

REPUBLIC OF KENYA

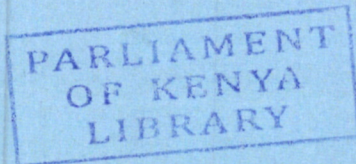


OFFICE OF THE AUDITOR-GENERAL



*Paper laid by
D/Majority Party
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24/5/2017
Adk*

REPORT



OF



THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL YOUTH COUNCIL

FOR THE YEAR ENDED
30 JUNE 2016



30th September, 2016



NATIONAL YOUTH COUNCIL

FINANCIAL STATEMENTS

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

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Youth Council (NYC) is a body corporate ratified as a corporate body through the Kenya Gazette Notice No. 88 of 2010. NYC came into being through the National Youth Policy of 2006 and National Youth Council Act of 2009.

The Council was established on 11th December, 2012 with 22 members. 16 of them are youth representatives elected from the former 8 Provinces through either the Congress or the Forum. The other 5 are alternate members representing the Attorney General Office, Ministries of Education, Internal Security, Treasury and Devolution and Planning.

NYC is a noble idea that has come to fruition, at the opportune time, so as to provide leadership in championing for youth agenda. It has created the impetus for meaningful advocacy and empowerment for youth of Kenya. Indeed, NYC is poised to galvanize all efforts and interventions on youth with the aim of making those result-oriented, youth friendly and youth-targeted, hence directly impacting on youth as the actual beneficiaries.

The Council is headed by a Chairman while the Secretariat is headed by the CEO. The Secretariat has 11 Officers all deployed from the Ministry of Devolution and Planning.

1.1 Vision

To be the dynamic institution championing youth empowerment, unity and inclusion for national stability and prosperity

1.2 Mission

To enhance youth capacity and active participation in social, political and economic prosperity through strategic consultations, engagements and partnerships

1.3 Core Values

The following are institutional values of National Youth Council:

- Youth participation
- Equity and fairness
- Professionalism
- Patriotism
- Integrity and accountability
- Innovativeness and creativity among the youth
- Inclusiveness and diversity
- Volunteerism and community service

1.4 Functions of NYC

- a) Regulate and co-ordinate activities and initiatives relating to the youth being undertaken by youth groups, youth focused community based organizations, non-governmental organizations, civil society movements and other organizations;
- b) Promote and popularize the National Youth Policy and other policies that affect the youth;
- c) Facilitate the periodic review of the National Youth Policy in line with other government policy statements;
- d) Mobilize resources to support and fund youth program and initiatives;

NATIONAL YOUTH COUNCIL, Financial Statement for the year ended June 30, 2016

- e) Lobby for legislation on issues affecting the youth;
- f) Liaise with other organizations to ensure that the youth gain access to resources and services;
- g) Inspire and promote the spirit of unity, patriotism, volunteerism and service among the youth;
- h) Formulate operational guidelines that protect the youth against any form of abuse or manipulation;
- i) Mobilize and sensitize relevant stakeholders on the concept of community youth service;
- j) Act as a voice and bridge to ensure that the Government and other policy makers are kept informed of the views and aspirations of the youth;
- k) Promote research, collation and analysis of data on youth issues;
- l) Promote the inclusion of youth agenda in the formulation of policy by public institutions and organisations;
- m) Promote the inclusion of youth in decision making bodies, boards, agencies and other public institutions and organisations;
- n) Promote and popularize the Youth Enterprise Development Fund and such other devolved funds targeting the youth as may be established from time to time;
- o) Perform any other function that may directly or indirectly contribute to the attainment of the foregoing.

The functions of NYC as outlined in the National Youth Council Act (2009) can be summarized into three broad mandates, namely:

- Advocacy/lobbying
- Research
- Policy

NYC shall endeavour to work with corporate bodies, ministries, and corporates in the private sector as well as youth and youth groups to actualize its mandate for the benefit of Kenyan youth. NYC will nurture partnerships while marshalling resources for effective youth participation and representation, to support youth initiatives, programmes and innovations.

NYC will build synergy for networking and joint programming to actualize interventions to improve conditions of youth and will align these to its Strategic Plan, functions and mandate.

NYC will embrace activities and programmes that will mainstream all segments of youth and support agenda for positive change for youth to actively participate in national and county development processes.

(b) Key Management

1. Chairperson – Non Executive
2. Chief Executive Officer
3. Head of Policy, Research, Programmes, Resource Mobilization and Partnership
4. Head of Finance, Administration and Human Resource
5. Head of Communications and Public Relations

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

1. Chief Executive Officer
2. Head of Research & Development, Advocacy and Communication
3. Head of Partnership & Resource mobilisation
4. Head of Finance

	Designation	Name
1.	Ag. Chief Executive Office	Alfaxad Omwenga
2.	Research & Development, Advocacy and Communication	Maureen Musyoki
3.	Partnership & Resource mobilisation	Rose Katunge
4.	Finance	Joseph Aomo

(d) Entity Headquarters

National Youth Council
Bruce House. 8th Floor
P.O. BOX 37899-00100
NAIROBI

(e) Entity Contacts

Telephone: (254) 020-2013920
Email: nationalyouthcouncilofkenya@gmail.com
Website: www.nationalyouthcouncil.go.ke

(f) Entity Bankers

National Bank of Kenya
Harambee Avenue
Nairobi

(g) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(h) Principal Legal Adviser

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

II. THE COUNCIL MEMBERS



Dishon Atemo: Chairman
BSc.(Mechanical Engineering)



Akinyi Maganda: Council Member (Vice Chairperson) MBA(S/Mgt), B Com(HRM) DIP(B.M)



Billy Mijungu: Council Member
MBA(International Business), PGD(BM),BA(BS),AD(M&E-Commerce DIP(IT)



Fatuma Abubakar: Council Member
Masters in G& Ethics, BA, DIP(BIS)



Arnold Maliba: Council Member



Benson Mutemi: Council Member
Bachelor of Education(Arts)



Mary Achieng: Council Member
Diploma in Community Development and Counselling



Vallen Yiaille: Council Member



Mr. Daniel Bolo:
PS Alternate
Ministry of Interior and Coordination of National Government



Patrick Mbehi Stom
PS Alternate
The National Treasury



Martin Macharia
AG Alternate (Office of the AG)



Scholastica Ndambuki:
PS Alternate
Ministry of Public Service, Youth and Gender Affairs



Alfaxad Omwenga: Chief Executive Officer.
(Secretary to the Council)

Pius K. Mutisya
PS Alternate
Ministry of Education, Science And Technology

III. MANAGEMENT TEAM:



**Alfaxad Omwenga:
Chief Executive Officer**



**Maureen Musyoki
Head of Research & Development,
Advocacy and Communication**



**Rose Katunge
Head of Partnership & Resource mobilisation**



**Joseph Aomo
Head of Finance**

IV. CHAIRMAN'S STATEMENT

Kenya has a youthful population, with more than 60% of its population being youth aged between 15 to 35 years. This is a formidable resource that can be harnessed for greater good of the country. If a sense of responsibility and nationhood is installed in these young people, the future of the nation is definite, its prosperity assured. Indeed, young people need to belong, to feel and act Kenyan as well as be part and parcel of the development processes of the country, Kenya.

However, the youth ought to fully participate and be empowered in all national processes for them to make a mark in the footprints of prosperity. The formulation of the National Youth Policy 2007 and subsequent enactment of NYC Act 2009 were such important milestones towards championing the course for youth of Kenya.

NYC is a noble idea that has come to fruition, at the opportune time, so as to provide leadership in championing for youth agenda. Its gazettelement in December 2012 has created the impetus for meaningful advocacy and empowerment for youth of Kenya. Indeed, NYC is poised to galvanise all efforts and interventions on youth with the aim of making them result-oriented, youth friendly and youth-targeted, hence directly impacting on youth as the actual beneficiaries.

The council has continued to play a critical role in ensuring the youths are empowered. This has been achieved through the county sensitization workshops where youths are informed about government initiatives targeting the youths including; Youth Enterprise Development fund, Uwezo Fund and Access to Government Procurement Opportunities (AGPO). Also the council has continued to lobby for the inclusion of youths in decision making bodies, boards, agencies and other public institutions and organisations.

The Council is in the process of ensuring that it's fully operationalized in order to implement and perform its function and mandate as per the National Youth Council Act of 2009. Already the council has development the organizational structure which will assist in having the required personnel to revamp the secretariat. The implementation of the same has commenced and the process of recruiting a substantive Chief Executive Officer is in process.

Moving forward the council will ensure it fulfils its mandate fully especially on the coordination of the youth sector including to coordination of the activities and initiatives relating to the youths being undertaken by youth serving organization and any other organization dealing with youth issues. The council is also in the process of facilitating the Audit on the uptake of AGPO within the government agencies in order to ensure that the uptake is achieved as required by the law.

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

This is the second financial statement being prepared by the National Youth Council Since its establishment in 2012. The council started operating its own finances in January 2015 after opening its own bank account.

In its quest to achieve its mandate which is in advocacy/lobbying, research and policy, the council has continued with various activities geared towards empowering the Kenyan youth. The activities include;

- Mainstream youth and youth issues,
- Ensure youth participation in empowerment and leadership spheres.
- Ensure youth representation in all levels, from international, national, county to ward levels.
- Initiate and popularize programmes and interventions that seek to improve conditions of living of youth in Kenya.

The 2015/2016 Financial Year (FY) was a very dynamic year characterized by several transitions that influenced the operations of the Council. Among the key transitions were: relocation to new offices; expiry of tenure of the pioneer Council members; change of all Secretariat staff other than the Ag. CEO and change of ministries from the Ministry of Devolution and Planning to the Ministry of Public Service, Youth and Gender Affairs.

The tenure of the pioneer council members ended on 9th December 2015 while that of the Chairman expired on 1st February 2016. Consequently the Cabinet secretary reappointed some of the former members on 13th May 2016 and the Chairman on 23rd June 2016 for a period of three years or until they attain the age of thirty five years, whichever is earlier.

The operations of the Council were able to weather all these transitions and the following were achieved during the period.

1. Participated in the International Youth Day celebrations held in Machakos County golf club grounds on Wednesday 12th August, 2015 in partnership with the Machakos County Government and the Directorate of Youth Affairs. The NYC participated in the mobilization of youth to mark the events as well as holding an exhibition during the highlight event.
2. The NYC held a retreat in partnership with the Directorate of Youth Affairs and SCAC to identify and recommend areas within the NYC Act that need to be amended.
3. In liaison with DPSM the council developed the organizational structure, Salary structure, Career progression guidelines and the human resource manual.
4. Finalization of Strategic plan where a strategic plan validation workshop with Partners and other stakeholders was held as well as NYC secretariat was able to revise the goals and objectives in the draft Strategic Plan (SP) to ensure it was responsive to the needs of the youth.
5. Popularising YEDF, UWEZO and other youth devolved funds, especially youth access to government procurement and business opportunities
6. Forged working partnerships with organisations working with and for the youth by participating in exhibitions, meetings and forums organised by the partners. An MOU has been developed and adopted by the NYC and National Anti-corruption Campaign Steering Committee.

