-	-	-	-	-	-	-	-									
Impairment	-	-	-	-	-	-	-	-	-									
Transfer/adjustment	-	-	-	-	-	-	-	-	-									
At 30 June 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									
Net book values																		
At 30 June 2014	26,208,046	1,800,971,147	1,592,034,066	14,511,975	36,881,663	2,032,135	4,574,368	5,668,228	3,482,881,628									
At 30 June 2013	23,838,052	-	672,868,801	14,884,077	49,175,551	2,096,440	5,717,960	8,202,093	776,782,974									

18 B. Amortization of Capital Grant

	Motor Vehicles		Furniture and Fittings		Computers and Accessories		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2012	9,506,000	984,960	2,769,822	13,260,782				
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30 June 2013	9,506,000	984,960	2,769,822	13,260,782				
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30 June 2014	9,506,000	984,960	2,769,822	13,260,782				
Amortization								
At 1 July 2012	8,237,103	613,997	2,607,305	11,458,405				
Amortization	317,224	46,370	54,118	417,712				
Impairment	-	-	-	-				
At 30 June 2013	8,554,327	660,367	2,661,423	11,876,117				
Amortization	237,918	40,574	36,097	314,589				
Disposals	-	-	-	-				
Impairment	-	-	-	-				
Transfer/adjustment	-	-	-	-				
At 30 June 2014	8,792,245	700,941	2,697,520	12,190,706				
Net book values								
At 30 June 2014	713,755	284,019	72,302	1,070,076				
At 30 June 2013	951,673	324,593	108,399	1,384,665				

19. Work In Progress	2013/14 Shs	2012/13 Shs
KIDDP - Tigania	51,215,994	-
KIDDP - Kyeni	-	95,502,298
Small Dams & Pans	11,655,680	-
ADB - Murang'a Bulk	-	346,106,722
ADB - Small Towns	137,183,847	52,154,077
Refurbishment of Maji House	2,275,450	1,312,150
Sub-total	202,330,971	495,075,247
ADB Murang'a Bulk		
Loan Revenue - Special Account	-	15,900,053
Direct Payments		
Services: Consultancy for Detailed Design and Supervision	-	59,760,929
Works: Construction of Bulk Water Supply and Rehabilitation & Expansion of Sewerage	-	890,410,931
Goods: Water Testing Benches, Meters and Leak Detection Equipments	-	40,111,038
Sub-total	-	1,006,182,951
ADB Small Towns		
Loan Revenue - Special Account	17,714,023	6,104,297
Direct Payments		
Services: Consultancy for Detailed Design and Supervision	91,788,515	64,810,985
Services: Public Health Education & Gender Mainstreaming	14,522,880	3,227,307
Works: Construction of Water Supply and Sewerage Systems	1,139,323,730	469,629,713
Goods: Correlator Operated Leak Detection Equipments	6,992,191	6,992,191
Sub-total	1,270,341,339	550,764,493
Total Work In Progress	1,472,672,310	2,052,022,691
20. Infrastructure Development	-	773,431,692

21. Trade and Other Payables from Exchange Transactions

	2013/14	2012/13
	Shs	Shs
Trade payables - Annex III	202,331,963	102,117,929
Total Trade and Other Payables	202,331,963	102,117,929

22. Borrowings

	2013/14	2012/13
	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	1,017,316,898
	<u>1,452,875,329</u>	<u>1,033,220,098</u>
ADB Loan - Small Towns:		
(i) Loan Revenue - Special Account	24,710,700	24,710,700
(ii) Direct Payments	1,282,627,316	574,660,196
	<u>1,307,338,016</u>	<u>599,370,896</u>
Less: Total Current Portion of Bank Loans	-	-
Total Non-Current Borrowings	2,760,213,345	1,632,590,994

23. Related Party Disclosures

There were no related party transactions.

