

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



THE NATIONAL ASSEMBLY  
PAPERS LAID

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Hon. Benjamin W.

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REPORT

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OF

THE AUDITOR-GENERAL

ON

FINANCIAL STATEMENTS OF  
TANA WATER SERVICES BOARD

FOR THE YEAR ENDED  
30 JUNE 2018



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**FINANCIAL STATEMENTS OF  
TANA WATER SERVICES BOARD**

**FOR THE YEAR ENDED  
30 JUNE 2018**





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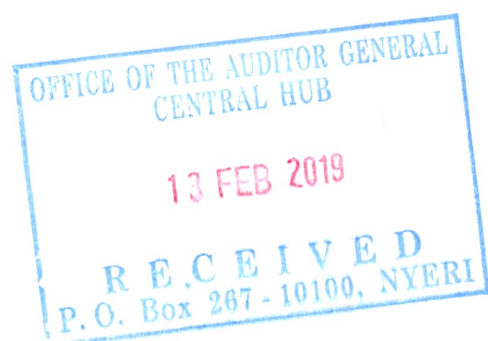
**TANA WATER SERVICES BOARD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018**

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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  
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## **I. KEY BOARD INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Board was established under section 51 of the Water Act 2002 vide gazette notice no. 1329 of 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 domiciled in Kenya. The Board is a state corporation currently under the Ministry of Water & Sanitation 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**

#### **i. Vision**

An innovative and Resourceful institution in development of bulk water and sanitation works.

#### **ii. Mission**

Mission of the Board is to develop sustainable National Water and Sanitation Public Works within our area of jurisdiction that enhances socio-economic growth for our stakeholders.

#### **iii. 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 the Board's culture as it seeks to achieve leadership in quality service delivery. TWSB therefore upholds the following core values;

##### **a) Competence**

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

##### **b) Teamwork**

We shall strive to value and promote team spirit.

##### **c) Quality**

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

##### **d) Integrity**

We shall be honest and fair in all our undertakings.

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**e) Customer Focus**

TWSB shall provide customer driven exceptional service that meets and exceeds customers' expectations.

**f) Good governance**

We shall practice good corporate governance in our services.

**g) Sustainable development**

We shall endeavour to develop utilities that meet the needs of the present generation without compromising the ability of the future generations to meet their own needs

**iv. Mandate**

- a) Development, maintenance and management of National Public Water Works
- b) Operate Water Works and provide water services as a Water Service Provider as mandated by Section 68 (b) of the Water Act 2016.
- c) Provide reserve capacity for purposes of providing water services as per section 68 (c) of the Water Act 2016.
- d) Provide Technical Services and Capacity Building to County governments and WSPs as may be requested.
- e) Provide Technical Support to the Water Cabinet Secretary in discharge of their functions.

**(c) Key Management**

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

- Board of Directors
- Chief Executive Officer
- Top Management comprising of; Finance Department, Technical Services Department, Planning and Strategy Department, Human Resource and Administration Division, Procurement Division, Information Communication and Technology Division

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Eng. Moses Naivasha
2.	Technical Services Manager	Eng. John Mbogori
3.	Finance Manager	CPA Nicholas Kanyeke
4.	Planning & Strategy Manager	Mr. Irari Wageroka
5.	Human Resource and Administration Manager	Mrs. Pauline Miriga
6.	Procurement Manager	Mr. James Ribiru
7.	Information Communication and Technology	Mr. Joseph Githinji

**(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.

• ***Finance and Administration Committee***

The Finance and Administration committee is responsible for ensuring that the Board's financial, human resource, information communication technology and administrative policies are adequate and in line with Government laws and regulation. The committee is also responsible for reviewing and approving TWSB budgets, financial statement, management accounts among others. The members of finance and administration committee were;

- i. Ms. Doreen Nkirote Mpuru – Chairperson
- ii. Mr. Jamal Runyenjes
- iii. Ms. Winfred Mwai
- iv. C.S The National Treasury
- v. P.S Ministry of Water and Sanitation
- vi. Chief Executive Officer -Secretary

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

The committee is responsible for strategic planning, developing proposals for funding and investment programs for the Board. The committee is also responsible for reviewing and

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approving performance contracting. 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 were:

- i. Mr. Moses Migwi Mbutia - Chairman
- ii. Mr. James Mureithi wa Kang'ara
- iii. Mr. Moses Kithinji Rutere
- iv. P.S Ministry of Water and Sanitation
- vii. Chief Executive Officer -Secretary

• ***Audit and Governance Committee***

The committee is charged with the responsibility of reviewing the financial management, internal controls, project implementation and implementation of Government laws and regulation 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 were:

- i. Dr. Joseph Ngugi- Chairman
- ii. C.S The National Treasury
- iii. P.S Ministry of Water and Sanitation
- iv. Internal Audit Manager-Secretary

**(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) or [tanawaterboard@yahoo.com](mailto:tanawaterboard@yahoo.com)  
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

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**THE BOARD OF DIRECTORS**



**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 TANATHI 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 in Computer Application. She is a member of Association of Chartered Certified Accountants (ACCA). Her term expired on 16<sup>th</sup> April 2018



**Mr. Moses Migwi Mbutia**

Mr. Migwi was appointed to the Board on 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. He 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 in Building Economics.



**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 and California Maramar University. Currently he is an Ass. Professor at USIU in charge of training. Dr. Ngugi holds a PhD in Business Administration, MBA (Marketing), MBA (HRM) and Bsc degree. His term expired on 16<sup>th</sup> April 2018



**Mr. Jamal Runyenjes**

Mr. Jamal Runyenjes 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 Bachelor's degree in Education from KU. He is a businessman.



**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 in Interrelations and a Diploma in Business Administration in BA.



**Mr. James Murithi Wa Kang'ara**

Mr. Kang'ara 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. His term expired on 16<sup>th</sup> April 2018



**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 is a scholar at MUST, UON and MKU. Previously he worked at Ecoplan Consulting firm for 5 years as an Environment Programmes Director and as a Geographic Information System data analyst in charge of GIS at CENTRAD for 3 years. He also worked as a Project Coordinator of South Imenti Youth Company. He holds an MA degree in Project Planning and Management from UON and Bsc. in Environmental Science from Egerton University.

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**Mr. Peter Kabebe**

Mr. Kabebe is the alternate to the Principal Secretary, Ministry of Water and Sanitation. He assumed the position of Head of Accounting Unit in February 2016. He is in charge of accounting and financial reporting as well as designing, implementing and monitoring internal controls relevant to the preparation and fair presentation of financial statements. He holds Masters of Science in Finance and Investment degree from KCA University and Bachelor's degree in Accounting and Finance from Kenya Methodist University. He is a Certified Public Accountant.



**Mr. Edward Kariungu Wamweya**

Mr. Wamweya is the alternate to the Cabinet Secretary, The National Treasury. He holds an MBA degree in Finance, Bachelor of Commerce (Finance Option), CPA (K) and is a Certified Investment and Financial Analyst (CIFA). He is currently a Senior Investment Officer in The National Treasury with three years experience in monitoring financial performance of State Corporations, managing of GoK loans to State Corporations, preparation of lending agreements, appraisal of State Corporations projects, analyzing and recommending for approval of State Corporations annual budgets and financing agreements relating to Parastatals borrowing. He is a member of ICPAK and ICIFA.



**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 1<sup>st</sup> 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. Other responsibilities include; developing policies, recommending to the Board the corporate policies, long term strategy, business plans and annual operating budgets and ensuring effective planning and implementation of the Board's strategies and approved work plans. He is the Secretary of the Board.

## II. 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 1<sup>st</sup> 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. Other responsibilities include; developing policies, recommending to the Board the corporate policies, long term strategy, business plans and annual operating budgets and ensuring effective planning and implementation of the Board's strategies and approved work plans.



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

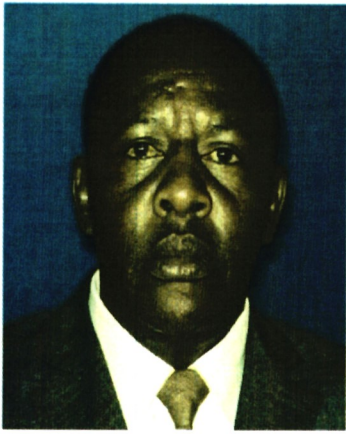
Eng. Mbogori holds a Bsc. degree from North-East Saxony University, Germany. His main responsibilities include; Overseeing the engagement, management and supervision of contractors and consultants, management of contractual works and preparation of project certificates, directing, co-ordinating, controlling 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.

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**Mr. James Irari Wagereka – 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 in 11<sup>th</sup> November 2004. He was appointed Planning and Strategy Manager on 1 December 2017. 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 - Human Resource Administration Manager**

Mrs. 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, and 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 ensuring timely submission of statutory deductions.



**Mr. Vincent Mali Kachi - Internal Audit and Assurance Manager**

Mr. Kachi holds a Bachelor's degree in Business Administration (Accounting & Finance) from Kenya Methodist University (KEMU) and professional qualifications in Accounting (CPA). He is a member of the Institute of Internal Auditors (IIA). He joined the Board on 1<sup>st</sup> May 2017. His main responsibilities include: Examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. Other responsibilities include: ensuring annual, medium and

long-term audit plans are prepared in line with the Board's corporate goals and objectives, ensuring timely availability and implementation of approved Internal Audit strategies and ensuring that internal audits are completed and documented to the required standards.



**Mr. James Karanja Ribiru - Procurement Manager**

Mr. Ribiru holds an MBA degree (Procurement and Supply Chain Management) from the University of Nairobi, a Bachelor of Business Management (Purchasing and Supplies) degree from Moi University, Diploma I, II and III in Supplies management from Railway Training Institute and Kenya Polytechnic and Certificates in the same field. He joined the Board on 1<sup>st</sup> May 2017. His main responsibilities include: Overseeing the overall management of procurement and supplies at the Board; processing tender documentation and applications; preparing relevant progress and annual reports on the performance of the Board; preparing annual procurement plans in accordance with the budget process; ensuring compliance with regulations, policies and practices in the implementation of procurement activities; Managing the awarded contracts; Ensuring maintenance of optimal stock-levels of supplies in tandem with the Board's requirements; Performing administrative duties within the department among others.



**Mr. Joseph Karani Githinji –ICT Manager**

Mr. Githinji holds a Bachelor of Science in Information Systems degree, and professional qualifications in Certified Information and Communication Technology (CICT), Cisco Certified Network Profession (CCNP) and Cisco Certified Network Associate (CCNA). He joined the Board on 15<sup>th</sup> January 2010. His main responsibilities include: Ensuring that hardware and software components of the Board's ICT systems are available and are properly installed and maintained; establishing and maintaining appropriate connectivity for Board networking, communications and other needs; manage web operations, provide internet support, allocate user rights and ensure security of systems; liaise with external service providers for the maintenance and support of the systems; advice management on the computer resources requirements for the organization and oversee performance management in ICT department.