Some of the challenges the council experienced during the period include;

- Resource constraints to undertake all activities envisioned
- Understaffing and change of all Secretariat staff in the second quarter of the year
- Absence of the Council for most of the second half of the year after the expiry of the pioneer council.

- The new offices occupied by the Council are inadequate for the current and anticipated staff numbers. Access to parking, sanitation services and kitchen facilities has also been difficult affecting the effective undertaking of some duties.

VI. CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the long-term strategic direction and sustainable growth of the Council. It is committed to observing the highest standards of corporate governance and has set transparent and clear policies, procedures, structures and systems, which achieve effective, prudent, integrated and consistent management and oversight of the Council's activities. These enhance internal controls and effectiveness of the Council is in line with the Council's Vision, Mission and Strategic Plan.

The Council's conduct is regulated by the provisions of the National Youth Council Act 2009, which governs the parameters within which the Council exists and operates; it also set out specific responsibility of the Council Members and Committees.

The day-to-day running of the Council is delegated to the Chief Executive Officer, but the board is provided with full, appropriate and timely information so that they can maintain full and effective control over the activities of the Council.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The National Youth Council takes cognisance on the need to participate in corporate social responsibility across all the regions in the country by participating in fun fair and exhibitions, but lack of enough budgetary funding has hindered the National Youth Council to take and fully participate in its corporate social responsibility.

VIII. REPORT OF THE DIRECTORS

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

Principal activities

The functions of NYC as outlined in the National Youth Council Act (2009) can be summarized into three broad mandates, namely:

- Advocacy/lobbying
- Research
- Policy

NYC shall endeavour to work with corporate bodies, ministries, and corporates in the private sector as well as youth and youth groups to actualize its mandate for the benefit of Kenyan youth. NYC will nurture partnerships while marshalling resources for effective youth participation and representation, to support youth initiatives, programmes and innovations.

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NYC will embrace activities and programmes that will mainstream all segments of youth and support agenda for positive change for youth to actively participate in national and county development processes.

NATIONAL YOUTH COUNCIL, Financial Statement for the year ended June 30, 2016

Results

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

Directors

The members of the Board of Directors who served during the year are shown on page V.

Auditors

The Auditor General is responsible for the statutory audit of the National Youth Council in accordance with the National Youth Council Act 2009.

By Order of the Board

Alfaxad Omwenga
C.E.O / Secretary of the Board
Nairobi
Date:

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section-81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the National Youth Council is responsible for the preparation and presentation of the National Youth Council's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Accounting Officer in charge of the National Youth Council accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the entity's financial statements give a true and fair view of the state of NYC's transactions during the financial year ended June 30, 2016, and of the NYC's financial position as at that date. The Accounting Officer charge of the National Youth Council further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the National Youth Council confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the NYC's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The NYC's financial statements were approved and signed by the Accounting Officer on

10/05/17


Ag: Chief Executive Officer


Chairman



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL YOUTH COUNCIL FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Youth Council set out on pages 1 to 10, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk 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 Council'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. Contribution from Ministries (Staff Compensation)

The National Youth Council has eleven (11) staff working for the Council on full time basis. The staff are drawn from various ministries and continue to draw their salaries from the ministries. The financial statements of the Council have, however, not taken into account contribution in kind that was indirectly received from the ministries in form of salaries drawn by these staff for the year ended 30 June 2016. I was not able to quantify the total amount of compensation paid to the concerned staff and, therefore, the corresponding receipt or expenditure.

2. Board Expenses

Included in the Board allowances expenditure totalling to Kshs.13,332,496.75 for the year ended 30 June 2016 are sitting allowance and other expenses amounting to Kshs.2,878,546 paid to the Board members for attending meetings that were not formally convened. The expenditure of Kshs.2,878,546 was therefore incurred irregularly by the Council.

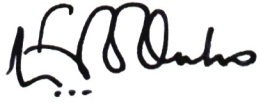
3. Employee Expenses

Employee expenses totalling to Kshs.3,986,980 include secretariat staff benefits amounting to Kshs.3,276,800 paid in respect of meal allowance to staff working at their permanent duty stations. Although approved by the Board of Directors, payment of meal allowance contravened the provisions of the Government of Kenya Circular No.MSPS18/2A/(89) of 12 November 2009. The circular allows for such a payment only when an officer travelling on duty within the country is not required to spend a night away from the permanent duty station.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Council as at 30 June 2016 and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector

Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.



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

Nairobi

16 March 2017

XI. STATEMENT OF FINANCIAL PERFORMANCE			
FOR THE PERIOD ENDED 30th JUNE 2016			
	Note	2015-2016	2014-2015
			6 months
		KSHS	KSHS
Revenue from non-exchange transactions			
Income from Government	1	32,917,500.00	14,792,894.60
TOTAL REVENUE		32,917,500.00	14,792,894.60
EXPENDITURE			
Board expenses	2	13,332,496.75	8,841,732.00
Administrative /Employees expenses	3	10,620,437.25	4,979,360.00
General expenses	4	2,268,520.50	594,939.50
TOTAL PAYMENTS		26,221,454.50	14,416,031.50
SURPLUS/DEFICIT		6,696,045.50	376,863.10

Ag: Chief Executive Officer

Chairman

NATIONAL YOUTH COUNCIL, Financial Statement for the year ended June 30, 2016

XII. STATEMENT OF FINANCIAL POSITION			
FOR THE PERIOD ENDED 30th JUNE 2016			
	Note	2015-2016	2014-2015
		KSHS	KSHS
CURRENT ASSETS			
Cash and Cash Equivalents			
Cash at Bank		7,072,908.60	375,648.10
Cash in Hand		-	1,215.00
TOTAL ASSETS		7,072,908.60	376,863.10
REPRESENTED BY			
Fund balance b/f		376,863.10	-
Surplus/Deficit for the year		6,696,045.50	376,863.10
Prior year adjustments		-	-
NET FINANCIAL POSITION		7,072,908.60	376,863.10



Ag: Chief Executive Officer

Chairman

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30th JUNE 2016.

	Capital Reserve	General Reserve	Total
	KSHS	KSHS	KSHS
At the beginning of the year 1st July 2015	-	376,863.10	376,863.10
Capital Grant	-	-	-
Prior Year Adjustment	-	-	-
Surplus/ (Deficit) for the period	-	6,696,045.50	6,696,045.50
At the end of the year 30th June 2016	-	7,072,908.60	7,072,908.60

Ag: Chief Executive Officer

Chairman

NATIONAL YOUTH COUNCIL, Financial Statement for the year ended June 30, 2016

XIV. STATEMENT OF CASH FLOWS			
FOR THE PERIOD ENDED 30th JUNE 2016			
	Note	2015-2016	2014-2015
		KSHS	KSHS
Net Cash Flow from Operating Activities			
Operating Surplus / (Deficit)		6,696,045.50	376,863.10
Net Cash Flow from Operating Activities		6,696,045.50	376,863.10
Cash flow From Investing Activities			
Proceeds from Sale of Assets		-	-
Acquisition of Assets		-	-
Net cash flows from Investing Activities		-	-
Cash flow From Borrowing Activities			
Proceeds from Domestic Borrowings		-	-
Domestic Currency and Domestic Deposits		-	-
Proceeds from Foreign Borrowings		-	-
Repayment of principal on Domestic and Foreign borrowing		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		6,696,045.50	376,863.10
Cash and cash equivalent at BEGINNING of the year		376,863.10	-
Cash and cash equivalent at END of the year		7,072,908.60	376,863.10

Ag: Chief Executive Officer

Chairman

XV. STATEMENT OF COMPARATIVE OF BUDGET AND ACTUAL AMOUNTS

Revenue	Budget	Adjustment	Final Budget	Actual Expenditure	Performance Difference
Details	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016
	KSHS	KSHS	KSHS	KSHS	KSHS
Government Grants	34,200,000	1,282,500	32,917,500	32,917,500.00	
Expenditure					
Compensation of Employees	0.00	0.00	0.00	0.00	0.00
Utilities, Supplies & Services	550,000	0	550,000	305,353.00	244,647.00
Communication, supplies & Services	319,500	2,000	317,500	276,450.00	41,050.00
Domestic travel & subsistence	6,500,000	0.00	6,500,000	6,354,061.00	145,939.00
Foreign travel & Subsistence	650,000	0.00	650,000	595,362.30	54,637.70
Printing, advertising and information	540,000	0.00	540,000	498,480.00	41,520.00
Rental & Transport Services	6,750,000	1,200,000	5,550,000	0.00	5,550,000.00
Training expenses	850,000	0.00	850,000	710,180.00	139,820.00
Hospitality, supplies and services	17,500,000	0.00	17,500,000	17,224,750.70	275,249.30
Office and General Supplies	280,000	40,000	240,000	143,177.00	96,823.00
Other operating expenses	150,000.00	30,000	120,000	73,840.50	46,159.50
Repair & Maintenance	50,500.00	500	50,000	39,800.00	10,200.00
Fuel, oil & lubricants	60,000	10,000	50,000	0.00	50,000.00
TOTAL	34,200,000	1,282,500	32,917,500	26,221,454.50	6,696,045.50

Ag: Chief Executive Officer

Chairman

XVI. NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

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

A. Statement of compliance and basis of preparation – IPSAS 1

The National Youth Council 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. This is the second time adoption of IPSAS. Accounts were previously prepared using the International Financial Reporting Standards.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the National Youth Council.

B. Summary of significant accounting policies

i. Revenue Recognition - IPSAS 23

This is in respect of grants received from government through the Ministry of Devolution and Planning. It is recognised as revenue when received. Where the funds received on official commitment from the government or timing differences occur between the time government send the fund and actual receipt, grants are accrued.

C. Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is 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.

D. Related parties – IPSAS 20

The Entity regards a related party as a persons or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the senior managers.

E. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the National Bank of Kenya at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests which were surrendered at the end of the financial year.

F. Comparative figures

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

G. Significant judgements and sources of estimation uncertainty – IPSAS 1

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgements, 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 the future period.