24. Cash generated from operations

	2013/14	2012/13
	Shs	Shs
Surplus for the year before tax	(127,667,758)	(135,786,471)
Adjusted for:		
Depreciation	103,929,885	39,850,419
Working capital adjustments:		
Increase in inventory	(119,219)	442,221
Increase in receivables	(38,320,475)	(17,182,621)
Increase in payables	100,214,034	72,681,930
Increase in Prepayments	289,171	(194,121)
Net cash flows from operating activities	38,325,639	(40,188,643)

25. Capital Reserves	2013/14	2012/13
	Shs	Shs
Balance b/f	1,650,210,620	1,110,938,732
GoK Development Grants	182,500,000	415,000,000
KIDDP - Tigania	60,000,000	-
KIDDP - Kyeni	-	21,000,000
WSTF	681,900	278,668
IDP Special Programme	-	32,500,000
SNV Grants	100,000	632,500
Kamumu Dam	-	5,000,000
Mwiyogo	-	8,200,000
Iraru Water Supply Project	-	10,000,000
Tuuru Water Supply Project	-	15,000,000
Murugi	-	6,000,000
Murang'a	-	5,000,000
Igokone	-	20,000,000
Athi WSB	-	660,720
Small Dams & Pans	104,101,293	-
	1,997,593,813	1,650,210,620

26. Accumulated Fund		
Balance Brought Forward	373,815,120	509,581,117
Surplus for the Period	(127,667,758)	(135,786,471)
Amortisation of capital grant	314,589	417,712
Capital Grant b/f	(1,384,665)	(1,802,377)
Gratuity Fund	1,693,145	20,474
Capital Grant*	1,070,076	1,384,665
	247,840,508	373,815,120

27. Events after the reporting period

There are no material non-adjusting events after the reporting date.

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
TWSB /254/2012/13 (20)	<p>1. <u>Non- Current Assets</u></p> <p>(i) <u>Inherited Assets</u></p> <p>As reported in 2011/2012, 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 2013 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 reason, the management of TWSB has not officially</p>	Eng M. M. Naivasha - Chief Executive Officer	TWSB is awaiting for official communication from MEWNR 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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tabled the report to the Board of Directors for adoption so that the assets can be included in the financial statements of the Board.

It is important to note that the initial transfer plan has already expired.

However, the MEWNR is mandated to gazette the revised transfer plan and guide the water institutions on the road map towards its implementation.

TWSB is therefore awaiting for official communication from MEWNR 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

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	<p>exclusion of some assets in the Boards financial statements. However, the Board has made effort by requesting the former 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 776,782,974 as at 30 June 2013 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 776,782,974 as at 30 June 2013 could not be ascertained.</p>	<p>These assets have not been included in the financial statements as their values are yet to be given by the Ministry. However, the same were disclosed in the financial statement page 24.</p>	<p>Eng M. M. Naivasha - Chief Executive Officer</p>	<p>TWSB is awaiting for official communication from MEWNR 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>
<p>(iii) Water Projects As reported in 2011/2012, the Property, Plant and Equipment balance of Kshs 776,782,974 as at 30 June 2013 includes an amount of Kshs 26,252,205 in respect</p>	<p>The projects under Taanathi were developed by TWSB</p>			