## **CHAIRMAN'S STATEMENT**

### **STAKEHOLDERS**

It with immense pleasure that I present the annual report and financial statements for our Board, Tana Water Service Board, for the year ended 30<sup>th</sup> June 2018. The financial year 2017/2018 was definitely a busy one for TWSB given the demand by our client to complete our major projects that were under implementation and to commence implementation of new projects including Kenya Towns Sustainable Water Supply and Sanitation project funded by ADB and GoK in line with TWSB Strategic Plan. During the year the Board also developed a Strategic Plan for the period 2018-2022 which involved validation by the stakeholders. The Board shall continue engaging with a variety of stakeholders including Development Partners, County Government, Water Services Providers, the Public and State Agencies.

### **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 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 being an innovative and Resourceful institution in development of bulk water and sanitation works.

### **ACHIEVEMENTS**

During the period under review the Board continued with its infrastructural programmes geared towards increasing access to water and sanitation. Good corporate governance by the Board of Directors and the management resulted to the following key achievements;

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- Completion of key projects and good progress in several development projects and proposals that have attracted substantial external funding for Kenya Towns Sustainable Water Supply and Sanitation programme funded by African Development Bank (ADB).
- Completed the formulation of the TWSB 2018-2022 Strategic Plan.
- TWSB transited from ISO 9001:2008 to ISO 9001:2015 having successfully gone through Stage I & II ISO 9001:2015 audit.

### **CHALLENGES**

The main challenges that the Board experienced include; inadequate funding, delays in disbursement of the allocated fund leading to delay in acquisition of land, easement and way leave which have led to delay in implementation of projects. In addition there has been transitional challenges e.g. Non remittance of Board Administrative Cost Fees which has continued to impacted negatively on the Board's operations.

The board shall continue engaging the Ministry of Water and Sanitation and other relevant stake holders in addressing these challenges.

### **FUTURE OUTLOOK**

With the introduction of the fundamental changes brought about by the Constitution to the Water and Sanitation Sector and the commencement of the Water Act 2016, The National Government through the Water Services Boards plays an important role of developing sustainable National Water and Sanitation Public Works. 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 effective sanitation services.

### **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 2017/18 performance contract. In addition, TWSB has maintained ISO 9001:2008 certification and has successfully transited to ISO 9001:2015.

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I take this opportunity to sincerely thank our parent ministry i.e. Ministry of Water & Sanitation, 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 & Sanitation, The National Treasury and Planning, our Development Partners, Water Services Regulatory Board and all other State Corporations under the Ministry of Water & Sanitation for their guidance, continued support and co-operation.

**CHAIRMAN:** .....

**DATE:** .....

## **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 2018 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 achievements in implementation of water and sanitation projects

### **KEY ACTIVITIES**

During the financial year 2017/2018, the Board made tremendous achievements in implementation of water and sanitation projects. Guided by the Board's Strategic Plan (2018-2022), National Water Master Plan 2030 and Water Act 2016 the board have prioritized areas that require intervention, improvement and expansion of existing water infrastructure.

In 2017/2018 Financial Year, the Board through the support of the Government of Kenya funded the following projects;

#### **1. Nyeri County**

- Kabirui-ni Water Project
- Mathira Community Water Project
- Mukurwe-ini Water Project
- Nyeri Njogu-ini Water Project
- Procurement and installation of fifteen (15) plastic tanks in public institution.

#### **2. Kirinyaga County**

- Ndia Water Project
- Gichugu Constituency Water Project
- Procurement and installation of four (4) plastic tanks in public institution.

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**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**3. Embu County**

- Mbeere South Water Project
- Mbeere North - Siakago Water Project
- Procurement and installation of fifteen (15) plastic tanks in public institution.

**4. Tharaka Nithi County**

- Extension of distribution lines for Kathagacini and Kithuru Water Projects
- Procurement and installation of fifteen (15) plastic tanks in public institution.

**5. Meru County**

- Ura dam
- Imenti Central Water Project
- Imenti South Water Project
- Thangatha Dam
- Kianjuri Dam
- Marania dam
- Maua Water Supply Distribution Network, Sewerage and Drainage System.
- Procurement and installation of twelve (15) plastic tanks in public institution.

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 un-served areas. Under this the Board has secured funding from African Development Bank (ADB) for the following Bulk Water Supply and Sanitation Projects;

- Chuka – Chogoria Water Supply and Sanitation Project
- Kerugoya – Kutus Water Supply and Sanitation Project
- Meru Sewerage Project

In addition, the TWSB in conjunction with Northern Water Services Board is undertaking the implementation of projects funded by African Development Bank Programme namely;

- Marsabit Water Supply and Sanitation Project
- Mandera Water Supply and Sanitation Project

## **SUCCESS**

During 2017/2018 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 and Big Four Agenda.

The maintaining of the ISO 9001:2008 certification and transiting to ISO 9001:2015 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, the Ministry of Water & Sanitation, 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. We are indeed extremely grateful to all stakeholders for their valuable input and support towards the formulation of TWSB Strategic Plan 2018-2022.

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 & Sanitation for implementation by the Board and cascaded the set targets to Heads of Departments/Divisions. This approach improved the utilization of available resources leading to better service delivery and better value for money in the Board activities.

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

**CHALLENGES**

The main challenge to the Board is to obtain 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 & Sanitation 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 efforts to (re)align laws and policies within the Board to be in line with the Constitution of Kenya order and the Water Act 2016. 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.



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

**DATE:** .....05-02-2019.....

**CORPORATE GOVERNANCE STATEMENT**

**BOARD MEETINGS AND ATTENDANCE**

**During the Financial Year, the Board held various board meetings as shown below:**

	<b>Board Member</b>	<b>Finance &amp; Admin</b>	<b>Tech, Plan &amp; Strategy</b>	<b>Audit</b>	<b>Full board</b>	<b>Special Board</b>
1.	Mr. James Mureithi wa Kang'ara	-	4	-	4	2
2.	Dr. Joseph Ngugi	-	-	4	4	2
3.	Ms. Doreen Nkirote Mpuru	4	-	-	4	2
4.	Ms. Winfred Mwai	4	-	-	4	2
5.	Mr. Moses Migwi Mbuthia		4	-	4	2
6.	Mr. Jamal A. Runyeenjes	4		-	4	2
7.	Mr. Moses Kithinji Rutere		4	-	4	2
8.	Principal Secretary - National Treasury	4		4	4	2
9.	Principal Secretary – Ministry of Water & Sanitation	-	4	4	4	2
10.	Inspectorate General (IG-Rep)	-	-	-	4	2

**SUCCESSION PLAN**

The appointment and termination of Director or the Chairperson of the Board is done by the President and the Cabinet Secretary for Water and Sanitation respectively in accordance with section 6 (1) of the State Corporation Act 2012. In this regard, the Board has no control over the succession planning of the Board of Director. However, the management notifies the appointing authority six months prior to the Directors' time of retirement.

In addition, the Board shall review and maintain a succession plan for the CEO and Senior Management Staff.

**TANA WATER SERVICES BOARD  
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**BOARD CHARTER**

The Board has an approved Board charter which is also updated in the Board's website. As part of the induction programme, newly appointed Board members receive a copy of this Charter.

**APPOINTMENT AND REMOVAL OF DIRECTORS**

In accordance with section 6 (1) of the State Corporation Act 2012 the President shall appoint the Chairman of the Board of Directors while the directors shall be appointed by the Cabinet Secretary, Ministry of Water and Sanitation. A director's term can be terminated if;

- Serves the Cabinet Secretary with a written notice of resignation; or
- Is absent, without the permission of the chair person for three consecutive meetings; or
- Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding two thousand shillings; or
- Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
- Conducts himself in a manner deemed by the Cabinet Secretary to be inconsistent with membership of the Board.

**ROLE AND FUNCTION OF BOARD**

The functions of the Board are to:

- a) Provide effective leadership and collaborate with the Executive management team in:
  - Articulating the organization's values, vision, mission and strategies
  - Developing strategic (direction) plans and ordering strategic priorities including the strategic plan, performance contract, annual budget, procurement plan, training plans and media plans.
  - Maintaining open lines of communication and promulgating through the organization and with external stakeholders the values, vision, mission and strategies
  - Developing and maintaining an organization structure to support the achievement of agreed strategic objectives

**TANA WATER SERVICES BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

- b) Monitor the performance of the CEO against agreed performance indicators.
- c) Review and agree the business (action) plans and annual budget proposed by the Executive management team.
- d) Monitor the achievement of the strategic and business plans and annual budget outcomes.
- e) Establish such committees, policies and procedures as will facilitate the more effective discharge of the Board's roles and responsibilities.
- f) Ensure, through the Board committees and others as appropriate, compliance obligations and functions are effectively discharged.
- g) Initiate a Board self-evaluation program and follow-up action to deal with issues arising and arrange for directors to attend courses, seminars and participate in development programs as the Board judges appropriate.
- h) Ensure that all significant systems and procedures are in place for the organization to run effectively, efficiently, and meet all legal and contractual requirements.
- i) Ensure that all significant risks are adequately considered and accounted for by the Executive management team.
- j) Ensure that organization has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility.
- k) The Board has no operational involvement in the conduct of organization's business activities and delivery of services. Its role is confined to setting and reviewing policy.

### **INDUCTION AND TRAINING**

All the directors were inducted in accordance with the Mwongozo Code of Governance by the State Corporation Advisory Committee (SCAC). In addition, the Board develops an induction programme for new Board members. When appointed, new Board members are provided with an effective induction programme in order to familiarize them with their responsibilities as Board members,

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general principles of governance and Board practices. The induction programme also provide the Board member with an orientation of the Board, strategic plans, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics and applicable policies.

The induction shall entail meetings with senior management and visits to the Company's facilities. In addition, all Board members are expected to keep themselves abreast of changes and trends in the business and in the Company's environment and markets, which include changes and trends in the economic, political, social and legal climate generally.

### **BOARD MEMBERS PERFORMANCE**

The evaluation covers the performance of the Board as a whole, its committees, individual members, the Chairperson and the Chief Execution Officer. A self-evaluation on the performance of all the directors was conducted and the results were analysed to obtain a mean score on each rated item and thereafter a report was issued by SCAC.

### **CONFLICT OF INTEREST**

Board members avoid conflicts of interest between their private activities and their part in the conduct of the business of the Board as specifically provided in the Code of Conduct and Ethics and the Mwongozo Code of Governance. In this regard the Board maintains conflict of interest registers which directors declare their interest and sign before meetings.

### **BOARD REMUNERATION**

The remunerations of directors are based on circulars issued by the State Corporation Advisory Committee from time to time. The remuneration include; sitting allowance, accommodation allowance and lunch allowances, honoraria, mileage and telephone. The allowances are subject to the applicable income tax laws.

### **ETHICS AND CONDUCT**

Board members have a duty to act ethically at all times and in accordance with the Board Charter and in line with their fiduciary duty to act honestly and in the best interests of the Company.

**TANA WATER SERVICES BOARD  
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Towards this end, all the directors signed a code of conduct in line with the Mwongozo Code of Governance.

In addition, the Board developed and adopted the following policy document in its effort to enhance ethics and conduct in its affair; code of conduct and ethics, Whistle blowing policy, Conflict of Interest and Gifts policies, and ant corruption policy.