H. 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 consolidated 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

I. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the National Youth Council at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

J. Subsequent events – IPSAS 14

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

NOTE 1: REVENUE FROM NON-EXCHANGE TRANSACTION

INCOME FROM GOK	2015/2016	2014/2015
		6 months
	KSHS	(KSHS)
Recurrent Grants	32,917,500.00	14,792,894.60
Development Grants	NIL	NIL
TOTAL REVENUE	32,917,500.00	14,792,894.60

NOTE 2: BOARD EXPENSES

ITEM	2015/2016	2014/2015
		6 months
	KSHS	KSHS
Allowances and transport	10,858,134.45	5,355,000.00
Chairman Honoraria	465,000.00	356,000.00
Board Training	0.00	247,000.00
Domestic travel and subsistence	0.00	640,338.00
Foreign travel and subsistence	595,362.30	829,394.00
Commissioner - DIT	1,330,000.00	1,132,000
Commissioner - DIT	84,000.00	282,000
TOTAL	13,332,496.75	8,841,732.00

NOTE 3: ADMINISTRATIVE / EMPLOYEES EXPENSES

ITEM	2015/2016	2014/2015
		6 months
	KSHS	KSHS
Domestic travel and subsistence	5,422,641.00	1,103,500.00
Stipend paid to volunteers	259,032.30	146,000.00
Hospitality/catering	951,783.95	224,010.00
Secretariat staff benefits	3,276,800.00	2,924,000.00
Staff training	532,280.00	40,100.00
Staff retreat	177,900.00	541,750.00
TOTAL	10,620,437.25	4,979,360.00

NOTE 4: GENERAL EXPENSES

ITEM	2015/2016	2014/2015
		6 months
	KSHS	KSHS
Strategic Plan Validation	931,420.00	0
Office stationery	113,840.00	82,225.00
Newspaper/magazines	68,080.00	27,360.00
Telephone costs	276,450.00	141,000.00
Trade and exhibition	430,400.00	37,000.00
Office utilities	305,353.00	242,640.00
Staff uniform	83,000.00	15,500.00
Bank charges	40,977.50	31,754.50
Courier/postal services	0.00	7,460.00
Subscription	19,000.00	10,000.00
TOTAL	2,268,520.50	594,939.50

XVI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

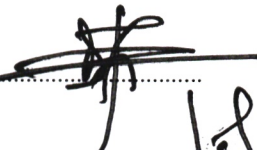
Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.


 Director General/C.E.O/M.D

Date..... 10/05/17

Chairman of the Board


 Date..... 12/15/2017

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR
ENDED 30 JUNE 2016**



Athi water services board financial statements, for the financial year ended, June 30th, 2016



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

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Athi Water Services Board is a state corporation established under the Water Act 2002 vide Gazette Notice No.1775 of 21st March 2003 and licensed by the Water Services Regulatory Board (WASREB). The current licence is for a term of 10 years commencing 8th February 2010.

(b) Principal Activities

The principal activity of the Board is to ensure efficient, effective and sustainable provision of quality and affordable water services (defined to include sewerage) in its area of jurisdiction - Nairobi County, Kiambu County and Gatanga Sub County of Muranga County.

The key responsibilities of Athi Water Services Board therefore include:

- i) Ownership and holding of water and sewerage assets/infrastructure on behalf of the National Government.
- ii) Planning, development and expansion of water and sewerage infrastructure on behalf of the National Government.
- iii) Assisting the County Governments within its jurisdiction, during the transition period, in contracting out water and sewerage services provision to Water Services Providers (WSPs) and in the monitoring of water and sewerage services provision.

(c) Key Management

The *entity's* day-to-day management is under the following key organs:

- Chief Executive Officer
- Head of Planning and Engineering Services
- Head of Corporate Services
- Head of Finance and Strategy

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chief Executive Officer	Eng. Malaquen Milgo
2.	Head of Planning and Engineering Services	Eng. Joseph Kamau
3.	Head of Corporate Services	Mr. Gordon Misigo
4.	Head of Finance and Strategy	Mrs. Rose Nyaga

(e) Fiduciary Oversight Arrangements

The ultimate oversight authority of Athi Water Services Board is exercised by the Board of Directors through the Full Board. To ensure that good corporate governance is enhanced and that power is properly exercised in the stewardship of the corporation's total portfolio of assets and resources to maintain stakeholder value, the Board of Directors has established three committees:

- (i) Finance, Human Resource and General Purpose Committee
- (ii) Audit, Risk and Governance Committee
- (iii) Planning and Development Committee

(f) Entity Headquarters

Athi Water Services Board
P.O. Box 42583-00100 GPO
Africa-Re Centre, 3rd Floor
Hospital Road-Upper Hill
NAIROBI

(g) Entity Contacts

Telephone: (254) 020 2724292/3
E-mail: info@awsboard.go.ke
Website: www.awsboard.go.ke

(h) Entity Bankers







1. Kenya Commercial Bank
Kipande House Branch
NAIROBI.
2. Cooperative Bank of Kenya
University Way Branch
NAIROBI.
3. NIC Bank
Upper Hill
NAIROBI
4. Chase Bank
Upper Hill
NAIROBI



(i) Independent Auditors

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




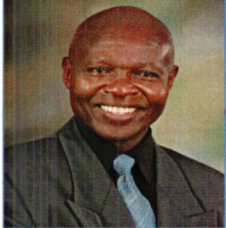

II. THE BOARD OF DIRECTORS

The Board of Directors who held office during the year were:

 <p>Wachira M. Keen</p>	<p>Chairman of the Board; Born 1970; Holds Bachelor of Business Administration and currently undertaking an MBA. Appointed 22nd January 2016</p>
 <p>Mr. Joe Kinuthia Kibochi</p>	<p>Born 1955, A successful businessman. Has Experience in the Construction Industry and has served in the Economic Stimulus Program and CDF at the constituency level. Appointed on 17th April 2015</p>
 <p>Mr. Samson Ojiayo</p>	<p>Born 1967; IT specialist with specialization in data processing. Has worked in the Motor Vehicle Industry. Appointed on 17th April 2015</p>
 <p>Eng. Lawrence Simitu</p>	<p>Born 1965; Director of Water Services in the State Department of Water, Ministry of Water and Irrigation. Holds MSc in Civil Engineering, is professionally qualified, and has over 24 years' experience. Appointed 17th April 2015</p>
 <p>Mr. Francis Anyona – (Representing Dr Kamau Thugge PS National Treasury.)</p>	<p>Born 1965, An Economist. Alternate Director representing the Principal Secretary of the National Treasury. Appointed 17th April 2015</p>
 <p>Mr. Billy Arocho Otunga</p>	<p>Born 1976 and a successful businessman; Has experience in the security industry. Appointed 9th October 2015.</p>

 <p>Mr. Francis Kariuki Muheria</p>	<p>Born 1960 and holds a certificate in computer programming.</p> <p>Appointed 9th October 2015.</p>
 <p>Ms. Bancy Njuguna</p>	<p>Born 1967; Holds a Bachelor of Commerce, currently undertaking a Master in Business Management.</p> <p>Appointed 9th October 2015.</p>
 <p>Mr. Ben O. Kijuu</p>	<p>Born 1962; Holds Bachelor of Commerce (Banking);</p> <p>Appointed 9th October 2015.</p>
 <p>Mr. Richard Kimani</p>	<p>Born 1972; Holds Bachelor of Science Mechanical Engineering and an MBA.</p> <p>Appointed 9th October 2015.</p>
 <p>Ms. Ann Wanjiru Munga</p>	<p>Born 1988; Holds Bachelor of Education.</p> <p>Appointed on 9th October 2015.</p>
 <p>Mr. Joshua Mutoto Werunga</p>	<p>Born 1974; Holds Bachelor of Business Management.</p> <p>Appointed 9th October 2015.</p>

III. KEY MANAGEMENT TEAM

Name and professional / academic qualifications	Area of Responsibility
<p>1</p>  <p>Eng. Malaquen Milgo, BSc. Civil Engineering; Registered with IEK and ERB</p>	<p>Chief Executive Officer</p>
<p>2</p>  <p>Eng. Joseph Kamau, BSc. Civil Engineering registered with IEK and ERB</p>	<p>Head of Capital Planning and Engineering</p>
<p>3</p>  <p>Ms. Rose Nyaga, MBA, CPA-K, CPS-K, B-COM</p>	<p>Head of Finance and Strategy</p>
<p>4</p>  <p>Mr. Gordon Misigo, MBA, CPS-K, BA</p>	<p>Head of Corporate Services</p>
<p>5</p>  <p>Mr. Clement Mugambi, LLB, CPS-K registered with LSK</p>	<p>Legal and Compliance Manager</p>

IV. STATEMENT BY THE CHAIRMAN

It is with great honour that I report yet another year of solid growth and performance by Athi Water Services Board. Our success in achieving our strategic goals during the year enabled us to reframe the water sector landscape. The persistent focus on executing our mandate based on our key strategic objectives and strategic intent of maintaining leadership of Athi Water as a premier institution and centre of best practice in bulk water infrastructure development continues to reward us with strong performance.

In the year under review, Kenya's Gross Domestic Product (GDP) grew by an estimated 5.6 percent in 2015 compared to 5.3 percent in 2014. The performance was driven by a stable macroeconomic environment and significantly improved performance of agriculture, construction, finance, insurance and real estate sectors. This was despite inflationary pressures and volatility in foreign exchange rates. We remain upbeat of monetary policy measures currently in place which continue to support the local unit and to anchor inflation expectations.

Countrywide data on water supply indicates that 63% of Kenyans (82% in urban areas and 57% in rural areas) had access to improved drinking water sources in 2015. 22% of Kenyans (45% in urban areas and 14% in rural areas) are reported as having access to piped water through a house or yard connection. According to the data, access to improved water sources in urban areas decreased from 92% in 1990 to 82% in 2015. In rural areas, however, access increased from 33% to 57% during the same period. 2015 countrywide estimates on sanitation access indicate that 30% (31% of urban and 30% of rural) Kenyans had access to improved sanitation, including sewerage.

Key Regulatory Highlights

The regulatory environment remains an area of significance to our operations. During the period under review the water sector continued to be governed under the Water Act 2002. To ensure compliance with Constitution of Kenya 2010 (CoK 2010), the Ministry of Water and Irrigation has aligned Water Act 2002 to the CoK 2010 by preparing the Water Bill 2014 for enactment by the National Assembly (Parliament and Senate).

Corporate Governance

Board has once again brought on board a robust mix of skills geared towards enhancing good corporate governance in the institution and we look forward to the new members support to the effective functioning of the Board.

As a Board, we are fully aware that our ambitious goals cannot be achieved without the commitment of our employees, customers, suppliers and all other stakeholders.

We would like to thank each and every one of them for the confidence they have shown in Athi Water Services Board.

I also wish to appreciate and thank the Government of Kenya for its goodwill and invaluable support to make our goals a reality.