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<p>of Kiambere- Mwingi Water Supply Project, the Board continues to hold the cost of these assets in its books and claim depreciation of the assets. In addition, no no documentary evidence in respect of transfer of the project asset from Tana Water Services Board to Tanathi Water Services Board was availed for audit verification.</p> <p>Consequently, the accuracy and validity of validity of the property, plant and equipment of Kshs 776,982,974 as at 30 June could not be confirmed.</p>	<p>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>(iv) Infrastructure funded by Water Services Trust Fund (WSTF)</p> <p>The Water Services Trust Fund (WSTF) has over the years been funding water distribution projects through Water Service Providers (WSP) licensed by Tana Water Services Board to enhance water distribution. The grant agreement provides that Tana Water Services Board shall be the owner of the water infrastructure developed through the grant. However, the Board has not included in the financial statements assets amounting to Kshs 40,006,333 in respect of infrastructure developed by the WSTF and spread in three Water Services Provider as detailed below:</p> <table border="1" data-bbox="196 1983 760 2125"> <thead> <tr> <th>Water Service Provider (Kshs)</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Nyeri Water & Sewarage Co</td> <td>20,948,271</td> </tr> <tr> <td>Tetu Water & Sanitation Co</td> <td>4,278,260</td> </tr> </tbody> </table>	Water Service Provider (Kshs)	Amount	Nyeri Water & Sewarage Co	20,948,271	Tetu Water & Sanitation Co	4,278,260	<p>It is important to note that the funding goes to WSPs directly and WSPs being the user of the asset thereof they should disclose and include the same in their financial statements.</p>	<p>Mr. Nicholas Kanyeke - Finance Manager</p>	<p>WSPs directed to include Assets developed using WSTF funding in their Financial Statements.</p>	<p>Immediately.</p>
Water Service Provider (Kshs)	Amount									
Nyeri Water & Sewarage Co	20,948,271									
Tetu Water & Sanitation Co	4,278,260									

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Embu Water & Sanitation Co 14,779,802
Total 40,006,333

Consequently, the accuracy and completeness of property, plant and equipment balance of Kshs 776,782,974 as at 30 June 2013 could not be confirmed.

2. Water Projects Funded by African Development Bank

(i) Small Towns and Rural Water Supply Projects Detailed Design and Supervision Costs.

The Board through the funding from African Development Bank (ADB), Loan No. 2100150021543 contracted a firm to carry consultancy for detailed design and supervision of four (4) projects under the Small Towns and Rural Water Supply and Sanitation Project at a cost of Kshs. 96,836,775. However, at the time of tendering and awarding of the works, the scope of all the four projects would translate to reduction of consultants' supervision works. Despite the reduction in scope of work of consultant, the consultancy fee remained unchanged at Kshs 96,836,775 for all the four projects.

The Contract Sum was based on the Feasibility Study and not on the initially planned Four Lots. The Detailed Design was carried out for the Project Area as contained in the Feasibility Report. The scoping of the Construction Contracts was developed from the Contracted Scope of the Detailed Design. However, the construction contracts could only be awarded depending on availability of funds.

It is important to note that, the reduction in scope was less than 18% of the total tendered Project Cost; which does not affect levels of supervision required. In addition the consultant has mobilized all personnel to site

Eng. John Mbogori – Technical Services Manager

Resolved

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	<p>as contained in the contract for Consultancy Service for Design Review and Construction Supervision for Othaya Mukurweini and Maua. The reduction of supervision fee does not therefore apply.</p>			
<p>(ii) Nugatory Project Cost – Kshs 20,058,944 During the year under review, the Board delayed in settling fifteen (15) certified works certificates leading to the contractors to raising interest claims amounting to Kshs. 20,058,944 in accordance with sections 14.8.1 of the contract agreement as of 30 June 2013. Although quantified and billed, the amount has not been included in these financial statements. This nugatory expenditure could have been avoided had the bills been settled within the stipulated time.</p>	<p>The interest on Delayed Payment has been accrued due to the Lengthy Payment Process. Upon processing of Payment by the board, the Request for payment is forwarded to Ministry of Environment Water and Natural Resources for onward transmission to the National Treasury and finally to the African Development Bank Regional Office. At the bank, the payment is made within a period of not less than three weeks. In addition, there has been</p>	<p>Mr. Nicholas Kanyeke – Finance Manager</p>	<p>Funds not availed by close of the financial year.</p>	<p>Immediately the funds are availed from the parent ministry</p>