### **GOVERNANCE AUDIT**

The Board has complied with the provision of the Mwongozo Code of Governance for public corporations including the following areas; leadership and strategic management transparency and disclosure, compliance with laws and regulation and communication with shareholders.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **The entity's operational and financial performance**

The Board continued to adopt Performance Contract Management Approach in line with the Government Reforms initiatives. 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 2017/2018 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.

#### **Entity's compliance with statutory requirements**

Tana Water Services Board is compliant to its statutory obligations. These include: PAYE and Withholding tax, NHIF, NSSF, Loan deductions and Pension among others.

#### **Key projects and investment decisions the entity is planning /implementing**

Tana Water Services Board guided by its Strategic Plan 2018-2022 has prioritized areas that require intervention, improvement and expansion of existing water infrastructure.

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In the Financial Year 2017/2018 the National Government has provided budgetary allocations to support construction of Maua Water Supply Distribution Network, Sewerage and Drainage Systems, Kenya Towns Sustainable Water Supply and Sanitation Project (Counterpart funding) and Mukurwe-ini Water Project.

The Board also maintained active engagement with the already established alliances with development partners to enhance resource mobilization for expanding the water and sanitation infrastructure to the un served areas. The Board has secured funding from African Development Bank (ADB) funds for Kerugoya Kutus Water and Sewerage Project, Chuka Water and Sewerage Project, Chogoria Water and Sewerage Project and Meru Sewerage project.

### **Major risks facing the entity**

In undertaking its activities, TWSB is exposed to risks in terms of threats and potential loss of opportunities which can affect its operations. Several risks were identified and their mitigation measures considered. The Board maintains a risk register which are monitored and reviewed from time to time.

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

### **Operational Risk**

Operational risk is the exposures to the board that could arise as a result of failure or deficiencies related to system, process and people. To mitigate the operational risk the Board has strengthened the internal systems and processes, strengthen staff capacity, secure insurance covers and has disaster management plan.

### **Credit Risk**

Credit risk is the risk that the 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.

### **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.

### **Material arrears in statutory/financial obligations**

The Board had pending bills amounting to Kshs.514,629,775 as at the end of financial year 2017/2018.

### **The entity's financial probity and serious governance issues**

There were no financial improbity and governance issues reported during the financial year 2017/2018.

## **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 s 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 conserve Water and Sanitation initiative.

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Board's affairs.

### **Principal activities**

The principal activities of the Board continue to be;-

- Undertake the development, maintenance and management of the national public waterworks within its area of jurisdiction;
- Operate the waterworks and provide water services as a water service provider, until such a time as responsibility for the operation and management of the waterworks are handed over to a

**TANA WATER SERVICES BOARD**  
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county government, joint committee, authority of county governments or water services provider within whose area of jurisdiction or supply the waterworks is located;

- Provide reserve capacity for purposes of providing water services where the Regulatory Board orders the transfer of water services functions from a defaulting water services provider to another licensee;
- Provide technical services and capacity building to such county governments and water services providers within its area as may be requested; and
- Provide to the Cabinet Secretary technical support in the discharge of his or her functions.

**Results**

The results of the entity for the year ended June 30, 2018 are set out on page 1

**Directors**

The members of the Board of Directors who served during the year are on page v to vii. During the financial year three directors retired.

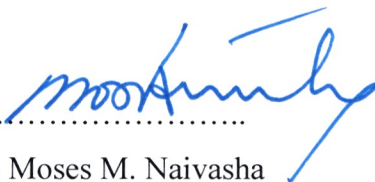
**Dividends/Surplus remission**

The Board did not make any surplus during the year FY 2017/2018 and hence no remittance to the Consolidated Fund.

**Auditors**

The Auditor General is responsible for the statutory audit of the Board in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

.....  


Eng. Moses M. Naivasha

Chief Executive Officer

Nyeri

Date:.....05-02-2019.....

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, 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, 2018. 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 2012 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, 2018, 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 \_\_\_\_\_ 2018 and signed on its behalf by:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**TANA WATER SERVICES BOARD  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**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 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Tana Water Services Board set out on pages 1 to 48, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tana Water Services Board as at 30 June 2018, 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, 2016.

#### Basis for Qualified Opinion

##### 1. Non-Current Assets

##### 1.1. Inherited Assets

The statement of financial position reflects non-current assets balance of Kshs.7,223,319,376 as at 30 June 2018. However, as previously reported, the Board inherited a number of non-current assets from the Ministry of Water and Irrigation and National Water Conservation and Pipeline Corporation, which have not similarly been incorporated in the Board's financial statements for the year ended 30 June 2018. These assets include land and building (Maji House Nyeri), Water and Sewerage infrastructure assets of unknown value spread within its jurisdiction and fifteen motor vehicles and various District Water Offices of unknown value.

Further, as similarly noted in the previous year, the motor vehicles net book value of Kshs.11,669,588 as at 30 June 2018 disclosed under Note 21A to the financial statements include the value of four motor vehicles still bearing GK registration numbers and which have not been transferred to the Board's name.

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*Report of the Auditor-General on the Financial Statements of Tana Water Services Board for the year ended 30 June 2018*

## **1.2. Grounded Motor Vehicles**

The motor vehicles net book value balance of Kshs.11,669,588 as at 30 June 2018 excludes the seven grounded vehicles of unknown values and which have not been used by the Board for several years. No explanation was provided for failure to include these motor vehicles in the assets register and financial statements. Consequently, the completeness and accuracy of motor vehicles balance of Kshs.11,669,588 as at 30 June 2018 could not be confirmed.

## **1.3. Property, Plant and Equipment**

Similarly, and as previously reported, the property, plant and equipment balance of Kshs.5,716,064,232 as at 30 June 2018 excludes unknown value of a water boozier and several water tanks received from the parent Ministry and which are being used by the Board. This has in effect led to understatement of 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 the assets. In addition, no documentary evidence in respect of transfer of the project assets from Tana Water Services Board to Tanathi Water Services Board was made available for audit verification.

## **1.4. Failure to Obtain Title Deed for Kiawaiguru Water Project**

Included in the additions during the year of Kshs.329,563,049 under infrastructure as disclosed in Note 21A to the financial statements is an amount of Kshs.4,202,829 paid to M/s Geocast Agencies Limited for construction of Kiawaguru water tank project in 2015/2016 financial year. However, audit review revealed that though the land upon which the tank was built was voluntarily given to Tana Water Services, ownership document in the name of the Board had not been obtained.

## **1.5. Lack of Non-Current Assets Register**

The Board did not maintain in the year under review a comprehensive non-current assets register. As a result, it was not possible to ascertain fully the classes and description of the assets and their costs, values, location and existence, respectively.

In view of the circumstances described above, the accuracy and completeness of non-current assets balance of Kshs.7,223,319,376 as at 30 June 2018 could not, therefore, be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Tana Water Services Board in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no key audit matters to communicate in my report.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and Those Charged with Governance**

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability of Tana Water Services Board to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion 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. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Tana Water Services Board policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

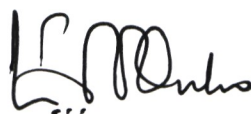
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the ability of Tana Water Services Board's to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease sustaining its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Tana Water Services Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

**11 April 2019**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2018**

Revenue from non-exchange transactions	Notes	2017/2018	2016/2017
		Kshs	Kshs
Board's Administrative Cost fee	6	1,707,699	152,128,003
Government Grants	7	67,428,972	22,914,812
		<b>69,136,671</b>	<b>175,042,815</b>
<b>Revenue from exchange transactions</b>			
Finance Income - external investments		-	-
Other Income	8	4,978,962	4,713,554
		<b>4,978,962</b>	<b>4,713,554</b>
<b>Total revenue</b>		<b>74,115,633</b>	<b>179,756,369</b>
<b>Expenses</b>			
Use of Goods & Services	9	3,096,452	2,508,680
Employee Costs	10	52,281,403	48,414,630
Remuneration of Directors	11	8,666,885	13,200,237
Depreciation and Amortization expense	12	150,754,054	147,563,041
Repairs and Maintenance	13	9,790,185	9,596,885
Contracted Services	14	2,826,348	2,098,705
General Expenses	15	203,123,591	226,888,488
Finance Costs*	16	263,119	258,348
<b>Total expenses</b>		<b>430,802,037</b>	<b>450,529,014</b>
<b>Surplus/(deficit) for the period - Note 4 (h) &amp; Annex IV</b>		<b>(356,686,404)</b>	<b>(270,772,645)</b>
Attributable to			
Surplus/(deficit) attributable to minority interest		-	-
Surplus/(deficit) attributable to owners of the controlling entity		(356,686,404)	(270,772,645)
		<b>(356,686,404)</b>	<b>(270,772,645)</b>

The notes set out on pages 8 to 35 form an integral part of these Financial Statements

\* Finance costs relates to Bank charges



**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**


Assets		2017/2018	2016/2017
<b>Current assets</b>	<b>Notes</b>	<b>Kshs</b>	<b>Kshs</b>
Cash and Cash Equivalents	17	36,976,424	341,788,521
Receivables from Non-Exchange Transactions	18	361,576,244	382,246,547
Inventories	19	304,555	306,660
Prepayments	20	3,346,139	2,818,777
		<b>402,203,362</b>	<b>727,160,505</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	21A	5,716,064,232	5,506,568,389
Work In Progress	22	1,507,255,144	1,276,211,860
		<b>7,223,319,376</b>	<b>6,782,780,249</b>
<b>Total Assets</b>		<b>7,625,522,738</b>	<b>7,509,940,754</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	23	14,629,776	5,112,526
		<b>14,629,776</b>	<b>5,112,526</b>
<b>Non-Current liabilities</b>			
Borrowings - ADF Loan	24(a)	3,373,390,407	3,373,390,407
Borrowings - ADB Loan	24(b)	190,896,105	-
		<b>3,564,286,512</b>	<b>3,373,390,407</b>
<b>Total Liabilities</b>		<b>3,578,916,288</b>	<b>3,378,502,934</b>
<b>Net Assets</b>		<b>4,046,606,450</b>	<b>4,131,437,820</b>
Reserves	26	4,770,635,113	4,499,635,113
Accumulated Fund	27	(726,382,788)	(368,197,293)
ADB Loan repayment Fund	28	2,354,125	-
<b>Total Net Assets and Liabilities</b>		<b>4,046,606,450</b>	<b>4,131,437,820</b>

The Financial Statements set out on pages 1 to 25 were signed on behalf of the Board of Directors by:

  
.....  
Chief Executive Officer

Name: Eng. M. M. Naivasha

Date: 05-02-2019.....

  
.....  
Head of Finance

Name : Nicholas Kanyeke  
ICPAK Member Number: 4164

Date: 05-02-2019.....

.....  
Chairman of the Board

Name:

Date:.....