Implementing our Strategy

Developing innovative and sustainable water services solutions that transform life and inspire progress underpins our corporate mission. In the period under review, and as part of implementation of our water masterplan, AWSB commissioned the 4th Nairobi Water supply to improve water supply to Nairobi City by 140,000 cubic meters of water per day. This program will also benefit communities in Muranga and Kiambu Counties by providing clean and safe water to over 1 million citizens and businesses, in addition to adding value to properties and investments.

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

Stakeholder Relations

The Board consults regularly with a variety of stakeholders, including consumers, community leaders, the public, water sector players, County Governments, water service providers, development partners, National Government and State/Public Agencies. Our stakeholders are integral participants in the long-term planning and solutions of all our initiatives. We have a rigorous stakeholder engagement process based on principles of inclusiveness, accessibility, transparency and positive contribution.


These principles provide the foundation on which all our stakeholder endeavours are based.

Our trust-based approach to stakeholder relations provides continued support for our operations and the opportunity to grow our business. Being a good neighbour is a responsibility we take seriously. Earning the trust and support of stakeholders is fundamental to meeting this responsibility.

Looking Forward

The financial year under review was a great one for us as we continued to seize opportunities to create value for our stakeholders through efforts geared towards better understanding our customers and their needs and offering valued water and sewerage infrastructure. Our commitment to continue transforming lives remains strong and with our strategy in place, we are confident that we shall continue creating value for our stakeholders and consumers.

Thank You.



**MR. WACHIRA M. KEEN
CHAIRMAN**

V. STATEMENT BY THE CHIEF EXECUTIVE OFFICER

Introduction

I am pleased to present the Athi Water Services Board (AWSB) Annual Report for the year ended 30th June 2016, a year in which we continued to drive further improvements whilst readying Athi Water for the future, a state corporation we can all continue to take pride in.

The period under review marked a transition due to the coming on board of County Governments following the 2013 Elections in line with Constitution of Kenya 2010. The Water Act 2002, the statute on which Athi Water Services Board is established is being revised to align it to the CoK 2010. Over the last five years, we have delivered a performance in line with our 2012-2017 strategic plan; rising above operational and financial challenges to deliver value to our stakeholders. Customers are at the heart of all that we do and we continually strive to improve our customer service. I am pleased with the improvements made in the year which resulted in improvements in employee and customer satisfaction. AWSB's overall satisfaction index (un-weighted) improved to 72% compared to 69.5% (un-weighted in 2015) and the work environment indices improved to 83% compared to 80.9% in the Financial Year 2014/15. In addition AWSB received excellent rating from the Commission on Administrative Justice (Ombudsman) for resolving complaints by consumers.

Our key focus for the financial year 2016/17 is to ensure that we continue holding customers at the heart of all that we do, creating an even safer working environment, enhancing service delivery and effectively implementing our sector leading masterplan.

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

Project Implementation

Our ability to successfully plan and implement water projects was evident again in 2015. The Government and Development Partners not only entrusted AWSB to implement projects within its area of jurisdiction (Nairobi, Kiambu and Muranga counties) but also projects in other Water Services Boards. We therefore implemented projects in the following counties which are outside our area of jurisdiction: Kajiado, Narok, Kirinyaga, Meru, Kitui, Makueni and Machakos. AWSB continued to implement the 4th Nairobi Water Supply Development Project, a Vision 2030 project that will transform the water situation in Nairobi City, the Business Hub for East Africa. The project is implemented with support from GoK, the IDA/World Bank, the French AFD France and the German KfW.

Financial Results

The Water sector is regulated and therefore our revenues are determined by the Water Services Regulatory Board based on the Tariff for the water service providers. The results that we achieve are important, but so is the way in which we do business. We remain committed to being transparent and communicating information clearly to our stakeholders so that they can understand the business better.

Our total revenue grew from Ksh. 1,312 million in June 2015 to Ksh 1,354 million in June 2016. The Operating Income over the same period increased from Ksh. 806 million to Ksh. 879 million, a 9.03% increase in lease fees revenue. Operating expenses for the period amounted to Ksh. 762,195,919 compared to Ksh. 770,247,872 the previous year, a decrease of 1.05 %. Transfer to the Accumulated Fund for Financial Year 2015/16 was Ksh. 114.69 Million compared to Ksh 135.92 Million in Year 2015/16. Our asset base increased by 14% from Ksh. 23 Billion in June 2015 to Ksh. 26 Billion in June 2016. This was largely driven by the completion of projects.

Sustainability

We aim to transform our society through corporate social investment in education, health and developmental projects; as well as through increased allocation of procurement of goods and services to Kenyan residents and giving more emphasis to gender mainstreaming and marginalized groups. Our direct contribution to the latter is through the rollout of GoK Policy of allocating 30% of tenders to the youth, women and persons with disability. AWSB continues to undertake Strategic Environmental Assessments (SEA) to not only protect the environment, but also promote sustainable development

Talent Management

Our talent management strategy focuses on driving a culture of performance and creating a productive workforce which includes building a strong, skilled and proactive team in order to sustain our business. We aim to recruit, develop and retain appropriately skilled, committed, engaged and accountable employees.

Our human capacity readiness focus aims to close skills gaps by coordinating, integrating and addressing employees' development needs. We acknowledge the importance of training and continue to ensure that our employees are suitably equipped for their roles.

Our commitment

At AWSB we aim to deliver a safe, reliable and value-for-money service for our stakeholders. We must also ensure that we are able to provide adequate returns and Value for Money to the public, our Government and Development Partners as they provide the capital that we require to fund continued investment in developing and maintaining the infrastructure network.

Appreciation

I wish to convey my gratitude and appreciation to the Board of Directors, the Great Athi Team (GAT), the Ministry of Water and Irrigation, the National Treasury, Development Partners, County Governments of Nairobi, Kiambu and Muranga; Development Partners, WSPs and all stakeholders for working with us to move towards our vision.

We are committed to operating within our financial means and in a way that does not compromise the sustainability of our AWSB.

Together, and with support of the National Government, we will continue to seek financial solutions that ensure we remain sustainable and able to deliver on our mandate.



ENG. MALAQUÉN MILGO
CHIEF EXECUTIVE OFFICER

VI. CORPORATE GOVERNANCE STATEMENT

Athi Water Services Board is committed to operating under a clear governance framework and strongly adheres to sound management and control practices. AWSB is in compliance with the governance tenets of the recently developed "Code of Governance for Government Owned Entities", Mwangozo. The Mwangozo offers a corporate governance code for all state corporations in which Government holds ownership.

Athi Water Services Board is committed to ensuring compliance with the provisions of Water Act 2002 among other regulatory and supervisory corporate governance requirements.

Essential to the establishment of a good governance framework is formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision making process assessment and continuing conformity.

Board of Directors

The structure of Athi Water Services Board starts with the Board of Directors comprising of 13 members: 10 independent directors, 1 director representing the Ministry of Water and Irrigation, 1 director representing the National Treasury and the Chief Executive Officer - a non-voting member.

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

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

The Board of Directors has been trained on good corporate governance practices and provision made to enhance capacity to ensure that the board is run effectively and efficiently.

Role of the Chairperson and Chief Executive

Local and international best practices require a separation of the roles of the Board and the Management. The Board is headed by the Chairperson who is appointed by the Minister for Water and Irrigation under the Water Act 2002 for a period specified in the instrument of appointment and is eligible for reappointment. The Directors are also appointed by the Minister for Water and Irrigation according to the Water Act 2002.

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

Board Committees:

In ensuring that corporate governance is enhanced and that the power of Athi Water Services Board is properly exercised in the stewardship of the corporation's total portfolio of assets and resources to maintain stakeholder value, the board of directors has established the following 3 board committees and , namely:

1. Audit, Risk and Governance Committee

The audit committee will be the principal governance watchdog in AWSB. Its purpose is to provide additional focus on financial, operational issues and risk management that are vital to the corporation but which often cannot be fully examined by the main Board because of shortage of time available to it. The committee is charged with the role of monitoring on the boards' behalf the effectiveness of internal systems and processes and the practice of good corporate governance. The committee focuses in particular on:

- i) Safeguarding of assets of the Board.
- ii) Adequacy of internal control and management systems.

- iii) The operation of internal control and management systems,
- iv) Soundness of the accounting policies, reliability of financial reports and compliance with applicable legal requirements and accounting standards.
- v) Risk identification and mitigating measures.

2. Planning and Development Committee

The primary purpose of this committee is to:

- (i) Consider and recommend to the Board the long term strategic direction of AWSB and provide a monitoring role for its implementation,
- (ii) Receive and consider management proposals for new business practices and capital projects,
- (iii) Advise the Board on the strategies to be adopted by AWSB to enhance its operational efficiency and sustainability, including the promotion of innovation and creativity in business processes,
- (iv) Review and recommend to the Board the implementation of proposals and plans for infrastructure development including the review of progress of ongoing projects,
- (v) Undertake monitoring and evaluation of AWSB's activities and programs.

3. Finance, Human Resource and General Purpose Committee

The purpose of this committee is to provide leadership in Finance, Human Resource, and any other matter which does not fall under the above mentioned Board committees. The committee conducts detailed analysis of management reports and make its recommendation to the Board.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

To be able to supply water to Nairobi, Kiambu and Murang'a Counties effectively, Athi Water through its CSR policy realized the value of conserving the environment by planting tree seedlings in the water catchment areas.

During the period under review AWSB managed to undertake the following activities:

- Planted 50,000 tree seedlings in support the re-afforestation of the Aberdares .
- Provided financial support to the children undergoing cancer treatment at Kenyatta National Hospital and also children living with albinism.
- Continued to implement the resettlement action plan and adequately compensated the project affected persons for the projects implemented during the financial year 2015-16.

In Murang'a County the Board has managed. The Board is also conducting the following activities that will benefit communities along the Northern Collector Tunnel and its surrounding:

- Construction of a dispensary and purchase of an ambulance for the dispensary to serve the project staff and the local community
- Catchment protection through tree planting together with WRUAs
- Construction of permanent housing for the supervision team which will revert to the county government
- Employment opportunities for about 2000 youth in the community at the NCT, Kigoro treatment works, water transmission pipelines and community water project in Murang'a.
- Provision for 12 student attachments/Clerk of Works by engaging Muranga University in project activities like geotechnical investigation and supervision of specialized works to build capacity.
- Ensuring roads are maintained during construction

VIII. ENVIRONMENTAL SUSTAINABILITY REPORT

Background

Environmental Sustainability refers to concerted efforts to mitigate against environmental degradation. It is the maintenance of the factors and practices that contribute to the quality of environment on a long term basis. It involves making decisions and taking actions that are in the interests of protecting the natural world, with particular emphasis on preserving the capability of the environment to support human life.

Athi Water Services Board (AWSB) as a state corporation with key functions of planning, development, rehabilitation and expansion of water and sanitation services infrastructure is cognizant of the possible impacts (both positive and negative) resulting from interaction of the organization's activities with both the physical and social environment.