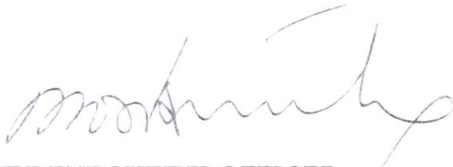
TANA WATER SERVICES BOARD
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were granted. The first extension was granted 56 days up to 4 March 2013 and the second extension was granted 120 days up to 2 July 2013. However, as of February 2014, the project had not been completed even though there was no subsequent extension granted to the contractor. No explanation was given for the continued delay in completion of the project.

to be considered a contractual delay solely caused by any other party other than the contractor, thus warranting a Contractual delay accompanied by relevant costs. This evaluation has to be done within the stipulations of the Contract Provisions. The extension of the Contract period up to 15th December, 2013 has been done within the stipulations of the Contract. The Contractor has now completed laying of the outstanding pipeline in the rocky section and Pressure testing.

Eng. John Mbogori – Technical Services Manager

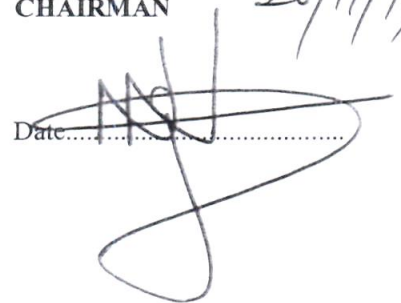
Project completed before the end of FY 2013/14.



CHIEF EXECUTIVE OFFICER

Date..... 26/11/14

CHAIRMAN 26/11/14



Date.....

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	<p>an inadequate provision of Counterpart funding. This has affected the payment of the GoK Component (27.8% of every raised certificate) with some payments pending for over 84 days. This is a grave fundamental breach of Contract and it exposes the government to great risks. However, the board has made countless efforts to request for adequate provisions of Counterpart funding from the Line Ministry. Further, the board has been utilizing the tracking sheet system in the concerted effort by all relevant ministries to fast track the payment of the raised Interim Payment Certificates.</p>			
<p>(iv) Delay in completion of Murang'a Bulk Water Supply Project LOT II – Contract No. WSB/ADF/003/2010-2011 The contract for construction of Murang'a bulk water supply was granted to a contractor with project completion date 7 January 2013. However, the project was not completed on time and two extensions</p>	<p>The reports submitted by the Contractor requesting for a delay has to be evaluated by the Engineer/Project Manager for it</p>			

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ANNEX I

(A) TRADE DEBTORS AS AT 30 JUNE 2014

	2013/14
(I) WSP COMPANY	AMOUNT (KSHS.)
Embe	2,594,357
Ewasco	37,011,255
Gatamathi	3,437,359
Gichugu	3,556,494
Imetha	748,914
Kahuti	5,515,695
Kathita Gatunga	39,934
Kathita Kiirua	281,616
Kirinyaga	16,920,198
Kyeni	115,361
Mawasco	34,064,525
Mewass	13,117,524
Murang'a	15,576,636
Murugi Mugumango	387,724
Muthambi 4K	194,307
Murang'a South	4,841,015
Ngagaka	3,920,545
Ngandori Nginda	7,840,092
Nithi	1,278,338
Nyewasco	1,762,340
Omwasco	19,006,696
Ruiru Thau	481,753
Rukanga	47,703
Teawasco	349,919
Tuuru	4,962,212
SUB TOTAL	178,052,512
LESS:	10% General
Provision for Bad and Doubtful Debts	(17,805,251)
NET TRADE DEBTORS	160,247,260

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(B) CENTRALISED BILLING DEBTORS AS AT 30 JUNE 2014

Omwasco		786,902
Kawasco		301,551
Muthambi 4K		491,820
Murugi Mugumango		363,912
Imetha		373,526
Nithi		291,038
SUB TOTAL		2,608,749
LESS:	10% General	
Provision for Bad and Doubtful Debts		(260,875)
TOTAL		2,347,874