**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30TH JUNE 2017**

	Accumulated surplus	Capital Reserves	ADB Loan Repayment Fund	Total
	Kshs	Kshs	Kshs	Kshs
<b>At July 1, 2016</b>	<b>(98,321,303)</b>	<b>3,254,166,902</b>	<b>-</b>	<b>3,155,845,599</b>
Surplus/(deficit) for the period	(270,772,645)	-	-	(270,772,645)
Transfers to/from accumulated surplus - Gratuity	1,590,316	-	-	1,590,316
Payment during the year - Gratuity	(693,661)	-	-	(693,661)
Capital Reserves		1,245,468,211	-	1,245,468,211
<b>At June 30, 2017</b>	<b>(368,197,293)</b>	<b>4,499,635,113</b>	<b>-</b>	<b>4,131,437,820</b>
<b>At July 1, 2017</b>	<b>(368,197,293)</b>	<b>4,499,635,113</b>	<b>-</b>	<b>4,131,437,820</b>
Surplus/(deficit) for the period	(356,686,404)			(356,686,404)
Transfers to/from accumulated surplus - Gratuity*	2,338,609	-	-	2,338,609
ADB (WSBSP) Loan	-	-	2,354,125	2,354,125
Payment during the year - Gratuity	(3,837,700)	-	-	(3,837,700)
Capital Reserves	-	271,000,000	-	271,000,000
<b>At June 30, 2018</b>	<b>(726,382,788)</b>	<b>4,770,635,113</b>	<b>2,354,125</b>	<b>4,046,606,450</b>

\* The Gratuity Account has a balance of Kshs. 2,262,296 which relates to the Gratuity money transferred to the Gratuity Account for the officers whose contracts have not expired.



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2017/2018	2016/2017
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Board's Administrative Costs Fee	6	1,707,699	152,128,003
Government Grants	7	67,428,972	22,914,812
Other Income	8	4,978,962	4,713,554
<b>Total Receipts</b>		<b>74,115,633</b>	<b>179,756,369</b>
<b>Payments</b>			
Use of Goods and Services	9	3,096,452	2,508,680
Employee Costs	10	52,281,403	48,414,630
Remuneration to Directors	11	8,666,885	13,200,237
Depreciation and Amortization Expense	12	150,754,054	147,563,041
Repairs and Maintenance	13	9,790,185	9,596,885
Contracted Services	14	2,826,348	2,098,705
General Expenses	15	203,123,591	226,888,488
Finance Costs	16	263,119	258,348
<b>Total Payments</b>		<b>430,802,037</b>	<b>450,529,014</b>
<b>Surplus for the year</b>		<b>(356,686,404)</b>	<b>(270,772,645)</b>
<b>Net Cash Flows from Operating Activities</b>	25	<b>(176,270,054)</b>	<b>(184,825,966)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant, Equipment and Intangible Assets	21A	(360,249,897)	(55,190,776)
Work In Progress	22	(231,043,284)	(908,614,706)
Adjustments		-	3,720,378
<b>Net Cash Flows used in Investing Activities</b>		<b>(591,293,181)</b>	<b>(960,085,104)</b>
<b>Cash Flows from Financing Activities</b>			
Loan- ADB Kenya Towns Sustainable WS & SP	22	190,896,105	-
Loan - ADB Small Towns		-	189,115,078
Interest on ADB Loan Repayment Fund		18,550	-
ADB (WSBSP) Loan Account receipts		2,335,575	-
Gratuity		(1,499,091)	896,655
Capital Reserves	26	271,000,000	1,245,468,211
<b>Net Cash Flows used in Financing Activities</b>		<b>462,751,138</b>	<b>1,435,479,944</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(304,812,097)</b>	<b>290,568,874</b>
Cash and Cash Equivalents at 1 July 2017	17	341,788,521	51,219,647
<b>Cash and Cash Equivalents at 30 June 2018</b>	17	<b>36,976,424</b>	<b>341,788,521</b>



**TANA WATER SERVICES BOARD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Performance difference %	Performance difference Notes
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs		
Board's Administrative Cost fee	53,400,000	-	53,400,000	1,707,699	(51,692,301)	-97%	Note 1
Government Recurrent Grants	12,240,000	110,967,000	123,207,000	67,428,972	(55,778,028)	-45%	Note 2
Government Counterpart Grants	18,000,000	48,000,000	66,000,000	-	-	0%	
Other Income	5,614,000	-	5,614,000	4,978,962	(635,038)	-11%	Note 3
<b>Total Income</b>	<b>89,254,000</b>	<b>158,967,000</b>	<b>248,221,000</b>	<b>74,115,633</b>	<b>(108,105,367)</b>		
<b>Expenses</b>							
Employee costs	93,192,000	-	93,192,000	52,281,403	40,910,597	44%	Note 4
Board Expenses	12,164,000		12,164,000	8,666,885	3,497,115	29%	Note 5
Depreciation and Amortization expense	-		-	150,754,054	(150,754,054)	0%	Note 6
Repairs and Maintenance	7,000,000	3,000,000	10,000,000	9,790,185	209,815	2%	
Finance Costs - Bank Charges	500,000	-	500,000	263,119	236,881	47%	Note 7
Contracted guards, Cleaning and Ground Maintenance	2,500,000	(300,000)	2,200,000	2,193,117	6,883	0%	
Membership fees & Subscriptions	300,000	20,000	320,000	313,700	6,300	2%	
Contracted Services/Consultancy & Legal expenses	4,000,000	(1,000,000)	3,000,000	2,826,348	173,652	6%	
Audit fees	1,100,000	(500,000)	600,000	558,000	42,000	7%	
Exhauster services costs	3,565,000	(1,565,000)	2,000,000	1,867,915	132,085	7%	
Water Boozer costs	2,000,000	(800,000)	1,200,000	1,101,312	98,688	8%	
Utilities, Supplies & Services	1,945,000	(695,000)	1,250,000	1,039,435	210,565	17%	Note 8
Communications, Supplies & Services	4,366,000	(1,216,000)	3,150,000	2,827,812	322,188	10%	Note 9
Travelling & Subsistence	17,550,000	6,750,000	24,300,000	22,719,170	1,580,830	7%	
Printing, Advertising and Information Supplies & Services	9,425,000	(2,310,000)	7,115,000	6,359,978	755,022	11%	Note 10

**TANA WATER SERVICES BOARD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Performance difference %	Notes
	2017-2018 Kshs	2017-2018 Kshs	2017-2018 Kshs	2017-2018 Kshs	2017-2018 Kshs		
Training Expenses, Workshops & Meetings	7,999,000	4,351,000	12,350,000	11,978,670	371,330	3%	
Catering Services & Staff Welfare Expenses	3,500,000	1,100,000	4,600,000	4,470,500	129,500	3%	
Insurance Costs	17,300,000	(2,090,000)	15,210,000	13,467,039	1,742,961	11%	Note 11
Specialised Materials and Supplies - Staff Uniforms	820,000	-	820,000	433,220	386,780	47%	Note 12
Office & General Supplies	6,600,000	-	6,600,000	6,297,828	302,172	5%	
Fuel & Oil Lubricants	6,700,000	(1,000,000)	5,700,000	5,648,030	51,970	1%	
ADB GOK Counterpart Expenses - Murang'a Bulk	-	450,000	450,000	439,862	10,138	2%	
ADB GOK Counterpart Expenses - Small Towns	-	2,700,000	2,700,000	2,574,973	125,027	5%	
Computer Software licences & Maintenance	-	2,500,000	2,500,000	2,392,128	107,872	4%	
Centralised Billing Stationeries	-	-	-	112,100	(112,100)	0%	Note 13
Provision for Bad & Doubtful Debts	-	-	-	402,850	(402,850)	0%	Note 14
Engineering Designs & Plans	-	2,000,000	2,000,000	1,832,800	167,200	8%	
ADB Kenya Towns Sustainable	18,000,000	48,000,000	66,000,000	40,680,256	25,319,744	38%	Note 15
Drought Mitigation	-	-	-	76,509,348	(76,509,348)	0%	
<b>Total Expenditure</b>	<b>220,526,000</b>	<b>59,395,000</b>	<b>279,921,000</b>	<b>430,802,037</b>	<b>(150,881,037)</b>		
<b>Surplus for the period</b>	<b>(131,272,000)</b>	<b>99,572,000</b>	<b>(31,700,000)</b>	<b>(356,686,404)</b>	<b>-</b>		

**Explanation of Performance Difference Notes**

*Note 1:* The performance difference of (-) 97% is due to decreased income from WSPs following an advisory by WASREB (WASREB/LEGAL/582 VOL/32) to WSPs advising them not remit the Board Administrative Cost Fee with effect from 1st July 2017.

## TANA WATER SERVICES BOARD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- Note 2:** The performance difference of (-) 45% is due to less Recurrent Grants received than budgeted.
- Note 3:** The performance difference of (-) 25% is due to decrease in Exhauster Service Charges due to increased competition from the County Governments and private enterprises.
- Note 4:** The performance difference of (+) 44% is due to non-implementation of proposed new salary structure that is still awaiting SRC approval.
- Note 5:** The performance difference of (+) 29% is as a result of the Board not having a substantive Chairman therefore there being no Chairman's honoraria expenditure and 3 Board Members terms expiring on 19th April 2018.
- Note 6:** Depreciation and amortization expense was not budgeted for as it does not involve outflow of funds.
- Note 7:** The performance difference of (+) 48% is as a result of reduced cash withdrawal transactions following a management decision to effect payments of imprests/allowances by cheques.
- Note 8:** The performance difference of (+) 17% is as a result of proper usage of power and water in TWSB offices.
- Note 9:** The performance difference of (+) 10% is as a result of increased use of emails to communicate to customers instead of making phone calls thus reducing telephone charges costs.
- Note 10:** The performance difference of (+) 11% is as a result of less advertisement costs especially on tenders as most of the contracts were running for 2 years.
- Note 11:** The performance difference of (+) 11% is as a result of reduced insurance premiums on TWSB motor vehicles which have continued to age overtime.
- Note 12:** The performance difference of (+) 47% is as a result of less expenditure incurred on purchasing of uniforms and protective clothings due to inadequate receipt of funds.
- Note 13:** Centralised billing stationeries were declared obsolete stock yet they have not been budgeted for.
- Note 14:** Provision for bad & doubtful debts includes specific provision for trade debtors and centralised billing debtors.
- Note 15:** The performance difference of (+) 38% results from the fact that the budget included the cost of purchasing land costing Kshs.25 million which was included in Property, Plant & Equipment schedule as additionns under Land & Buildings, since it is a capital expenditure.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

The Board was established under section 51 of the Water Act 2002 vide gazette notice no. 1329. 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 & Sanitation.

The Board's principal activity is to develop sustainable National Water and Sanitation Public Works within our area of jurisdiction that enhances socio-economic growth for our stakeholders.

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Board's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Board.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### **3. ADOPTION OF NEW AND REVISED STANDARDS**

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

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Standard	Impact
<b>IPSAS 39:</b> Employee Benefits	<p><b>Applicable: 1<sup>st</sup> January 2018</b></p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p> <p>The Board operates a defined contribution scheme for all permanent and pensionable employees where the expenses are recognized in the period in which the contribution is payable. The scheme is funded by contributions from both the company and its employees. In FY 2017/2018 all the contributions due were remitted to the pension scheme.</p>

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
<b>IPSAS 40:</b> Public Sector Combinations	<p><b>Applicable: 1<sup>st</sup> January 2019:</b></p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p> <p>The standard will have no impact on the board operation. The board has no controlling interest on another entity and it's neither a party to any combination.</p>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2018.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

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**

**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**

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5-7 of these financial statements.