AWSB is committed to environmental conservation and protection as well as safeguarding of health and safety of workers within the premises. Through the integrated Environment, Health and Safety policy statement, the organization commits to protecting the environment, preserving the health and safety of employees and communities, and ensuring safe development of water and sanitation infrastructure.

Pollution prevention, regulatory compliance stakeholder engagement, public consultation and continual improvement are the key elements which underpins AWSB environmental sustainability.

The objective of our environmental sustainability is therefore to improve the social equity, environmental, and economic conditions in our jurisdiction

AWSB environmental sustainability is guided by the Environmental Management and Coordination (Amendment) Act of 2015 which is the principal legislation governing the conduct of environmental management in Kenya; and the Constitution of Kenya, 2010. Other legislation related to natural resources such as Water Act, Forest Act, Land planning Act, National land policy etc. as well as the Occupational Health and Safety Act, 2010 are also used as guidelines.

AWSB ensured compliance with NEMA's environmental sustainability performance contract guidelines as well as with environmental requirements by International Development Agencies such as The World Bank, Africa Development Bank, and French Development Bank among others.

In compliance AWSB undertook the following:

i. Environmental sustainability planning

AWSB developed and operationalized the integrated workplace environment health and safety policy statement which states the organization's commitment to protect the environment, preserve the health and safety of AWSB employees and communities, and ensure safe development of water and sanitation infrastructure. This policy statement provides a framework for developing environmental objectives, targets and programs.

The organizational service charter was also reviewed to include the environmental considerations such as the enforcement of water quality monitoring.

AWSB subjects all the new water and sanitation infrastructure projects to environmental and social impact assessment process in line with the Environmental Management and Coordination Act, (EMCA), 1999. In order to identify both potential positive and negative impacts. This process allows for provision of enhancement, mitigation, restoration and compensation measures to ensure that the projects are environmentally and socially sustainable. The reports are submitted to NEMA for review and licensing and also to funding agencies (where applicable) for approval based on international standards.

Some of the environmental and social impact assessment reports licensed by NEMA within the financial year include:

- a. ESIA for drilling and equipping of two (2) boreholes within Kiambu County. They include: Kiawanugu and Gititu boreholes;
- b. ESIA for Construction of Nairobi City Water Distribution Network Modifications Project: Construction of the Eastern Transmission (Kiambu – Embakasi) Pipeline – Lot 1
- c. ESIA for drilling and equipping of ten (10) boreholes within Kiambu County. They include: Kanyanjara, Gitire, Gatuanyaga, Gatono/Kimorori, Kawaida, Mathanja, Kiriri, Manguo, Kihingo and Kirigiti boreholes;
- d. ESIA for Githunguri Water Supply Project;

- e. ESIA for Tigoni Water Supply Project;
- f. ESIA for Wote Water Supply Project;
- g. ESIA for Construction of Raw and Treated Water Gravity Main (Thika Dam-Kigoro-WTP-Kabete Tanks); and
- h. ESIA for the proposed Juja-Thika Sewerage System

Apart from having in place an operational Environmental unit within the planning and Engineering department, AWSB also formalized a 7 member environmental sustainability committee with defined roles to assist the organization in matters of environmental compliance by implementing various environmental programs.

ii. Pollution prevention and abatement

AWSB complies with various legislation related to prevention and abatement of pollution such as EMCA (waste management) regulations, EMCA (water quality) regulations) EMCA (noise reduction) regulations, Water Act (water rules). Programmes are in place to ensure that all operations are in compliance with these regulations. For instance water abstraction permitting, effluent discharge planning and licensing, and workplace certification among others.

- The boreholes drilled within this reporting period were authorized and permitted by WRMA.
- The Northern Collector Tunnel project was also authorized and permitted to abstract water from 3 rivers i.e. Gikigie, Irati and Maragua based on hydrological surveys and assessments.
- All sewerage treatment plants are designed to improve quality of final discharge into the receiving surface waters. These facilities are issued with effluent discharge permits based on effluent discharge and control plan.
- All ongoing construction projects are supervised and monitored to ensure proper implementation of project specific environmental management plans.

iii. Climate change mitigation and adaptation

AWSB continued implementing projects with measures to adapt to or mitigate against effects of climate. For instance rehabilitation of Dandora sewerage treatment plant is aimed at improving efficiency so as to reduce the amount of GHG emission. The organization is also exploring the possibility of trapping methane generated from the sewerage treatment plants for energy use.

AWSB is drilling and equipping boreholes to provide alternative water sources in ASALs to help communities in those areas adapt to water scarcity which is associated with climate change.

iv. Environmental ecological enhancement

Rivers Basin Rehabilitation and Restoration Programme which also include a tree planting project aimed at planting trees along the wayleave of the rehabilitated/constructed sewer lines in order to protect the trunk lines and the riparian areas from encroachment and increase tree cover.

All contractors engaged by AWSB in the implementation of various projects have an obligation to ensure restoration of degraded sites after completion of works.

v. Promoting Environmental protection and conservation through partnerships with stakeholders

AWSB continually work together with partners such as County governments, community members, WRMA, NEMA, Water Resource Users Associations, local administration etc. within its area of jurisdiction to enhance participation of stakeholder and sustainability of projects.

vi. Environmental education and awareness

AWSB through its corporate communication section develop and disseminate information on water conservation and rain water harvesting through fliers, brochures, print media, radio and TV.

IX. REPORT OF THE DIRECTORS

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

Principal activities

The principal activity of the board is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in its area of jurisdiction.

The main functions of Athi Water Services Board include:

- i) Ownership and holding of water and sewerage assets/Infrastructure on behalf of the National Government.
- ii) Planning, development and expansion of water and sewerage services Infrastructure on behalf of the National Government.
- iii) Assisting the County Governments within its jurisdiction, during the transition period, in contracting out water and sewerage services provision to water service providers (WSPs) and in the monitoring of water and Sewerage services provision.

Results

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

Directors

The members of the Board of Directors who served during the year are set out on page 1

Auditors

The Kenya National Audit Office is responsible for the statutory audit of Athi Water Services Board in accordance with the Public Finance Management (PFM) Act, 2012.

By Order of the Board

For and on its behalf



Corporation Secretary

Date.....25/08/2016

ATHI WATER SERVICES BOARD

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is required to prepare financial statements which give a true and fair view of the state of affairs of Athi Water Services Board as at the end of the financial year and of its surplus or deficit for that year. The Board of Directors is required to ensure that Athi Water Services Board maintains proper accounting records which disclose, with reasonable accuracy, the position of the Board.

The Board of Directors accepts responsibility for the Financial Statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, which are consistent, and in conformity with International Financial Reporting standards.

The Board of Directors is of the opinion that the Accounts give a true and fair view of the state of financial affairs of Athi Water Services Board as at 30th June 2016 and of its surplus for the year then ended. The Board of directors further confirms the accuracy and completeness of the accounting records maintained by Athi Water Services Board which has been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

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

Approval of the financial statements

The *entity's* financial statements were approved by the Board on 17th August 2016 and signed on its behalf by:



ENG. MALAQUEN MILGO
CHIEF EXECUTIVE OFFICER



MR. WACHIRA M. KEEN
CHAIRMAN

DATE: 25/08/2016

DATE: 25/08/2016



OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Athi Water Services Board set out on pages 1 to 19, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of

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

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. Property Plant and Equipment

(i) Inherited Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.21,862,404,454 as at 30 June 2016. However and as reported in 2014/2015 and previous periods, the Board inherited non-current assets of undetermined value previously owned by the Ministry of Water and Irrigation and National Water Conservation and Pipeline Corporation in respect of water infrastructure which have not been incorporated in these financial statements.

(ii) Fully Depreciated Assets

Included in the property, plant and equipment balance are fully depreciated assets worth Kshs.191,771,207 as at 30 June 2016. Management has not revalued these assets.

In the circumstances, the completeness and accuracy of the inherited assets fully depreciated could not be confirmed as at 30 June 2016.

2. Debtors

The statement of financial position as at 30 June 2016 reflect debtors' balance amounting to Kshs.3,902,916,824 which include an amount of Kshs.2,500,824,960 owing from Nairobi Water and Sewerage company. These amounts have been outstanding for long and their recoverability is doubtful. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements.

In the circumstances, the recoverability of the outstanding amount of Kshs.2,500,824,960 remains doubtful and debtors may be overstated by the unrecoverable amount.

3. Over Expenditure

During the year under review, the Board spent Kshs.27,699,028 on Board expenses against approved budget of Kshs.25,072,080 resulting in an over-expenditure of Kshs.2,626,948. Further, operational expenditure of Kshs.253,873,728 include unbudgeted for expenditure of Kshs.250,175,431 in respect of water pans and dams; Kshs.31,656,119, Asset renewal; Kshs.41,760, GOK counterpart expenses; Kshs.198,302,130 and project cost crop compensation; Kshs.20,175,422. The expenditure is contrary to Section 12 of the state Corporations Act which requires all expenses to be within the approved estimates.

In the circumstance, the propriety of the expenditure of Kshs.250,175,431 could not be ascertained.

4. Creditors and Accruals

The statement of financial position indicates creditors and accruals balance of Kshs.1,017,787,181 as at 30 June 2016 up from Kshs.900,018,083 as at 30 June 2015. Included in the balance is Kshs.821,706,680 that have been outstanding for 91 days and over. Management has not explained the huge and increasing long outstanding creditors which may impact on the operations of the entity.

5. Cash and Bank Balance

The statement of financial position reflects a cash and bank balance of Kshs.806,372,460 as at 30 June 2016. However, included in the balance is Kshs.33,016,160 held at Chase bank which was put under receivership by the Central Bank. Currently there is little or no access to these funds. No provision or discloser has been given in the financial statements to reflect this risk as required by accounting standards. Consequently, the recoverability of the Kshs.33,016,160 held at Chase bank remains doubtful.

Qualified Opinion

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

Other Matter

Non-compliance with Legal Notice No. 101 of August 2005-Transfer Plan

According to the transfer plan under the water Act 2002, which was operationalized vide legal Notice No.101 of August 2005, the Water Service Boards ought to have taken over the assets, staff and other water infrastructure inherited from the Ministry of Water and Irrigation, the National Water Conservation and Pipeline Corporation. Although, Athi Water Service Board, the Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation had finalized the revaluation of the assets, Athi Water Service Board had not taken over the assets as at 30 June 2016. The Board is therefore in contravention of Legal Notice No. 101 of August 2005 and the Water Act 2002 on the transfer plan.