(C) EXHAUSTER & WATER BOWSER DEBTORS AS AT 30 JUNE 2014

Nyewasco		17,000
Mt Kenya Bottlers		60,000
Nyeri County Government		56,000
Kirinyaga Training Institute		50,000
Mt Kenya Academy		6,000
Karoti Girls		35,000
Ngandu Girls Secondary		56,000
SUB TOTAL		280,000

ANNEX 11

STAFF OUTSTANDING IMPREST AS AT 30 JUNE 2014

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 2014	
DETAILS	AMOUNT (KSHS.)
A. RECURRENT	
PAYROLL LIABILITIES	3,727,862
KENYA NATIONAL AUDIT OFFICE	580,000
ASSET OWNER	592,344
WASREB	12,892
MUTHAMBI 4K	122,500
WHT - CONNEX LTD	161,500
NYERI MODERN GARAGE	29,000
LODAJOTS ENTERPRISES	199,800
STANDARD GROUP LTD	50,490
NATION MEDIA GROUP	97,249
UTUMONI LTD	96,240
JOGIAN INTERLINK LTD	96,240
SUB-TOTAL	5,766,117
B. DEVELOPMENT	
KING'ONG'O JUNCTION	41,902
G. K. KIBIRA	1,063,181
SILVERSPREAD HARDWARE LTD	126,200
FOURWAY CONSTRUCTION LTD	240,441
LAIKIPIA HARDWARE & CONSTRUCTION CO	214,138
GRATIMO HOLDINGS LTD	205,310
JOYCOTT GENERAL CONTRACTORS	459,971
TODDY CIVIL ENGINEERING CO.	2,624,037
ELDIMEX AGENCIES(K) LTD	1,696,950
POLYCON CONSTRUCTION LTD	2,087,035
ELDIMEX AGENCIES (K) LTD	908,145
EFFORT MARCHANT LTD	250,850
MUKASI BUILDING (K) LTD	2,573,640
SINOHYDRO CORPORATION LTD	59,453,990
CHINA JIANGXI INTERNATIONAL LTD - ADF X	20,465,527
TODDY MERCHANTS	22,720,297
ORIENTAL CONSTRUCTION	21,161,909
NANCHAN FOREIGN ENGINEERING COMPANY	38,660,903
CHINA JIANGXI INTERNATIONAL LTD - ADF XI	21,473,058
SUB-TOTAL	196,427,483
B. EXHAUSTER & WATERBOWSER	
THIKA MOTOR DEALERS	82,451
KING'ONG'O JUNCTION MOTOR GARAGE	55,912
SUB-TOTAL	138,363
GRAND TOTAL	202,331,963

ANNEX IV

ANALYSIS OF DEFICIT FY 2013/14

Ksh.

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

(i) Depreciation	103,929,885
(ii) General Provision for Bad & Doubtful debts	4,254,064
(iii) Audit fee provision	580,000
(iv) Board Expenses - accrued	40,000

(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	9,006,463
(ii) ADB GoK Small Towns Counterpart Expenses	6,976,863
(iii) Insurances	9,541,195
(iv) Trade shows and Exhibitions	1,090,730
(v) Consultancy	2,571,378
(vi) Workshops and Seminars	2,788,516
(vii) Bank charges - Devpt	124,257
(viii) Travelling & Accommodation	2,712,005
(ix) Computer Stationeries & Accessories	2,149,195
(x) Publishing, Printing & Stationery	2,844,220
(xi) Project Fuel & Lubricants	3,154,865
(xii) Project Vehicle Maintenance	1,828,059
(xiii) Solio Ranch Expenses	2,086,012
(xv) UNICEF Expenses	18,247
(xvi) SNV Expenses	200,000
(xvii) WSTF Expenses	659,450
(xviii) Research & Feasibility Studies	12,455,558

(C) Accrued Income reflected in Comprehensive Income Statement:

(i) Accrued Board Administrative Costs fee	(41,343,205)
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Total - Reported Deficit in the Comprehensive Income Statement

127,667,758