**c) Taxation**

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

**d) Property, plant and equipment**

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.

**e) 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.

**f) Financial liabilities**

**Initial recognition and measurement**

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

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

**g) Inventories**

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.

**h) Provisions**

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.

**i) Nature and purpose of reserves**

The Board maintains and creates reserves in terms of specific requirements. The board maintains the following 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.

**j) Changes in accounting policies and estimates**

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.

**k) Employee benefits**

**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.

**l) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction.

**m) Borrowing costs**

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.

**n) Related parties**

The Board regards the following as related parties:

- Water Companies under the Board’s jurisdiction who remit Board Administrative Costs Fee. During the Financial Year the Board Administrative Cost Fee was Kshs.1, 707,698.
- Government – The Board gets Grants from the Government. During the Financial year the received Recurrent Grants amounting to Kshs.67, 428,972 and Development Grants amounting to Kshs. 271,000,000.
- Management – The board’s management comprises of the Chief Executive Officer and Senior Managers. During the financial year the Management salaries amounted to Kshs.19,266,069.
- Board of Directors – During the financial year the Board expenses amounted to Kshs.8,666,885.

**o)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.

**Budget information**

The original budget for FY 2017-2018 was approved by the Board of Directors on 16<sup>th</sup> November 2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the Board. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5-7 of these financial statements.

**p)Comparative figures**

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

**q)Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

## 5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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 Infrastructure/Schemes	2.5%

### Amortization for Capital Grants

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

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

### *Estimates and assumptions*

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

### *Useful lives and residual values*

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

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

***Provisions***

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. The management made the following provisions were made;

- General provision for bad and doubtful debts at 10%
- Specific Provision for Centralised billing and Board Administrative Cost Fees.



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**6. Board Administrative Costs fee**

	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
Board Administrative Costs fee*	1,707,699	152,455,204
KRA Tax	-	(327,201)
<b>Total</b>	<b>1,707,699</b>	<b>152,128,003</b>

\* The decrease in Board Administrative cost fee is due to an advisory by WASREB (WASREB/LEGAL/582 VOL/32) to WSPs advising them not remit the Board Administrative Cost Fee with effect from 1st July 2017.

**7. Transfers from other Governments**

	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
<b>Unconditional Grants</b>		
GoK Recurrent Grants - Received by TWSB	57,240,000	12,240,000
GoK Grants - Salaries paid to Seconded Staff	10,188,972	10,674,812
	<b>67,428,972</b>	<b>22,914,812</b>
<b>Total Government Grants and Subsidies</b>	<b>67,428,972</b>	<b>22,914,812</b>

**7(b). Transfers from Ministry**

Name of the Entity Sending the Grant	Amount Recognized in Statement of Comprehensive Income	Amount Recognized in Capital Reserve Fund	Total grant income during the year
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Ministry of Water & Sanitation Services	57,240,000	271,000,000	328,240,000
<b>Total</b>	<b>57,240,000</b>	<b>271,000,000</b>	<b>328,240,000</b>

**8. Other Income**

	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
Sale of Tender Documents*	446,000	196,000
Exhauster Services Charges**	2,321,806	2,833,005
Water Boozer Charges***	2,211,156	652,700
General Insurance Claim	-	471,419
Sale of trees	-	560,430
<b>Total Other Income</b>	<b>4,978,962</b>	<b>4,713,554</b>

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*\* The increase in sale of tenders arose from sale of tenders relating to tenders for Kerugoya Kutus, Marsabit, and Mandera Water Supply and Sewerage Projects and Nanyuki Dam.*

*\*\*The decrease in Exhauster Service Charges is due to increased competition from the County Governments and private enterprises.*

*\*\*\* This was occasioned by landslides in Murang'a which affected the Water Supply in various parts of the County hence need for water trucking services to Institutions and residents.*

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	2017/18	2016/17
	Shs	Shs
<b>9. Use of Goods and Services</b>		
Electricity	865,680	842,005
Water	173,755	114,989
Security*	1,743,317	1,243,756
Professional and Subscription fees	313,700	307,930
<b>Use of Goods &amp; Services</b>	<b><u>3,096,452</u></b>	<b><u>2,508,680</u></b>

\* *The increase in security costs is as a result of upward review of security contract charges following minimum wage increment vide Legal Notice No.111 of 14th July 2017*

**10. Employee Costs**

	2017/18	2016/17
	Shs	Shs
Salaries and Wages	31,235,637	37,655,699
Contributions to Pension	1,194,564	1,112,670
Commuter Allowances*	2,370,000	-
Housing Allowances*	6,844,290	-
NSSF-Employer Contribution	43,200	40,200
Gratuity	2,338,609	1,571,003
Leave Allowance	533,962	528,011
Salary Top Ups	7,721,141	7,507,047
<b>Employee costs**</b>	<b><u>52,281,403</u></b>	<b><u>48,414,630</u></b>
<b>Staff Establishments</b>	<b>80</b>	<b>79</b>

\* *Commuter and Housing allowances for the FY 2016/17 were included in the Salaries and Wages costs.*

\*\* *The increase in employee costs is as a result of recruitment of new staff in Management.*

The staff costs include salaries amounting to Kshs.10,188,972 paid by the MWI directly to 30 staff seconded to TWSB.

**11. Remuneration of Directors**

	2017/18	2016/17
	Shs	Shs
Chairman's Honoraria*	-	350,000
Sitting Allowance & Accommodation**	8,095,500	12,271,425
Directors Medical & GPA Insurance	571,385	578,812
<b>Total Board Expense</b>	<b><u>8,666,885</u></b>	<b><u>13,200,237</u></b>

\* *The Board did not have a substantive Chairman during the reporting period.*

\*\* *The decrease in sitting allowance & accommodation is due to lapsing of terms of 3 Board members on 19th April 2018. It is worthy noting that the expenditure for FY 2016/17 included accommodation allowance arrears paid to members which related to FY 2015/16.*

**12. Depreciation and Amortization Expense**

	2017/18	2016/17
	Shs	Shs
Property, Plant and Equipment*	150,754,054	147,563,041
<b>Total depreciation and amortization</b>	<b><u>150,754,054</u></b>	<b><u>147,563,041</u></b>

\* *The increase in depreciation is as a result of capitalisation of Projects which were completed during the reporting period.*

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**13. Repairs and Maintenance**

	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
Property *	1,302,901	1,048,610
Computer	5,432,962	5,944,111
Vehicles**	3,054,322	2,604,164
<b>Total Repairs and Maintenance</b>	<b>9,790,185</b>	<b>9,596,885</b>

*\*The increase in repairs and maintenance costs for property is a result of fixing of window's blinds during the reporting period.*

*\*\*The increase in repairs and maintenance cost for vehicles is due to increased maintenance cost of TWSB vehicles which have become too old.*

**14. Contracted Services**

	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
Consultancy*	2,826,348	2,098,705
<b>Total Contracted Services</b>	<b>2,826,348</b>	<b>2,098,705</b>

*\* Consultancy costs includes contracted professional services costs and legal fees costs and increase is due to inclusion of interest charged due to delay in payment of Land Title No. MUTIRA/KAGUYU/1555*

**15. General Expenses**

**The following are included in General Expenses:**

	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
Advertising & Publicity	1,319,250	1,361,520
ASK Show Costs	448,560	548,500
Audit fees	558,000	580,000
Conferences and Meetings	870,400	790,350
Consumables - Office & House Keeping	2,288,298	2,511,317
Fuel and lubricants	5,648,030	6,219,305
Staff Insurances - Medical & Group Life	10,448,604	9,240,593
Work Injury and Staff GPA	434,195	398,523
Property Insurance	50,753	60,009
Motor Vehicle Insurances	2,533,487	3,043,516
Travelling & Subsistence	22,719,170	23,929,121
Foreign Travel	-	388,383
Postage and Courier	165,872	182,160
Printing and stationery	4,592,168	4,431,055
Cleaning costs and Ground Maintenance	449,800	420,251
Telecommunication/Telephone*	2,244,340	1,795,542

*\*The increase in telephone is a result of upgrading of the old Private Automatic Branch Exchange (PABX) and installing a new one with a capacity to accommodate all the extension lines.*

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	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
Training	539,500	771,550
Internet and Networking	417,600	464,000
Computer Stationery and Accessories	4,009,530	3,829,470
Library	427,620	450,100
Catering Services	2,794,090	2,356,792
Staff Welfare	1,676,410	1,686,360
Workshop & Seminars	5,882,890	5,940,170
Laboratory Materials & Equipments	-	173,784
Drugs & dressings	5,600	-
Exhauster Services Costs	1,867,915	2,040,344
Water Boozer Costs	1,101,312	1,572,437
ISO 9000 QMS and Transition to ISO 9001:2015 QMS	4,685,880	4,618,557
ADB GoK Counterpart Expenses - Murang'a Bulk	439,862	663,728
ADB GoK Counterpart Expenses - Small Towns	2,574,973	3,562,487
ADB - Board Support Interest on delayed payments	-	52,026,476
Computer Software licences & Maintenance*	2,392,128	-
Centralised Billing Stationeries	112,100	-
General Prov. Bad and Doubtful debts	(2,237,232)	6,306,211
Specific Prov. Bad and Doubtful debts	2,640,082	57,306,088
Engineering Designs & Plans	1,832,800	2,998,104
Prefeasibility Studies	-	3,855,060
Drought Mitigation Intervention	76,509,348	-
ADB GoK Counterpart Expenses - Kenya Towns Sustainable Water Supply & Sanitation	40,680,256	10,370,625
NRW Intervention	-	9,996,000
<b>Total General Expenses</b>	<b>203,123,591</b>	<b>226,888,488</b>

*\*These are costs for end user licences, Anti virus licences, Linux Dedicated server maintenance, Maintenance of E-Procurement and Website and maintenance of CCTV cameras*

**16. Finance Costs**

	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
Bank Charges	263,119	258,348
<b>Total Finance Costs</b>	<b>263,119</b>	<b>258,348</b>



17. Cash and Cash Equivalents

	2017/18	2016/17
	Shs	Shs
Current Account	36,903,174	341,787,373
Others	73,250	1,148
<b>Total Cash and Cash equivalents</b>	<b>36,976,424</b>	<b>341,788,521</b>

17(a) Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account Number	2017/18 Shs	2016/17 Shs
<b>a) Current Account</b>			
Kenya Commercial Bank - Nyeri Branch	1101-992-220 GOK Recurrent	28,477,492	52,714
	1101-996-188-Gratuity	2,262,296	3,744,970
	1101-998-733 -Dev.	2,814,695	173,370,665
	1122-669-275- KIDDP	-	4,248
	1127-326-287- Exhauster	994,566	164,614,776
	1208-789-120 ADB (WSBSP)	2,354,125	-
<b>Sub Total</b>		<b>36,903,174</b>	<b>341,787,373</b>
<b>b) Others</b>			
Cash in Hand		73,250	1,148
<b>Sub Total</b>		<b>73,250</b>	<b>1,148</b>
<b>Total</b>		<b>36,976,424</b>	<b>341,788,521</b>