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

Nairobi

04 May 2017

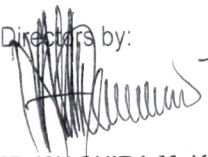
ATHI WATER SERVICES BOARD
XII. STATEMENT OF FINANCIAL PERFORMANCE
PERIOD ENDED 30TH JUNE 2016

	Notes	Jun-16 KSH	Jun-15 KSH
REVENUE			
Operational Income	<u>2</u>	879,463,755	806,482,782
Other Income	<u>3</u>	48,827,732	69,913,319
Grants - Restricted (Donor)	<u>4</u>	142,802,685	156,063,201
Grant - Unrestricted (GoK)	<u>5</u>	283,320,569	279,887,505
TOTAL REVENUE		1,354,414,741	1,312,346,807
EXPENDITURE			
Administrative Expense	<u>6</u>	115,632,355	103,778,278
Board Expenses	<u>7</u>	27,699,028	16,206,311
Staff Costs	<u>8</u>	189,805,912	184,149,771
Operational Expenses	<u>9</u>	253,873,727	249,845,188
General Expenses	<u>10</u>	8,378,954	3,716,122
Project Costs	<u>11</u>	167,803,820	212,552,202
TOTAL EXPENDITURE		763,193,796	770,247,872
Other gains/(Losses)			
Decrease/(increase) in provisions	<u>18</u>	941,237	-
EARNINGS BEFORE INTEREST, TAX & DEPRECIATION		592,162,182	542,098,935
Less Depreciation	<u>12</u>	393,246,815	322,461,349
EARNINGS BEFORE INTEREST & TAX		198,915,367	219,637,586
Less Interest	<u>13</u>	84,278,002	83,717,228
NET SURPLUS/(DEFICIT)			
TRANSFER TO ACCUMULATED FUND		114,637,365	135,920,358

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


 ENG. MALAQUEN MILGO
 CHIEF EXECUTIVE OFFICER

Date... 25/08/2016


 MR. WACHIRA M. KEEN
 CHAIRMAN

Date... 25/08/2016

The notes set out on pages 8 to 16 form an integral part of the Financial Statements

ATHI WATER SERVICES BOARD
XIII. STATEMENT OF FINANCIAL POSITION
PERIOD ENDED 30TH JUNE 2016

	Notes	Kshs Jun-16	Kshs Jun-15
ASSETS			
CURRENT ASSETS			
Inventory	<u>14</u>	767,255	1,508,989
Debtors	<u>15</u>	3,902,916,824	3,665,312,331
Prepayments	<u>16</u>	17,615,280	16,558,756
Cash & Bank Balances	<u>17</u>	806,372,460	1,650,289,370
Total Current Assets		4,727,671,820	5,333,669,446
NON CURRENT ASSETS			
Property, Plant and Equipment	<u>12</u>	21,862,404,454	17,729,131,585
TOTAL ASSETS		26,590,076,274	23,062,801,031
CURRENT LIABILITIES			
Creditors and Accruals	<u>18</u>	1,012,592,337	900,018,083
Current Provisions	<u>19</u>	5,194,844	
Total		1,017,787,181	900,018,083
NON-CURRENT LIABILITIES			
Loans	<u>20</u>	18,734,133,421	15,888,096,194
Total Liabilities		19,751,920,601	16,788,114,277
Net Assets		6,838,155,672	6,274,686,754
Accumulated funds	<u>21</u>	609,984,713	495,347,349
Differed Income	<u>22 & 23</u>	6,228,170,959	5,779,339,406
Net Assets and Liabilities		6,838,155,672	6,274,686,755

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


 ENG. MALAQUÉN MILGO
 CHIEF EXECUTIVE OFFICER

Date..... 25/08/2016


 MR. WACHIRA M. KEEN
 CHAIRMAN

Date..... 25/08/2016

ATHI WATER SERVICES BOARD
XIV. STATEMENT OF CHANGES IN NET ASSETS
PERIOD ENDED 30TH JUNE 2016

	ACCUMULATED FUND Kshs	PRIOR YEAR Kshs	TOTALS Kshs
Balance brought forward as at 1st July 2014	359,426,991	-	359,426,991
Surplus for the period	135,920,357		135,920,357
Balance carried down as at 30th June 2015	495,347,348	-	495,347,348
Balance brought Forward as at 1st July 2015	495,347,348		495,347,348
Surplus for the period	114,637,365	-	114,637,365
Balance carried down as at 30th June 2016	609,984,713	-	609,984,713

ATHI WATER SERVICES BOARD
XV. STATEMENT OF CASHFLOWS
PERIOD ENDED 30th JUNE 2016

	2016	2015
	Kshs	Kshs
Cash flow from operating activities		
Surplus for the period	114,637,365	135,920,358
Prior Year		-
Adjustments for:		
Depreciation	393,246,815	322,461,349
Operating surplus before working capital changes	507,884,180	458,381,707
(increase)/Decrease in Debtors	(237,604,493)	(1,055,296,607)
(increase)/Decrease in prepayments	(1,056,524)	(8,201,102)
(increase)/Decrease in Inventories	741,734	(329,603)
increase/(Decrease) in creditors & Accruals	112,574,254	104,963,670
increase/(Decrease) in current provisions	5,194,844	
Net cash flow from operating activities	(120,150,186)	(958,863,643)
Investing Activities		
Increase in Fixed Assets	(4,526,519,683)	(4,474,299,239)
Net cash flow from investing activities	(4,526,519,683)	(4,474,299,239)
Financing Activities		
increase/(Decrease) in deferred income	448,831,553	1,274,480,786
Increase in loan	2,846,037,227	3,725,539,490
Net cash flow from financing activities	3,294,868,779	5,000,020,276
Net increase in cash and cash equivalent	(843,916,909)	25,239,101
Movement in cash and cash equivalents		
Cash and cash equivalents at beginning of period	1,650,289,369	1,625,050,269
Cash and cash equivalents at the End of period	806,372,460	1,650,289,369

Athi water services board financial statements, for the financial year ended, June 30th, 2016

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

DESCRIPTION	Original budget	Adjustments	Final budget	12 MONTHS BUDGET	Actual on comparable basis	Performance difference
	2015-2016	2015-2016	2015-2016	2015-2016	2015-2016	2015-2016
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
REVENUE						
Lease Fees from NWSC	448,414,886		448,414,886	448,414,886	797,514,949	349,100,063
Lease Fees from other WSPs	76,584,572	-	76,584,572	76,584,572	81,948,806	5,364,234
GROSS LEASE FEE	524,999,458	-	524,999,458	524,999,458	879,463,755	354,464,297
Miscellaneous income	54,000,000		54,000,000	54,000,000	48,827,732	(5,172,268)
GRANT INCOME						
Grants - Restricted (Donor)	-	-	-		142,802,685	142,802,685
Grant - Unrestricted (GoK)	-	-	-		283,320,569	283,320,569
TOTAL INCOME	578,999,458	-	578,999,458	578,999,458	1,354,414,741	775,415,283
Expenses						
A) Administration						
Rent and Rates	17,705,534	4,426,383	22,131,917	22,131,917	23,040,595	(908,678)
Advertising	14,950,000	-	14,950,000	14,950,000	14,139,719	810,281
Official Entertainment	1,992,375	-	1,992,375	1,992,375	901,880	1,090,495
General office running expenses	2,311,040	-	2,311,040	2,311,040	2,395,048	(84,008)
Printing & Stationary	5,262,434	-	5,262,434	5,262,434	765,164	4,497,270
Education & training	14,000,000	-	14,000,000	14,000,000	13,974,993	25,007
Library Expenses	540,000	-	540,000	540,000	472,320	67,680
Workshop and Seminars	11,000,000	-	11,000,000	11,000,000	10,957,376	42,624
Travel and accommodation	17,500,000	-	17,500,000	17,500,000	17,361,709	138,291
Telephone Expenses	4,851,000	-	4,851,000	4,851,000	2,865,007	1,985,993
Audit Expenses	630,000	-	630,000	630,000	1,654,000	(1,024,000)
Bank Charges	6,480,469	2,019,531	8,500,000	8,500,000	8,751,085	(251,085)
I.T Costs	7,081,035	-	7,081,035	7,081,035	5,623,822	1,457,213
Transport operating	11,245,500	-	11,245,500	11,245,500	7,448,489	3,797,011
Uniform and clothing	1,200,000	-	1,200,000	1,200,000	-	1,200,000
Repairs & maintenances-Office Equipment, Furniture and Fittings	3,462,650	-	3,462,650	3,462,650	814,629	2,648,021
Emergency Works and Hire of plant & Equipment	840,000	-	840,000	840,000	-	840,000
Professional Consultancy Fees	5,000,000	-	5,000,000	5,000,000	2,483,835	2,516,165
Monitoring and Evaluation	3,000,000	-	3,000,000	3,000,000	1,982,684	1,017,316
Sub -total	129,052,037	6,445,914	135,497,951	135,497,951	115,632,355	19,865,596

Athi water services board financial statements, for the financial year ended, June 30th, 2016

B) Board Expenses

Honoraria	960,000		960,000	960,000	800,000	160,000
Board Allowances	24,112,080		24,112,080	24,112,080	26,899,028	(2,786,948)
Sub total	25,072,080	-	25,072,080	25,072,080	27,699,028	(2,626,948)

C) Staff Costs

Basic pay	143,792,481	(11,503,398)	132,289,083	132,289,083	115,552,978	16,736,105
House allowance	37,692,000	(3,015,360)	34,676,640	34,676,640	24,343,903	10,332,737
Entertainment allowance	1,560,000	-	1,560,000	1,560,000	993,210	566,790
Transport	11,700,000	(936,000)	10,764,000	10,764,000	7,180,452	3,583,548
Leave and Passage allowance	1,908,965	-	1,908,965	1,908,965	1,642,373	266,592
Gratuity Contributions	29,942,381	(2,395,391)	27,546,990	27,546,990	21,993,555	5,553,435
N.S.S.F Employers contribution	1,800,000	-	1,800,000	1,800,000	151,200	1,648,800
Staff Welfare	3,912,300	-	3,912,300	3,912,300	3,865,986	46,314
Medical Expenses	17,500,000	4,080,000	21,580,000	21,580,000	10,683,773	10,896,227
Interns Allowance	3,120,000	-	3,120,000	3,120,000	398,484	2,721,516
Other Allowances- Bonus	3,750,000	-	3,750,000	3,750,000	2,999,998	750,002
Sub total	256,678,127	(13,770,149)	242,907,978	242,907,978	189,805,912	53,102,066

D) General Expenses

Membership to professional associations	3,600,000	-	3,600,000	3,600,000	3,257,558	342,442
General Insurance	5,040,000	-	5,040,000	5,040,000	5,121,396	(81,396)
Sub total	8,640,000	-	8,640,000	8,640,000	8,378,954	261,046

E) Operation Expenses

Planning and Design	3,000,000	-	3,000,000	3,000,000	1,998,380	1,001,620
Environmental impact Assessment	3,000,000	-	3,000,000	3,000,000	1,699,916	1,300,084
Small Dams & Pans	-	-	-	-	31,656,119	(31,656,119)
Asset renewal- other WSPs	-	-	-	-	41,760	(41,760)
G.O.K counterpart Expenses	-	-	-	-	198,302,130	(198,302,130)
Project Cost-Crop compensation	-	-	-	-	20,175,422	(20,175,422)
PROJECT COST	-	-	-	-	167,803,820	(167,803,820)
INTEREST ON LOANS	-	-	-	-	84,278,002	(84,278,002)
DEPRECIATION	-	-	148,879,200	148,879,200	393,246,815	(244,367,615)
Sub total	6,000,000	-	154,879,200	154,879,200	899,202,365	(744,323,165)
Total Expenditure	425,442,244	(7,324,235)	566,997,209	566,997,209	1,240,718,614	(673,721,405)
Recurrent Surplus	153,557,214	7,324,235	12,002,249	12,002,249	113,696,127	(101,693,878)

VII. 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) accrual. The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

1.1 Summary of significant accounting policies

a) Revenue recognition

Revenues from lease fees and miscellaneous income have been recognised as exchange transactions. Grants for the donors and Government of Kenya have been recognised as non-exchange transactions. Lease fees Income is recognized in the year in which it is due. A grant from the Government of Kenya and other donors for specific expenses is recognized as income in the same period as the relevant expense.

