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REPORT

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

OF

THE AUDITOR-GENERAL



ON

THE FINANCIAL STATEMENTS OF  
TANA WATER SERVICES BOARD

FOR THE YEAR  
ENDED 30 JUNE 2016



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**TANA WATER SERVICES BOARD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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



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

| <b>TABLE OF CONTENTS</b>   | <b>Page</b> |
|--|-------------|
| I. KEY ENTITY INFORMATION AND MANAGEMENT                           | ii          |
| II. THE BOARD OF DIRECTORS   | v           |
| III. MANAGEMENT TEAM   | viii        |
| IV. CHAIRMAN'S STATEMENT   | x           |
| V. REPORT OF THE CHIEF EXECUTIVE OFFICER                           | xii         |
| VI. CORPORATE GOVERNANCE STATEMENT                                 | vi          |
| VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT                     | xviii       |
| VIII. REPORT OF THE DIRECTORS                                      | xviii       |
| IX. STATEMENT OF DIRECTOR'S RESPONSIBILITY                         | xx          |
| X. REPORT OF THE INDEPENDENT AUDITORS ON TANA WATER SERVICES BOARD | xii         |
| XI. STATEMENT OF FINANCIAL PERFORMANCE                             | 1           |
| XII. STATEMENT OF FINANCIAL POSITION                               | 2           |
| XIII. STATEMENT OF CHANGES IN NET ASSETS                           | 3           |
| XIV. STATEMENT OF CASH FLOWS                                       | 4           |
| XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS           | 5           |
| XVI. NOTES TO THE FINANCIAL STATEMENTS                             | 7           |
| XVII. PROGRESS ON FOLLOWUP OF AUDITOR RECOMMENDATION               | 26          |

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

**I. KEY BOARD INFORMATION AND MANAGEMENT**

**(a) Background information**

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

**(b) Principal Activities**

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

**(c) Key Management**

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

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

**(d) Fiduciary Management**

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

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

**(e) Fiduciary Oversight Arrangements**

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

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

• ***Finance and Administration Committee***

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

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

• ***Technical Planning and Strategy Committee***

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

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

• ***Audit and Governance Committee***

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

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

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

**(f) TWSB Headquarters**

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

**(g) TWSB Contacts**

Telephone: 061- 2032282  
Fax: 061- 2034118  
Email address : [info@tanawsb.or.ke](mailto:info@tanawsb.or.ke)  
Website: [www.tanawsb.or.ke](http://www.tanawsb.or.ke)

**(h) TWSB Bankers**

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

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

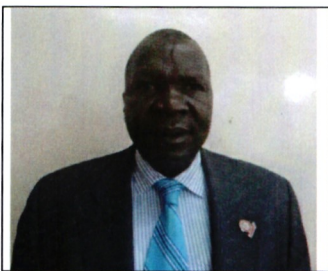
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

## **II. THE BOARD OF DIRECTORS**



**Mr. Peter Kimari Kihara – Chairman**

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



**Mr. James Mureithi wa'Kangara**

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



**Dr. Joseph Ngugi (PhD)**

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



**Ms. Doreen Nkirote Mpuru**

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

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



**Ms. Winfred Mwai**

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



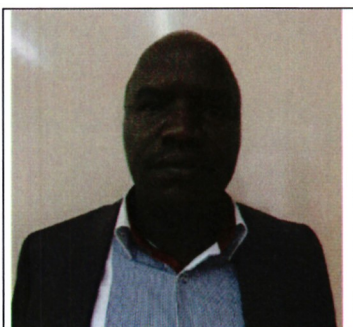
**Mr. Moses Migwi Mbuthia**

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



**Mr. Jamal Abdi**

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



**Mr. Kiambi Kiriiro**

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



**Mr. Moses Kithinji Rutere**

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



**Dr Kamau Thugge (PhD) Principal Secretary/ National Treasury**

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

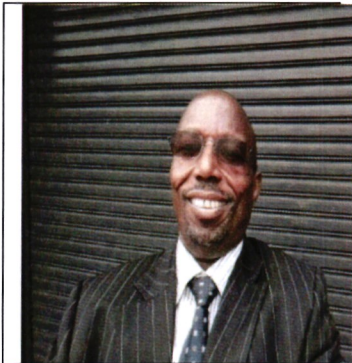


**Mr. Prof. Fred Harun Kiptoon Segor (PhD) Principal Secretary Ministry of Water and Irrigation.**

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

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

### **III. MANAGEMENT TEAM**



**Eng. Moses Mbae Naivasha – Chief Executive Officer**

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



**Eng. John Nyaga Mbogori – Ag. Technical Services Manager**

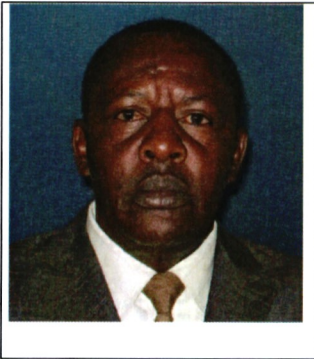
Eng. Mbogori holds a Bsc. degree from North-East Saxony University, Germany. His main responsibilities include; Overseeing the engagement, management and supervision of contractors and consultant, management of contractual works and preparation of project certificates, directing, co-ordinating, controlling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