18. Receivables

Current Receivables

	2017/18	2016/17
	Shs	Shs
Trade debtors - Annex I (a)	355,550,421	375,685,502
Centralised Billing Debtors	-	1,774,016
Exhauster & WaterBowser Debtors - Annex I (b)	2,615,964	694,000
Receivables - GWAST	2,022,779	2,022,779
Staff imprest - Annex II (a)	51,760	51,760
Payroll debtors - Salary Advances - Annex II (b)	316,830	-
Deposits	18,490	18,490
Deposit - WASREB	-	1,000,000
Deposit - Fuel Cards*	1,000,000	1,000,000
<b>Total Current Receivables</b>	<b>361,576,244</b>	<b>382,246,547</b>

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*\* This relates to a bank guarantee in favour of Total Kenya ltd as a security for fuel consumed by TWSB vehicles.*

**19. Inventories**

	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
Office & House Keeping	-	1,510
Office Stationeries	304,555	193,050
Centralised Billing Stationeries	-	112,100
<b>Total inventories at the lower of cost and net realizable value</b>	<b>304,555</b>	<b>306,660</b>

**20. Prepayments**

	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
Directors Medical & GPA Insurances	139,162	139,282
Staff Insurances - Medical & Group Life	2,745,305	2,212,690
Motor Vehicles Insurance	421,125	427,864
Work Injury and Staff GPA	36,388	33,932
Property Insurance	4,159	5,009
	<b>3,346,139</b>	<b>2,818,777</b>

## 21 A. Property, Plant and Equipment

	Land and Buildings		ADB Project		Infrastructure		Kahuti Scheme		Motor Vehicles		Furniture and Fittings and Equipment		Plant and Equipment		Computers and Printers		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2016	28,442,379	3,720,307,400	2,182,436,597	17,770,088	90,540,030	4,907,136	10,287,572	33,861,777	6,088,552,979									
Additions	1,062,500	-	51,597,504	-	-	-	-	2,020,524	55,190,776									
Disposals	-	-	-	-	-	-	-	-	-									
Transfers/adjustment	-	-	(3,720,378)	-	-	-	-	-	(3,720,378)									
<b>At 30 June 2017</b>	<b>29,504,879</b>	<b>3,720,307,400</b>	<b>2,230,313,723</b>	<b>17,770,088</b>	<b>90,540,030</b>	<b>5,417,384</b>	<b>10,287,572</b>	<b>35,882,301</b>	<b>6,140,023,377</b>									
Additions	29,726,058	-	329,563,049	-	-	37,500	-	923,290	360,249,897									
Disposals	-	-	-	-	-	-	-	-	-									
Transfer/adjustments	-	-	-	-	-	-	-	-	-									
<b>At 30 June 2018</b>	<b>59,230,937</b>	<b>3,720,307,400</b>	<b>2,559,876,772</b>	<b>17,770,088</b>	<b>90,540,030</b>	<b>5,454,884</b>	<b>10,287,572</b>	<b>36,805,591</b>	<b>6,500,273,274</b>									
<b>Depreciation and impairment</b>																		
At 1 July 2016	-	181,930,635	189,594,533	3,974,641	69,794,095	3,098,281	7,359,977	30,139,785	485,891,947									
Depreciation	-	88,459,419	51,017,980	344,886	5,186,484	260,517	585,519	1,708,236	147,563,041									
Impairment	-	-	-	-	-	-	-	-	-									
<b>At 30 June 2017</b>	<b>-</b>	<b>270,390,054</b>	<b>240,612,513</b>	<b>4,319,527</b>	<b>74,980,579</b>	<b>3,358,798</b>	<b>7,945,496</b>	<b>31,848,021</b>	<b>633,454,988</b>									
Depreciation	-	86,247,934	57,981,607	336,264	3,889,863	259,448	468,415	1,570,523	150,754,054									
Disposals	-	-	-	-	-	-	-	-	-									
Impairment	-	-	-	-	-	-	-	-	-									
Transfer/adjustment	-	-	-	-	-	-	-	-	-									
<b>At 30 June 2018</b>	<b>-</b>	<b>356,637,988</b>	<b>298,594,120</b>	<b>4,655,791</b>	<b>78,870,442</b>	<b>3,618,246</b>	<b>8,413,911</b>	<b>33,418,544</b>	<b>784,209,042</b>									
<b>Net book values</b>																		
At 30 June 2018	59,230,937	3,363,669,412	2,261,282,652	13,114,297	11,669,588	1,836,638	1,873,661	3,387,047	5,716,064,232									
At 30 June 2017	29,504,879	3,449,917,346	1,989,701,210	13,450,561	15,559,451	2,058,586	2,342,076	4,034,280	5,506,568,389									



## 21 B. Amortization of Capital Grant

	Motor Vehicles		Furniture and Fittings		Computers and Accessories		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost								
At 1 July 2016	9,506,000	984,960	2,769,822	13,260,782				
Additions	-	-	-	-				
Disposals	-	-	-	-				
Transfers/adjustments	-	-	-	-				
<b>At 30 June 2017</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 2018</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 2016	9,104,513	767,508	2,737,656	12,609,677				
Amortization	100,372	27,182	10,711	138,265				
Impairment	-	-	-	-				
<b>At 30 June 2017</b>	<b>9,204,885</b>	<b>794,690</b>	<b>2,748,367</b>	<b>12,747,942</b>				
Amortization	75,279	23,784	7,151	106,214				
Disposals	-	-	-	-				
Impairment	-	-	-	-				
Transfer/adjustment	-	-	-	-				
<b>At 30 June 2018</b>	<b>9,280,164</b>	<b>818,474</b>	<b>2,755,518</b>	<b>12,854,156</b>				
<b>Net book values</b>								
At 30 June 2018	225,836	166,486	14,304	406,626				
At 30 June 2017	301,115	190,270	21,455	512,840				



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<b>22. Work In Progress</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
Refurbishment of Maji House	4,270,210	3,877,290
Mathira Community Water Projects	246,133,639	203,360,660
Mbeere South Water Project	-	25,703,759
Siakago Water Project	-	19,237,231
Hika Water Project	-	7,200,544
Gichugu Water Project	-	85,105,834
Nyeri Njogu-ini Water Project	-	38,427,035
Nyeri County Women Rep Water Project	-	26,136,173
Ndia Water Project	-	19,940,901
Imenti South Water Project	-	36,983,234
Kamumu Dam	6,467,587	1,115,516
Rupingazi Dam	1,115,516	1,115,516
Thambana Dam	1,115,514	1,115,514
Mutuati Borehole	-	1,452,250
Maua Water Supply Distribution Network, Sewerage & Drainage System.	753,481,345	552,451,771
Mwea Makima	14,618,502	6,414,350
Drought Mitigation	42,556,479	42,556,479
Imenti Central Water Project	-	6,998,190
Kathita Dam	2,004,504	438,020
Mariara Dam	514,420	349,820
Ura Dam	1,905,161	1,284,620
Kabiru-ini Water Project	18,158,584	407,100
Githanga Borehole	1,915,700	1,915,700
Thangatha Dam	2,226,169	701,826
Kianjuri Dam	9,629,455	2,767,472
Karia-ini Dam	18,931,132	-
Marania Dam	821,400	-
Mukurwe-ini Water Project	1,378,667	40,000
<b>Sub-total</b>	<b>1,127,243,984</b>	<b>1,087,096,805</b>

**ADF Loan - Small Towns & Rural Water  
Supply & Sanitation Projects**

Water Meters	108,257,280	108,257,280
Pipes and Fittings	80,857,775	80,857,775
<b>Sub-total</b>	<b>189,115,055</b>	<b>189,115,055</b>

**ADB Loan - Kenya Towns Sustainable Water  
Supply & Sanitation Projects**

**1. Tana Water Services Board**

Consultancy Services	115,175,790	-
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	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
<b>2. Northern Water Services Board</b>		
Consultancy Services	75,720,315	-
<b>Total ADB Loan</b>	<b>190,896,105</b>	<b>-</b>
<b>Total Work In Progress</b>	<b>1,507,255,144</b>	<b>1,276,211,860</b>

	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
<b>23. Trade and Other Payables from Exchange Transactions</b>		
Trade payables - Annex III	14,629,776	5,112,526
<b>Total Trade and Other Payables</b>	<b>14,629,776</b>	<b>5,112,526</b>

**24. Borrowings**

**24(a). ADF Loan**

	2017/18	2016/17
	Shs	Shs
<b>ADF Loan - Water Services Board Support Projects</b>		
Balance at the beginning of the period;		
(i) Loan Revenue - Special Account	15,903,200	15,903,200
(ii) Direct Payments	1,436,972,129	1,436,972,129
External borrowings during the year	-	-
Repayment of external borrowings during the year	-	-
<b>Balance at the end of the period</b>	<b>1,452,875,329</b>	<b>1,452,875,329</b>

*The total Borrowings are non-current liabilities. The purpose of the loan was for infrastructure development and the security is The National Treasury. The loan was rendered at an 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 in December 2015.*

**ADF Loan - Small Towns & Rural Water Supply & Sanitation Projects**

Balance at the beginning of the period;		
(i) Loan Revenue - Special Account	24,710,700	24,710,700
(ii) Direct Payments	1,895,804,378	1,895,804,378
External borrowings during the year	-	-
Repayment of external borrowings during the year	-	-
<b>Balance at the end of the period</b>	<b>1,920,515,078</b>	<b>1,920,515,078</b>
<b>Total</b>	<b>3,373,390,407</b>	<b>3,373,390,407</b>

*The total Borrowings are non-current liabilities. The purpose of the loan was for infrastructure development and the security is The National Treasury. The loan was rendered at an 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 in December 2015.*

**24(b). ADB Loan**

**ADB Kenya Towns Sustainable Water Supply & Sanitation Program**

**1. Tana Water Services Board**

Balance at the beginning of the period;	-	-
External borrowings during the year	115,175,790	-
Repayment of external borrowings during the year	-	-
<b>Balance at the end of the period</b>	<b>115,175,790</b>	-

**2. Northern Water Services Board**

Balance at the beginning of the period;	-	-
External borrowings during the year	75,720,315	-

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	2017/18 Shs	2016/17 Shs
Repayment of external borrowings during the year	-	-
<b>Balance at the end of the period</b>	<b>75,720,315</b>	-
<b>Total ADB Loan</b>	<b>190,896,105</b>	-
<b>Less: Total Current Portion of Bank Loans</b>	-	-
<b>Total Non-Current Borrowings</b>	<b>3,564,286,512</b>	<b>3,373,390,407</b>