Grants related to depreciable assets are recognized as income over the periods and in the proportions in which depreciation of those assets is charged.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment

Property, Plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight line basis, at annual rates estimated to write off the carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:

Office Equipment – Computers	33%
Furniture and fittings	10%
Motor Vehicles	25%
Plant and Equipment	10%
Dams and Pans	2.5%
Water Meters	20%
Water & Sewerage Infrastructure	2.5%
Accounting and GIS Software	33%

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

e) Financial liabilities

(i) Initial recognition and measurement

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

(ii) Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

f) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by First in first out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary course of business less the selling expense. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

g) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

h) Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

i) Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

k) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy prospectively.

l) Employees entitlements

(i) Leave:

Employees' entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees' up to the balance sheet date.

(ii) National Social security Fund

The corporation contributes to the statutory National Social security Fund (NSSF). This is a defined contribution scheme. The company's obligation under this scheme is limited to specific contribution regulated from time to time and currently at Ksh 200 per employee. The company's contribution is charged to the income statement in the year to which they relate.

m) Capital and Revenue Grants

Grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is initially recognized as deferred income (liability) and released as income over periods necessary to match the grant on a systematic basis to the cost that it is intended to compensate.

When the grant relates to an asset, (Capital) the landed cost or the fair value is credited to a deferred income account and is released to the income statement income over the periods and in the proportions in which depreciation of those assets is charged.

n) Deferred income recognition

All Grant money received from Donors and GoK is initially recorded as deferred income in the financial statements. All recurrent project costs incurred in relation to the grant are debited to this this account and credited to grant income.

Grant expenditure relating to assets is periodically released to grant income by debiting the deferred income account with the value of the annual depreciation and crediting grant income with the same amount.

Deferred income is a liability in the books of accounts. The transactions passed are as given below:

i. Cash received from donor

Dr. Cash at Bank
Cr. Deferred income

ii. Project costs

Dr. Deferred income
Cr. Grant income

iii. Annual depreciation

Dr. Deferred income
Cr. Grant income

o) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

p) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

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

s) Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle an obligation and a reliable estimate of the amount can be made.

t) Taxation

Athi Water services board is a non-commercial state corporation in the provision of essential services. Provision for taxation has not been made

u) Subsequent events

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

v) Related Parties Transactions

Athi water services board financial statements, for the financial year ended, June 30th, 2016

In the normal course of business the Board enters into transactions with related parties. Athi Water Services Board (AWSB) as the Asset Holding Entity has signed Service Provision Agreements with eleven Water Services Providers.

During the year the transactions conducted between these related entities were at arm's length and in the normal course of business in compliance with the provisions of the Service Provision Agreement and the Water Act 2002. The following transactions were carried out with related parties:-

DETAILS	2016	2015
Lease fees receivable from WSPS	Kshs	Kshs
As at 1st July	2,552,953,764	2,091,109,738
Lease fees receivable for the year 2015/2016	879,293,186	806,482,782
Amount due from WSPS	3,432,246,950	2,897,592,520
Lease fees received during the year	676,036,483	344,638,756
Balance as at 30th June 2016	2,756,381,036	2,552,953,764

Athi water services board financial statements, for the financial year ended, June 30th, 2016

	Details	2,016 Kshs	2,015 Kshs
2	Operational Income		
	Lease fees from Nairobi Water & Sewerage Company	797,514,949	736,155,804
	Lease fee from Other WSP's	81,948,806	70,326,978
	Total	879,463,755	806,482,782
3	Other Income		
	Miscellaneous income	1,096,643	67,832,208
	Interest on deposit	47,731,089	2,081,111
	Gain/(Loss) on Disposal		
	Total	48,827,732	69,913,319
4	Grants Restricted (Donors)		
	ACP-EU	5,505,463	6,977,464
	IDA	15,597,464	3,514,247
	KWSP	7,266,513	6,797,623
	AFD	71,448,921	64,903,234
	WaSSIP	41,118,672	71,895,969
	ADB - Kibera	1,865,652	1,974,664
	Total	142,802,685	156,063,201
5	Grants Restricted GOK)		
	GOK	283,320,569	279,887,505
6	Administrative Expense		
	Rent and Rates	23,040,595	20,274,503
	Advertising Expenses	14,139,719	12,986,481
	Entertainment & Office Tea	901,880	1,157,192
	General Office Running Expenses	2,395,048	1,414,703
	Printing & Stationery	765,164	589,415
	Education and Training	13,974,993	11,798,527
	Library & subscription Expenses	472,320	343,411
	Workshops & seminars	10,957,376	6,747,112
	Travel and Accommodation	17,361,709	12,051,740
	Telephone Expenses	2,865,007	2,945,880
	Audit & Management fees	1,654,000	754,000
	Bank Charges	8,751,085	11,847,016
	IT Costs & Accessories	5,623,822	6,709,208
	Transport operating	7,448,489	7,198,598
	Uniform & Clothing	-	993,600
	Repairs& maintenances-Office Equipment, Furniture and Fittings	814,629	99,412
	Emergency Works and Hire of plant & Equipment		-
	Professional Consultancy Fees	2,483,835	3,788,706
	Monitoring and Evaluation	1,982,684	2,078,774
	Total	115,632,355	103,778,278
7	Board Expenses		

Athi water services board financial statements, for the financial year ended, June 30th, 2016

	Honoraria	800,000	80,000
	Board Allowances	26,899,028	16,126,311
	Total	27,699,028	16,206,311
8	Staff Expenses		
	Basic Pay	115,552,978	108,819,165
	House Allowance	24,343,903	20,808,581
	Entertainment Allowance	993,210	1,020,000
	Transport Allowance	7,180,452	7,412,290
	Leave and Passage allowance	1,642,373	3,567,301
	Gratuity Contribution	21,993,555	21,074,036
	N.S.S.F Employers Contribution	151,200	132,600
	Staff Welfare	3,865,986	3,105,354
	Medical Expenses	10,683,773	14,764,928
	Intern Allowance	398,484	445,516
	Other Allowance-Bonus	2,999,998	3,000,000
	Total	189,805,912	184,149,771
9	Operational Expense		
	Planning and Design	1,998,380	2,470,000
	Environmental Impact Assessment	1,699,916	2,806,985
	Pans & Dams	31,656,119	31,347,978
	Asset renewal- other WSPs	41,760	2,497,147
	G.O.K counterpart Expenses	198,302,130	104,791,880
	Project Cost-Crop compensation	20,175,422	105,931,198
	Total	253,873,728	249,845,188
10	General Expenses		
	Membership of Professional Associations	3,257,558	1,804,981
	Insurance	5,121,396	1,911,141
	Total	8,378,954	3,716,122
11	Project Cost		
	GOK		
	IDA		-
	KWSP	7,116,944	6,648,055
	WASSIP	144,844,446	203,472,455
	ACP-EU	-	1,370,763
	ADB	15,842,430	-
	AFD - NCT	-	1,060,929
	Total	167,803,820	212,552,202

12. Property plant and equipment for the year ended 30th June 2016: Fixed Asset Schedule

	Office Equipment	Furniture & Fittings	Motor Vehicles	Plant & Equipment	Dams & Pans	Land	Meters	Water Infrastructure	Sewerage Infrastructure	Work in Progress Restated ¹	Intangible Assets	Total
COST												
Fully depreciated	38,084,444	1,238,469	137,573,235				5,012,100					181,908,248
Depreciable	5,206,964	14,754,794	51,475,937	42,813,157	2,918,897,936	14,063,878		5,100,078,552	2,509,140,164	3,452,832,938		14,109,264,320
Subtotal Cost As at 1 July 2014	43,291,408	15,993,263	189,049,172	42,813,157	2,918,897,936	14,063,878	5,012,100	5,100,078,552	2,509,140,164	3,452,832,938	26,217,020	14,317,389,588
Additions	4,535,065		0			37,258,296	0			4,410,341,662	24,668,007	4,476,803,031
Disposal			(2,503,795)									(2,503,795)
Reclassification				82,463,798	155,088,651		0	604,655,648	1,995,950,829	(2,838,158,927)		0
As at 30 June 2015	47,826,473	15,993,263	186,545,378	125,276,955	3,073,986,587	51,322,174	5,012,100	5,704,734,200	4,505,090,993	5,025,015,673	50,885,027	18,791,688,824
Fully depreciated	38,084,444	1,238,469	140,053,669				5,012,100				7,382,525	191,771,207
Depreciable	9,742,029	14,754,794	46,491,709	125,276,955	3,073,986,587	51,322,174		5,704,734,200	4,505,090,993	5,025,015,673	43,502,502	18,599,917,617
Subtotal Cost As at 1 July 2015	47,826,473	15,993,263	186,545,378	125,276,955	3,073,986,587	51,322,174	5,012,100	5,704,734,200	4,505,090,993	5,025,015,673	50,885,027	18,791,688,824
Additions												
Purchase	1,766,544						77,206,500			4,440,230,014	7,316,627	4,526,519,685
Disposal												
Reclassification			26,194,744		1,633,404			277,628,151	814,380,967	(1,119,837,265)		0
As at the 30 June 2016	49,593,017	15,993,263	212,740,122	125,276,955	3,075,619,991	51,322,174	82,218,600	5,982,362,351	5,319,471,960	8,345,408,422	58,201,654	23,318,208,509
DEPRECIATION												
As at 1 July 2014	38,404,721	11,468,436	155,806,412	18,015,083	188,643,248		5,012,100	185,226,134	127,063,701		10,456,057	740,095,891
Charge for the year	4,097,644	1,486,371	14,574,339	7,743,222	79,000,262			142,708,229	63,667,842		11,687,234	324,965,143
Depreciation Adjustment for Disposed Assets			(2,503,795)									(2,503,795)
As at 30 June 2015	42,502,364	12,954,807	167,876,956	25,758,305	267,643,510	-	5,012,100	327,934,363	190,731,543	-	22,143,291	1,062,557,238

¹ The additions in the financial year 2014/2015 have been restated from Kshs 6,186,413,724 to Kshs 4,410,341,662 while the transfers from work in progress to other asset categories has been restated from Kshs 4,614,230,989. The error was brought about by compensating journals which were by mistake reported as additions and transfers. The error is now corrected. We however note that the net effect of this change on the assets is zero.