**Mr. Nicholas Mutunga Kanyeke – Finance Manager**

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

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



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

Mr. Irari holds a Bsc. Degree in Civil Engineering from UoN and a Post Graduate Diploma in Water Resources Management from the International Institute for Aerospace Survey and Earth Sciences, Netherlands. He joined the Board on 11<sup>th</sup> November 2004 he was appointed acting Planning and Strategy Manager in October 2015. His main responsibilities as include; carrying out pre-feasibility, feasibility studies and designs for water and sewerage services, identification of existing water sources, coverage and gaps to be taken into account in the preparation of master plans, ensuring that demand analysis is carried out to facilitate preparation of meaningful

and relevant plans, ensuring effective planning and implementation of approved work plans associated with the area of assignment.



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

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

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

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

**IV. CHAIRMAN'S STATEMENT**

**STAKEHOLDERS**

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

**OVERVIEW OF OPERATING ENVIRONMENT**

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

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

**FUTURE OUTLOOK**

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

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

**APPRECIATION**

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

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

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

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

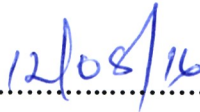
May I also take this opportunity to thank all our stakeholders for their support without which our remarkable performance would not have been achieved.

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

**CHAIRMAN:** .....



**DATE:** .....



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

**V. REPORT OF THE CHIEF EXECUTIVE OFFICER**

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

**PROJECTS IMPLEMENTATION**

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

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

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

**IMPROVED MANAGEMENT PRACTICES**

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

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

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

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

### **CHALLENGES**

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

### **FUTURE OUTLOOK**

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

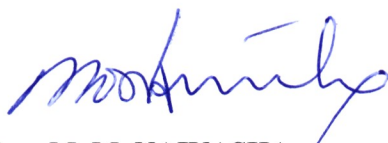
**TANA WATER SERVICES BOARD  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**APPRECIATION**

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

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

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



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

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

## **VI. CORPORATE GOVERNANCE STATEMENT**

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

### **OVERSIGHT ROLE OF THE BOARD OF DIRECTORS**

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

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

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

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

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

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

During the year, 11 members served on the Board.

**BOARD COMMITTEES**

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

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

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

**VISION**

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

**MISSION**

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

**CORE VALUES**

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

**1. Competence:**

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

**2. Teamwork:**

We shall strive to value and promote team spirit.

**3. Quality:**

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

**4. Integrity:**

We shall be transparent and accountable in all our undertakings.

**5. Customer Focus:**

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

## **VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

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

## **VIII. REPORT OF THE DIRECTORS**

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

### **Principal activities**

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

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

### **Results**

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

### **Directors**

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

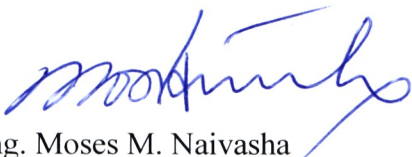
**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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

**Auditors**

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

By Order of the Board



Eng. Moses M. Naivasha

Chief Executive Officer

Nyeri

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

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

**IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Public Finance Management Act, 2012 Section 88 and the State Corporations Act 2012 Section 6(1), require the Directors to prepare financial statements in respect of the Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results of the Board for that year. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

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

The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2016, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Board's financial statements were approved by the Board on 12/08/16 2016 and signed on its behalf by:



Chair (Finance & Admn. Committee)



Board Chairman

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

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

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

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

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Tana Water Services Board set out on pages 1 to 34, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

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

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

#### Auditor-General's Responsibility

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

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

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

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

## **Basis for Qualified Opinion**

### **1.0 Non-Current Assets**

#### **1.1 Inherited Assets**

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

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

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

#### **1.2 Property, Plant and Equipment – Grants**

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

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

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

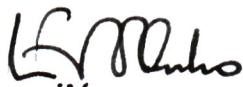
Consequently, the accuracy, existence and completeness of Property, Plant and Equipment balance of Kshs.5,602,661,032 as at 30 June 2016 could not be confirmed.