**25. Cash Generated from Operations**

	2017/18 Shs	2016/17 Shs
<b>Surplus for the year before tax</b>	<b>(356,686,404)</b>	<b>(270,772,645)</b>
Adjusted for:		
Depreciation	150,754,054	147,563,041
<b>Working capital adjustments:</b>		
Increase/Decrease in inventory	2,105	26,510
Decrease in receivables	20,670,303	(56,776,899)
Decrease in payables	9,517,250	(5,730,448)
Increase in Prepayments	(527,362)	864,475
<b>Net cash flows from operating activities</b>	<b>(176,270,054)</b>	<b>(184,825,966)</b>

**26. Capital Reserves**

	2017/18 Shs	2016/17 Shs
Balance b/f	4,499,635,113	3,254,166,902
GoK Development Grants	210,000,000	691,000,000
Mathira Community Water Project	-	100,000,000
Gichugu Water Project	-	60,000,000
NRW Intervention	10,000,000	10,000,000
Ura Dam	-	30,000,000
Kainjuri Dam	-	30,000,000
Mariara Dam	-	40,000,000
Kathita Dam	-	50,000,000
Thangatha Dam	-	40,000,000
Imenti South Water Project	-	20,000,000
Maragwa Water Project	-	15,000,000
Mukurwe-ini Water Project	-	10,000,000
Kabiru-ini Water Project	-	20,000,000
Maua Water, Drainage & Sewerage Project	-	41,000,000
Drought Mitigation	51,000,000	88,468,211
	<b>4,770,635,113</b>	<b>4,499,635,113</b>

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	<b>2017/18</b>	<b>2016/17</b>
	<b>Shs</b>	<b>Shs</b>
<b>27. Accumulated Fund</b>		
Balance Brought Forward	(368,197,293)	(98,321,303)
Surplus/Deficit for the Period	(356,686,404)	(270,772,645)
Amortisation of capital grant	106,214	138,265
Capital Grant b/f	(512,840)	(651,105)
Gratuity Fund	(1,499,091)	896,655
Capital Grant	406,626	512,840
	<b>(726,382,788)</b>	<b>(368,197,293)</b>

**28.ADB Loan Repayment Fund**

Balance Brought Forward	-	-
Murang'a South	2,000,000	-
Kahuti	338,640	-
Interest Income	18,550	-
Bank charges	(3,065)	-
	<b>2,354,125</b>	<b>-</b>



**29. FINANCIAL RISK MANAGEMENT**

The entity’s activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company’s overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity’s financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company’s management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity’s maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	<b>Total Amount (Kshs)</b>
<b>As at 30 June 2018</b>	
Bank balances	36,976,424
Receivables from Non Exchange Transactions	361,576,244
<b>As at 30 June 2017</b>	
Bank balances	341,788,521
Receivables from Non Exchange Transactions	382,246,547

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company’s credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the entity’s directors, who have built an appropriate liquidity risk management framework for the management of the entity’s short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Board under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<b>Less than 1 month</b>	<b>Between 1- 3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2018</b>				
Trade payables	604,541	389,980	13,635,254	14,629,775
<b>Total</b>	<b>604,541</b>	<b>389,980</b>	<b>13,635,254</b>	<b>14,629,775</b>
<b>At 30 June 2017</b>				
Trade payables	-	-	5,112,526	5,112,526
<b>Total</b>	<b>-</b>	<b>-</b>	<b>5,112,526</b>	<b>5,112,526</b>

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an on-going basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity’s income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Board’s Management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Governance Committee) and for the day to day implementation of those policies.

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There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**iv)Capital Risk Management**

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Accumulated Fund	(726,382,788)	(368,197,293)
Capital reserve	4,770,635,113	4,499,635,113
ADB Loan Repayment Fund	2,354,125	-
<b>Total funds</b>	<b>4,046,606,450</b>	<b>4,131,437,820</b>
Total borrowings	3,578,916,287	3,378,502,934
Less: cash and bank balances	36,976,424	341,788,521
Net debt/(excess cash and cash equivalents)	3,542,968,202	3,036,714,413
<b>Gearing</b>	<b>88.4%</b>	<b>73.5%</b>

**30. RELATED PARTY BALANCES**

**Nature of related party relationships**

Entities and other parties related to Tana Water Services Board include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**Government of Kenya**

The Government of Kenya is the Principal shareholder of TWSB, holding 100% of the Board equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Treasury
- ii) The Ministry of Water and Sanitation;
- iii) Board of Directors
- iv) Key management

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	<b>2018</b>	<b>2017</b>
<b>Transactions with related parties</b>		
<b>a)Grants from Government</b>		
GoK Recurrent Grants	67,428,972	22,914,812
GoK Development Grants	271,000,000	691,000,000
Donations in kind	-	-
<b>Total</b>	<b>338,428,972</b>	<b>713,914,812</b>
<b>b)Key Management Compensation</b>		
Directors emoluments	8,666,885	13,200,237
Compensation to the CEO	6,887,200	5,420,000
Compensation to Key Management	12,178,552	8,467,638
<b>Total</b>	<b>27,732,637</b>	<b>27,087,875</b>

**31. Events after the reporting period**

There were no material adjusting and non-adjusting events after the reporting period.

**32. Ultimate and Holding Entity**

The entity is a State Corporation under the Ministry of Water and Sanitation Services. It's ultimate parent is the Government of Kenya.

**33. Currency**

The Financial Statements are presented in Kenya Shillings (Kshs.)



**APPENDIX I: 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/HUB/ W/TWSB/ 22G/18	<p><b>1. <u>Non- Current Assets</u></b>  <b>(i) <u>Inherited Assets</u></b>                      As previously reported, the Board inherited a number of non-current assets previously owned by the Ministry of Water and National Water Conservation and Pipeline Corporation, which have not been incorporated in the Board’s financial statements. These 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 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 Asset register maintained by the Board to indicate all the assets vested to it under the Board jurisdiction 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.</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 reason, the management of TWSB has not officially tabled the report to the Board of Directors for adoption so</p>	<p>Eng M. M. Naivasha - Chief Executive Officer</p>	<p>TWSB is awaiting for official communication from MWS on the implementation of the transfer plan.</p>	<p>Immediately once the communication from the parent Ministry on the implementation of transfer plan is received.</p>

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		<p>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. However, the MWS is mandated to gazette the revised transfer plan and guide the water institutions on the road map towards its implementation. TWSB is therefore awaiting for official communication from MWS 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 exclusion of some assets in the Boards financial statements.</p> <p>However, the Board has made effort by requesting the Ministry of Water and Irrigation to have the motor vehicles transferred to the Board</p>			
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<p><b>(ii) Property, Plant and Equipment – Asset Grants</b></p>	<p>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 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 statement and 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 cost.</p>	<p>These assets have not been included in the financial statements as their values are yet to be given by the Ministry. However, the Board has requested the ministry to provide the values to enable the management include the assets in the subsequent years</p>	<p>Eng M.M. Naivasha - Chief Executive Officer</p>	<p>TWSB is awaiting for official communication from MWS on the values of these Asset Grants.</p>	<p>Immediately once the communication from the parent Ministry on the values of these Asset Grants is received.</p>
<p>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 the assets. In addition, no documentary evidence in respect of transfer of the project assets from Tana Water Services Board to Tanathi Water Services Board was made available for audit</p>	<p>The projects under Taanathi were developed by TWSB. 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</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>		

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	<p>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.</p>	<p>exercise involves the Board of Directors and TWSB Board of Directors had deliberated on this matter.</p>			
	<p><b>2. <u>Water Projects Funded by African Development Bank – Penalty on Delayed Payments</u></b> (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 14.8.11 of the contract agreement. Although quantified and billed, the amount has not been avoided had the bills been settled within the stipulated time</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. 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>	<p>Eng M. M. Naivasha - Chief Executive Officer</p>	<p>Amount paid in full</p>	

.....  
  
**Chief Executive Officer**

**Eng. M. M. Naivasha**

Date..... 05-02-2019.....

.....  
**Board Member**

Date.....

**APPENDIX II : PROJECTS IMPLEMENTED BY TANA WATER SERVICES BOARD**

**Projects implemented by the Board funded by development partners**

	Project title	Project Number	Donor	Period/ duration	Donor/GoK commitment (Kshs)	Separate donor reporting (Yes/No)	Consolidated in the Financial Statement
	<b>Kenya Towns Sustainable Water Supply and Sanitation</b>						
1	Kerugoya Kutus water Supply Project	ID NO.P-KE-E00-011	ADB	36 Months	1,301,651,496	Yes	Yes
2	Kerugoya Kutus Sewerage Project	ID NO.P-KE-E00-011	ADB	36 Months	544,099,510	Yes	Yes
3	Chuka Water Supply Project	ID NO.P-KE-E00-011	ADB	36 Months	606,550,711	Yes	Yes
4	Chuka Sewerage Project	ID NO.P-KE-E00-011	ADB	36 Months	472,960,411	Yes	Yes
5	Chogoria Water Supply Project	ID NO.P-KE-E00-011	ADB	36 Months	645,288,468	Yes	Yes
6	Chogoria Sewerage Project	ID NO.P-KE-E00-011	ADB	36 Months	449,442,491	Yes	Yes
7	Meru sewerage Project	ID NO.P-KE-E00-011	ADB	36 Months	1,138,500,000	Yes	Yes
8	Mandera Water Supply Project	ID NO.P-KE-E00-011	ADB	36 Months	1,752,581,600	Yes	Yes
9	Mandera Sewerage Project	ID NO.P-KE-E00-011	ADB	36 Months	978,871,630	Yes	Yes
10	Marsabit Water Supply Project	ID NO.P-KE-E00-011	ADB	36 Months	740,006,322	Yes	Yes
11	Marsabit Sewerage Project	ID NO.P-KE-E00-011	ADB	36 Months	1,270,403,927	Yes	Yes
12	Murang'a Urban Water Supply	ID NO.P-KE-E00-012	ADB	12 Months	57,500,000	Yes	No
13	Murang'a South Water Supply	ID NO.P-KE-E00-013	ADB	12 Months	34,500,000	Yes	No
14	Othaya Water Supply	ID NO.P-KE-E00-014	ADB	12 Months	69,000,000	Yes	No
15	Isiolo Town Water Supply	ID NO.P-KE-E00-015	ADB	12 Months	115,000,000	Yes	No
16	Garisa Town Water Supply	ID NO.P-KE-E00-016	ADB	12 Months	230,000,000	Yes	No
17	Institution Support	ID NO.P-KE-E00-017	ADB	36 Months	410,300,000	Yes	No
18	Climate Change Adaptation	ID NO.P-KE-E00-018	ADB	36 Months	181,500,000	Yes	No
	<b>Total</b>				<b>10,998,156,567</b>		