Athi water services board financial statements, for the financial year ended, June 30th, 2016

	Office Equipment	Furniture & Fittings	Motor Vehicles	Plant & Equipment	Dams & Pans	Land	Meters	Water Infrastructure	Sewerage Infrastructure	Work in Progress Restated ¹	Intangible Assets	Total
As at 1 July 2015	42,502,364	12,954,807	167,876,956	25,758,305	267,643,510		5,012,100	327,934,363	190,731,543		22,143,291	1,062,557,238
Charge for the year	3,337,859	1,376,551	11,622,927	11,507,908	79,207,410		13,584,969	148,648,626	109,410,664		14,549,901	393,246,815
Depr/adj for Disposed Assets												
As at 30 June 2016	45,840,223	14,331,358	179,499,884	37,266,213	346,850,919	-	18,597,069	476,582,989	300,142,207	-	36,693,192	1,455,804,055
Net Book Value 30th June 2016	3,752,793	1,661,905	33,240,238	88,010,743	2,728,769,072	51,322,174	63,621,531	5,505,779,362	5,019,329,753	8,345,408,422	21,508,462	21,862,404,454
Net Book Value 30th June 2015	5,324,109	3,038,456	18,668,421	99,518,650	2,806,343,078	51,322,174	(0)	5,376,799,837	4,314,359,450	5,025,015,673	28,741,736	17,729,131,586

13. Interest on loan

AFD INTEREST COMPUTATION 2015-2016				
	Loan amount	Interest rate	Period of the Year	Interest
Opening Balance	2,864,590,908	2.9%	1.00	83,073,136
Amount disbursed during the year	124,641,233	2.9%	0.33	1,204,865
	2,989,232,141			84,278,002

	2016 Kshs	2015 Kshs
14 Inventory		
Office consumables	767,255	1,508,989
	767,255	1,508,989
15 Debtors		
Operating Debtors-WSPs	255,556,076	191,135,377
Debtors NCWSC	2,500,824,960	2,361,818,388
Other Debtors	10,340,439	7,392,497
Staff Debtors	2,970,100	2,631,312
Advance payments	1,128,858,873	1,098,436,532
Rent Deposit	4,366,376	3,898,225
Total	3,902,916,824	3,665,312,331
16 Prepayments		
Prepaid maintenance	741,596	1,014,473
Prepaid rent	11,661,757	10,068,053
Prepaid insurance	4,846,928	5,476,230
Ask Show	365,000	-
Total	17,615,280	16,558,756
17 Cash & Bank Balances		
Cash in Hand	8,518	6,533
Bank Deposits	108,385	304,847,769
Cash at Bank- KCB	84,507	86,913
Cash at bank-KCB -KISSP	2,813,038	8,823,307
Cash at Bank- Co-op Bank	300,133,938	199,925,428
Cash at Bank- Co-op KWSP	139,008	138,242
Cash at Bank- KCB WASSIP-AF	302,460,966	657,075,967
Cash at Bank- K.C.B -AFD(Northern collector	148,529,765	312,534,989
Cash at Bank - Coop Escrow	119,488	20,185,424
Cash at Bank(ACPEU-partner Contribution)	383,004	379,227
Cash at Bank(NIC-ADB)	381,707	386,121
Cash at Bank ACP EU PE 5	1,797,030	1,774,244
Cash at Bank Co-op Call Account	-	100,000,000
Cash at Bank - Chase Bank 2 Loan	33,016,160	44,011,148
Cash at Bank - NIC-Nairobi Rivers	16,396,945	114,058
Total	806,372,460	1,650,289,370

18 Creditors and Accruals		
Employee Entitlements	963,684	6,232,857
Payroll creditors	270,943	882,501
VAT & W/holding Tax	68,434,655	9,759,056
Accounts Payable	942,923,055	883,143,669
Total	1,012,592,337	900,018,083

19 Current provisions			
	Untaken leave benefits	Audit and management fees	Total
	Kshs	Kshs	Kshs
Balance at the beginning of the year	6,136,081	-	6,136,081
Additional provision for the year	1,050,566	874,000	1,924,566
Provision utilized	(2,865,803)	-	(2,865,803)
Closing Balance as at 30 June 2016	4,320,844	874,000	5,194,844
Net Decrease/Increase in provisions for the year	1,815,237	(874,000)	941,237

20 LOANS		
Loans-AFD	2,881,171,032	2,864,590,909
Loan-KfW	150,469,061	67,509,861
Loan-AFD NTC	646,830,012	330,000,000
Wassip Loan	11,325,917,287	9,547,093,511
AfDB Loan - Nairobi Rivers	3,729,746,029	3,078,901,912
Total	18,734,133,421	15,888,096,194
21 Accumulated Fund		
Opening Balance	495,347,348	359,426,991
Prior year		
Surplus for the period	114,637,365	135,920,358
Total	609,984,713	495,347,349
22 Deferred Income-Short Term		
IDA	5,484,397	6,523,770
Total	5,484,397	6,523,770
23 Deferred Income-Long Term		
IDA	21,193,536	35,751,625
KWSP	1,016,148	8,282,661
GOK	3,433,922,977	2,746,653,207
AFD	2,320,115,081	2,347,727,870
WASSIP	17,781,919	360,781,919
ACP-EU	103,881,136	109,386,598
ADB	162,366,105	164,231,756
KISSIP	162,409,660	-
Total	6,222,686,562	5,772,815,636

XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	i. The Board inherited non-current assets of undetermined value previously owned by the Ministry of Water and Irrigation (MWI) and the National Water and Conservation and Pipeline Corporation (NWCP) in respect of water distribution infrastructure which have not been incorporated in the financial statements.	<p>The Board engaged a consultant to value the assets. The valuation reports were sent to the Transitional Authority and the Ministry of Water and Irrigation for further direction on the same.</p> <p>We confirm that the value of the inherited assets does not form part of the reported assets valued at Kshs 13,577,293,697.00</p> <p>AWSB is yet to get a policy direction from the Transitional Authority as to which assets should be transferred to Counties and which ones should remain with the Water Service Boards</p>	Chief Executive Officer	Not resolved	30 th June 2017
	ii. Note (2) in the financial statements reflect a disposal of work in progress figure of Kshs 4,614,230,989 said to have been transferred to other categories of plant, property and equipment and reflected in these statements and no documentary evidence was availed to show where the work in progress was transferred. Consequently the value of property, plant and equipment as at 30 th June 2015 could not be confirmed	The asset movement schedule will be provided to the auditors for verification	Head Finance and Strategy	Resolved	Done
2	The statements of financial position as at 30 th June 2015 reflects debtors balance amounting to Kshs 3,665,312,331 which includes an amount of Kshs 2,361,818,388 owing from Nairobi City Water and Sewerage Company and an amount of Kshs 2,631,312 owing from staff. These amounts are long outstanding and their recoverability is doubtful.	<p>AWSB has reasonable assurance that the outstanding debts are collectable. We have entered in to a deed of settlement with NCWSC to ensure that the amount is fully collected.</p> <p>Meanwhile a reasonable provision for doubtful debts has been proposed for Board approval</p>	Head Finance and Strategy	Partly resolved	31 st March 2017

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Any provisions that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements				
3	The statement of financial position reflects an amount of Kshs 900,018,083 under creditors and accruals which excludes audit fees provision of Kshs 754,000 being audit fees for the year ended 30 th June 2014. Consequently, the accuracy of the creditors and accruals balance of Kshs 900,018,083 as at 30 th June 2015 could not be confirmed	The provision for audit fees for 2015/2016 had been incorporated in the financial statements	Head Finance and Strategy	Resolved	Done
	Other matters				
i.	According to the Transfer Plan under the Water Act, 2002, which was operationalized vide Legal Notice No.101 of August 2005, the Water Services Boards ought to have taken over assets, staff and other water infrastructure inherited from the Ministry of Water and Irrigation and the National Water and Conservation and Pipeline Corporation. Although Athi Water Services Board, Ministry of Water and Irrigation and the National Water and Conservation and Pipeline Corporation had finalized the valuation of the assets, Athi Water Services Board had not taken over the assets as at 30 June 2014. The Board is therefore in contravention of the Legal Notice No.101 of August 2005 and the Water Act, 2002 on the Transfer Plan.	<p>The transfer plan had envisaged transfer of staff operational assets and water infrastructure within the AWSB area of operation. Operational assets and staff were transferred to the water service providers who continued with the operations previously undertaken by the local authorities and Government corporations such as National Water Conservation and Pipeline Corporation. However the transfer of water infrastructure could not be completed due to various reasons:</p> <ul style="list-style-type: none"> ▪ The Ministry of Water and Irrigation needed to do the transfer for all the utilities together and so all the valuations were to be completed so that the transfer could be done. ▪ There were legal considerations as to how the transfer would be done and who held the titles to the infrastructure where the facilities were located. <p>AWSB carried out a valuation of the former GOK and NWCP assets in its area of operations while awaiting further direction from the Ministry of Water and Irrigation.</p>	Chief Executive Officer	Not Resolved	30 th June 2017
ii.	The statement of financial performance reflects an amount of Kshs 103, 778,278 under	The schedules to the financial statements have been adjusted to improve on the disclosure	Head of Finance and Strategy	Resolved	Done

Athi water services board financial statements, for the financial year ended, June 30th, 2016

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	administrative expenses which includes an amount of 11,847,016 relating to bank charges. Information and records available indicates that the figure include an amount of Kshs 10,174,831 related to withholding tax on interest income. Consequently, the administrative expenses are misstated with a figure of withholding tax which has not been disclosed in these financial statements				



Chief Executive Officer

Date... 25/08/2016



Chairman of the Board

Date... 25/08/2016