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

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

### **Qualified Opinion**

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



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

**Nairobi**

**21 December 2016**

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

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


\* Finance costs relates to Bank charges

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

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

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

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

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

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

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

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

**XIV. STATEMENT OF CASH FLOWS**

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

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

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

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

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

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

**Explanation of Performance Difference Notes**

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

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

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

## **XVI. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of Compliance and basis of preparation**

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

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

### **2. Summary of significant accounting policies**

#### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions – IPSAS 23**

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

- **Grants**

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

- **Board Administrative Costs Fees**

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

##### **ii) Revenue from exchange transactions – IPSAS 9**

#### ***Rendering of services***

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

#### ***Interest income***

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

**b) Budget information – IPSAS 24**

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

**c) Property, plant and equipment – IPSAS 17**

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

***Capital Commitments***

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

**d) Research and development costs**

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

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

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

**e) Financial liabilities**

***Initial recognition and measurement***

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

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

**f) Inventories – IPSAS 12**

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

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

**g) Provisions – IPSAS 19**

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

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

***Contingent liabilities***

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

***Contingent assets***

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

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

**h) Nature and purpose of reserves**

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

**i) Changes in accounting policies and estimates – IPSAS 3**

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

**j) Employee benefits – IPSAS 25**

**Retirement benefit plans**

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

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

**k) Borrowing costs – IPSAS 5**

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

**l) Related parties – IPSAS 20**

The Board regards the following as related parties:

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

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

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

**Directors Meetings Schedule**

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

**Note:**

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

**m) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

**n) Financial Risk Management**

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

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

**Credit Risk**

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

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

**Liquidity Risk**

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

|                           | <b>Total Amount<br/>Kshs</b> |
|---------------------------|------------------------------|
| <b>As at 30 June 2016</b> |                              |
| Trade Payables            | 10,842,974                   |
|                           |                              |
| <b>As at 30 June 2016</b> |                              |
| Trade Payables            | 36,704,907                   |

**o) Taxation**

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

**p) Currency**

The Financial statements are presented in Kenya Shillings (Kshs)

**q) Comparative figures**

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

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

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

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

**Property, Plant and Equipment**

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

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

**Amortization for Capital Grants**

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

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

***Estimates and assumptions***

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

***Useful lives and residual values***

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

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

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

***Ultimate holding entity***

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

**s)Subsequent events – IPSAS 14**

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

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

**3. Levies - Board Administrative Costs fee**

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

**4. Transfers from other Governments - Agencies**

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

**5. Other Income**

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



**9. Repairs and Maintenance**

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

**10. Contracted Services**

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

**11. General Expenses**

The following are included in General Expenses:

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

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

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

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

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

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

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

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

## 12. Finance Costs

|                            | 2015/16        | 2014/15        |
|----------------------------|----------------|----------------|
|                            | Shs            | Shs            |
| Bank Charges               | 448,911        | 252,426        |
| <b>Total Finance Costs</b> | <b>448,911</b> | <b>252,426</b> |

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

**13. Cash and Cash Equivalents**

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

**14. Receivables**

**Current Receivables**

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

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

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

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

**15. Inventories**

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

**16. Prepayments**

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

## 17 A. Property, Plant and Equipment

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

## 17 B. Amortization of Capital Grant

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

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

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

**ADB Small Towns**

|                                |   |            |
|--------------------------------|---|------------|
| Loan Revenue - Special Account | - | 24,592,653 |
|--------------------------------|---|------------|

**Direct Payments**

|  |   |             |
|--|---|-------------|
| Services: Consultancy for Detailed Design and<br>Supervision | - | 104,457,515 |
|--|---|-------------|

|   |   |            |
|---|---|------------|
| Services: Public Health Education & Gender<br>Mainstreaming | - | 14,522,880 |
|---|---|------------|

|   |   |               |
|---|---|---------------|
| Works: Construction of Water Supply and<br>Sewerage Systems | - | 1,510,129,415 |
|---|---|---------------|

|   |   |           |
|---|---|-----------|
| Goods: Correlator Operated Leak Detection<br>Equipments | - | 6,992,191 |
|---|---|-----------|

|                  |          |                      |
|------------------|----------|----------------------|
| <b>Sub-total</b> | <b>-</b> | <b>1,660,694,655</b> |
|------------------|----------|----------------------|

|                               |                    |                      |
|-------------------------------|--------------------|----------------------|
| <b>Total Work In Progress</b> | <b>367,597,154</b> | <b>1,903,735,470</b> |
|-------------------------------|--------------------|----------------------|

**19. Trade and Other Payables from Exchange Transactions**

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

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

**20. Borrowings**

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

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

**21. Cash generated from operations**

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

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

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

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

**24. Events after the reporting period**

There are no material adjusting events after the reporting date.