## Status of Projects Completion

Project title	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of Fund
<b>A. Kenya Towns Sustainable Water Supply and Sanitation</b>						
1 Kerugoya Kutus water Supply Project	1,301,651,496	33,376,421	10%	34,968,153	33,376,421	ADB
2 Kerugoya Kutus Sewerage Project	544,099,510	13,951,579	10%	14,616,934	13,951,579	ADB
3 Chuka Water Supply Project	606,550,711	10,204,874	10%	10,691,548	10,204,874	ADB
4 Chuka Sewerage Project	472,960,411	7,957,292	10%	8,336,778	7,957,292	ADB
5 Chogoria Water Supply Project	645,288,468	10,856,615	10%	11,374,370	10,856,615	ADB
6 Chogoria Sewerage Project	449,442,491	7,561,617	10%	7,922,233	7,561,617	ADB
7 Meru sewerage Project	1,138,500,000	31,267,392	10%	32,758,543	31,267,392	ADB
8 Mandera Water Supply Project	1,752,581,600	21,576,301	10%	22,605,281	21,576,301	ADB
9 Mandera Sewerage Project	978,871,630	12,051,039	10%	12,625,757	12,051,039	ADB
10 Marsabit Water Supply Project	740,006,322	15,493,887	10%	16,232,795	15,493,887	ADB
11 Marsabit Sewerage Project	1,270,403,927	26,599,090	10%	27,867,608	26,599,090	ADB
12 Murang'a Urban Water Supply	57,500,000	-	0%	-	-	ADB
13 Murang'a South Water Supply	34,500,000	-	0%	-	-	ADB
14 Othaya Water Supply	69,000,000	-	0%	-	-	ADB
15 Isiolo Town Water Supply	115,000,000	-	0%	-	-	ADB
16 Garisa Town Water Supply	230,000,000	-	0%	-	-	ADB
17 Institution Support	410,300,000	-	0%	-	-	ADB
18 Climate Change Adaptation	181,500,000	-	0%	-	-	ADB
<b>Total</b>	<b>10,998,156,567</b>	<b>190,896,107</b>		<b>200,000,000</b>	<b>190,896,107</b>	

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**APPENDIX III : INTER – ENTITY TRANSFERS**

ENTITY NAME		TANA WATER SERVICES BOARD		
<b>Break down of Transfers from the State Department of Water</b>				
<b>FY 2017/18</b>				
<b>a.</b>	<b>Recurrent Grants</b>			
		<b>Bank Statement Date</b>	<b>Amount (Kshs.)</b>	<b>FY to which the amounts relate</b>
	(i)	09-08-17	1,020,000	FY 2017/18
	(ii)	07-09-17	1,020,000	FY 2017/18
	(iii)	11-10-17	1,020,000	FY 2017/18
	(iv)	06-11-17	1,020,000	FY 2017/18
	(v)	08-12-17	1,020,000	FY 2017/18
	(vi)	29-12-17	1,020,000	FY 2017/18
	(vii)	02-02-18	1,020,000	FY 2017/18
	(viii)	05-03-18	1,020,000	FY 2017/18
	(vix)	04-04-18	1,020,000	FY 2017/18
	(vx)	04-05-18	1,020,000	FY 2017/18
	(vxi)	22-06-18	1,020,000	FY 2017/18
	(vxii)	22-06-18	46,020,000	FY 2017/18
		<b>Total</b>	<b>57,240,000</b>	
<b>b.</b>	<b>Development Grants</b>			
		<b>Bank Statement Date</b>	<b>Amount (Kshs.)</b>	<b>FY to which the amounts relate</b>
	(i)	07-07-17	5,000,000	FY 2017/18
	(ii)	19-10-17	72,500,000	FY 2017/18
	(iii)	07-12-17	60,000,000	FY 2017/18
	(v)	04-04-18	72,500,000	FY 2017/18
		<b>Total</b>	<b>210,000,000</b>	
<b>c.</b>	<b>Drought Mitigation Grants</b>			
	(i)	05-02-18	11,000,000	FY 2017/18
	(ii)	09-04-18	40,000,000	FY 2017/18
		<b>Total</b>	<b>51,000,000</b>	FY 2017/18
<b>d.</b>	<b>NRW Intervention – Water Meters</b>			
	(i)	19-03-18	10,000,000	FY 2017/18
		<b>Total</b>	<b>10,000,00</b>	

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		<b>Bank Statement Date</b>	<b>Amount (Kshs.)</b>	<b>FY to which the amounts rel</b>
<b>e.</b>	<b>Direct Payments</b>			
	(i)		20,176,403	FY 2017/18
	(ii)		12,092,443	FY 2017/18
	(iii)		266,000	FY 2017/18
	(iv)		23,664,000	FY 2017/18
	(v)		10,422,464	FY 2017/18
	(vi)		28,059,625	FY 2017/18
	(vii)		14,033,352	FY 2017/18
	(viii)		13,450,936	FY 2017/18
	(vix)		23,664,000	FY 2017/18
	(vx)		20,844,928	FY 2017/18
	(vxi)		532,000	FY 2017/18
	(vxii)	N/A	23,689,954	FY 2017/18
		<b>Total</b>	<b>190,896,105</b>	

**Finance Manager**  
**Tana Water Services Board**



.....

**Head of Accounting Unit**  
**Ministry of Water & Irrigation**

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**TANA WATER SERVICES BOARD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
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**ANNEX I**

**(A) TRADE DEBTORS AS AT 30 JUNE 2018**

	<b>2017/18</b>	<b>2016/17</b>
<b>(I) WSP COMPANY</b>	<b>AMOUNT (KSHS.)</b>	<b>AMOUNT (KSHS.)</b>
Embe	3,272,885	5,522,885
Ewasco	73,169,455	74,369,455
Gatamathi	8,069,725	10,174,988
Gichugu	3,556,494	3,556,494
Imetha	8,262,466	9,162,466
Kahuti	9,490,233	10,940,233
Kathita Gatunga	934	39,934
Kathita Kiirua	-	510,980
Kirinyaga	18,243,785	21,443,785
Kyeni	-	395,685
Mawasco	34,366,395	35,483,583
Mewass	51,135,957	51,135,957
Murang'a	50,122,918	50,670,547
Murugi Mugumango	-	1,002,341
Muthambi 4K	256,000	339,974
Murang'a South	24,949,784	26,349,784
Ngagaka	-	471,149
Ngandori Nginda	14,791,753	15,391,753
Nithi	2,101,012	4,001,678
Nyewasco	52,929,735	52,929,735
Omwasco	25,799,277	25,799,277
Ruri Thau	454,839	454,839
Rukanga	-	13,439
Teawasco	6,319,433	9,219,432
Tuuru	6,255,379	6,405,379
Naromoru	1,507,564	1,642,564
<b>SUB TOTAL</b>	<b>395,056,023</b>	<b>417,428,336</b>
<b>LESS: 10% General Provision for Bad and Doubtful Debts</b>	<b>(39,505,602)</b>	<b>(41,742,834)</b>
<b>NET TRADE DEBTORS</b>	<b>355,550,421</b>	<b>375,685,501</b>

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**(B) EXHAUSTER & WATER BOWSER DEBTORS AS AT 30 JUNE 2018**

Nyeri Water Company	17,000	17,000
Nyeri County Government	56,000	56,000
Tharaka Nithi County	600,000	600,000
Othaya Mukurwe-ini Water Company	7,000	21,000
Murang'a Water Company	1,894,964	-
Village Nuts Limited	17,000	-
Mweiga Secondary School	24,000	-
<b>SUB TOTAL</b>	<b>2,615,964</b>	<b>694,000</b>

**ANNEX 11**

**STAFF OUTSTANDING IMPREST AS AT 30 JUNE 2018**

DETAILS	DATE OF ISSUE	AMOUNT (KSHS.)
<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>

**(B) EMPLOYEE COSTS (SALARY ADVANCE) AS AT 30 JUNE 2018**

Pauline Miriga	50,000
Vincent Kachi	80,000
Matthew Robert	50,000
Solomon Kanyata	3,830
Jose Muruthi	133,000
<b>SUB TOTAL</b>	<b>316,830</b>



ANNEX III

(A) LIST OF CREDITORS AS AT 30 JUNE 2018

Details	Amount Kshs
<b>A. RECURRENT</b>	
Kenya National Audit Office	1,160,000
Asset Owner	29,440
Wasreb	79,102
Rentokil Initials	62,060
Mukurweini Dairy	33,000
Sagana Holdings	80,000
Mamoh Graphics	17,345
Airtel Kenya	632
Telkom Kenya	7,208
Fargo Courier	4,232
<b>SUB-TOTAL</b>	<b>1,473,019</b>
<b>B. DEVELOPMENT</b>	
Ranju Ltd	1,348,231
Geocast Agencies	420,284
Instant Pump Ltd	701,600
Smart Engineering Limited	606,471
Libex Construction Company Limited	769,473
Saman Engineering Company Ltd	8,396,277
King'ong'o Junction Garage	94,162
Evaton Systems Ltd	214,920
Commissioner of Vat	25,339
Kenya National Audit Office	580,000
<b>SUB-TOTAL</b>	<b>13,156,757</b>
<b>TOTAL</b>	<b>14,629,776</b>



**ANNEX IV**

**ANALYSIS OF DEFICIT FY 2017/18**

	<b>Ksh.</b>
<b>(A) Expenses reflected in Statement of Comprehensive Income which have no corresponding cash inflow (Income):</b>	
(i) Depreciation	157,210,351
(ii) General Provision for Bad & Dooubtful Debts	(2,237,232)
(iii) Specific Provision for Bad & Dooubtful Debts	2,640,082
(iv) Audit fee provision	558,000
	<b>158,171,201</b>
<b>Add:</b>	
<b>(B) Expenses reflected in Statement of Comprehensive Income whose cash inflow is from GoK Development grant which is reflected as capital reserves:</b>	
(i) ADB GoK Counterpart Expenses - Kenya Towns Sustainable Water Supply & San Program	39,820,756
(ii) ADB GoK Small Towns Counterpart Expenses	2,574,973
(iii) ADB GoK Board Support Counterpart Expenses	439,862
(iv) Insurances	14,038,424
(v) Trade shows and Exhibitions	448,560
(vi) Consultancy	2,826,348
(vii) Workshops and Seminars	4,718,849
(viii) Bank charges - Devpt	218,777
(ix) Travelling & Accommodation	20,620,370
(x) Computer Stationeries & Accessories	2,631,240
(xi) Publishing, Printing & Stationery	3,595,968
(xii) Project Fuel & Lubricants	4,460,470
(xiii) Project Vehicle Maintenance	2,447,967
(xiv) Drought Mitigation	74,594,348
(xv) Telephone	1,666,312
(xvi) Salaries	1,258,805
(xvii) Office & House Keeping	1,478,786
(xviii) Electricity	725,969
(xix) Contracted Guards	1,019,767
(xx) Cleaning Services	262,300
(xxi) Internet & Networking	278,400
(xxii) Staff Welfare	1,676,410
(xxiii) Advertising & Publicity	1,319,250
(xxiv) Staff Training	486,400
(xxv) Computer Repairs & Maintenance	5,130,082
(xxvi) Property Repairs & Maintenance	1,170,670
(xxvii) ISO 9001:2015 QMS	4,244,330
(xxviii) Catering services	2,528,010
(xxix) Engineering & Design	1,832,800.00
	<b>198,515,203</b>
<b>Total - Reported Deficit in the Statement Comprehensive Income</b>	<b>356,686,404</b>