**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

| Reference No on the external audit report                | Issue/Observations from Auditor  | Management comments   | Focal point person to resolve the issue      | Status   | Time frame  |
|--|--|---|--|--|---|
| CEN.HU<br>B/WAT<br>ER<br>CO./TA<br>NA<br>WATER<br>/24G/1 | <p><b>1. <u>Non- Current Assets</u></b><br/> <b>(i) Inherited Assets</b><br/> As reported in 2012/2013, the Board inherited a number of non-current assets previously owned by the Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation and which have not been incorporated in the financial statements. These assets include Maji House in Nyeri and the adjacent land, water and sewerage infrastructure assets spread within its jurisdiction, seven (7) motor vehicles allocated to area managers of water schemes in the region and forty (40) motor vehicles with various Water District Officers. Further and as similarly noted in the previous year, the net book value as at 30 June 2012 includes the value of four (4) motor vehicles still bearing G.K registration numbers, and which have not been registered in the Board's name. Under the circumstances the value of the noncurrent assets is understated by the value of the inherited assets not included in the accounts.</p> | <p>The former MWI and NWC&amp;PC transferred assets to TWSB that were handed over to Water Service Providers. These assets have not been included in the financial statement because although the MWI contracted a consultant to undertake the valuation of assets and eventually handed over the draft valuation report, the value stated in the valuation report has not been formally agreed upon by the WSPs because some assets were not reflected in the valuation report. For this</p> | Eng M. M. Naivasha - Chief Executive Officer | TWSB is awaiting for official communication from MWI on the implementation of the transfer plan. | Immediately once the communication from the parent Ministry on the implementation of transfer plan is received. |

**TANA WATER SERVICES BOARD  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  |  | <p>reason, the management of TWSB has not officially tabled the report to the Board of Directors for adoption so that the assets can be included in the financial statements of the Board.</p> <p>It is important to note that the initial transfer plan has already expired.</p> <p>However, the MWI is mandated to gazette the revised transfer plan and guide the water institutions on the road map towards its implementation.</p> <p>TWSB is therefore awaiting for official communication from MWI on the implementation of the transfer plan. In addition as indicated above the valuation report has not been formally agreed upon and some assets are not reflected in the valuation report leading to the</p> |  |  |  |
|--|--|--|--|--|--|

**TANA WATER SERVICES BOARD  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

|  |  |   |   |  |   |
|--|--|---|---|--|---|
|  |  | <p>exclusion of some assets in the Boards financial statements. However, the Board has made effort by requesting the Ministry of Water and Irrigation to have the motor vehicles transferred to the Board</p> |   |  |   |
|  | <p><b>(ii) Property, Plant and Equipment – Asset Grants</b><br/>The property, plant and equipment balance of Kshs 3,428,881,628 as at 30 June 2014 excludes the value of a water boozer and several water tanks received from the parent Ministry and which are being used by the Board. This has in effect understated the value of property, plant and equipment in the financial statements and the commensurate depreciation.</p> <p>In addition, the Japanese International Cooperation Agency (JICA) funded a water project under Embu Water and Sanitation Company Limited, a Water Service Provider (WSP) under the jurisdiction of the Board. Although the Board indicates the cost of the project to be Kshs 2.3 billion, the assets developed under the project have not been included in the financial statements and no documentary evidence was provided in support of this cost. Consequently, the accuracy and completeness of property, plant and equipment balance of Kshs</p> | <p>These assets have not been included in the financial statements as their values are yet to be given by the Ministry.</p>   | <p>Eng M. M. Naivasha - Chief Executive Officer</p> | <p>TWSB is awaiting for official communication from MWI on the values of these Asset Grants.</p> | <p>Immediately once the communication from the parent Ministry on the values of these Asset Grants is received.</p> |

**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

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

**TANA WATER SERVICES BOARD  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

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

**CHIEF EXECUTIVE OFFICER**

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

**CHAIRMAN**

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

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

**ANNEX I**

**(A) TRADE DEBTORS AS AT 30 JUNE 2016**

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

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

**(B) CENTRALISED BILLING DEBTORS AS AT 30 JUNE 2016**

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

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

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

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

**ANNEX 11**

**STAFF OUTSTANDING IMPREST AS AT 30 JUNE 2016**

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

**ANNEX III**

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

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

**ANNEX IV**

**ANALYSIS OF DEFICIT FY 2015/16**

**Ksh.**

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

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

**Add:**

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

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

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

**Less:**

**(C) Accrued Income reflected in Comprehensive Income Statement:**

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

**Total - Reported Deficit in the Comprehensive Income Statement**

214,428,443