

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
RIFT VALLEY WATER SERVICES BOARD**

**FOR THE YEAR ENDED
30 JUNE 2013**



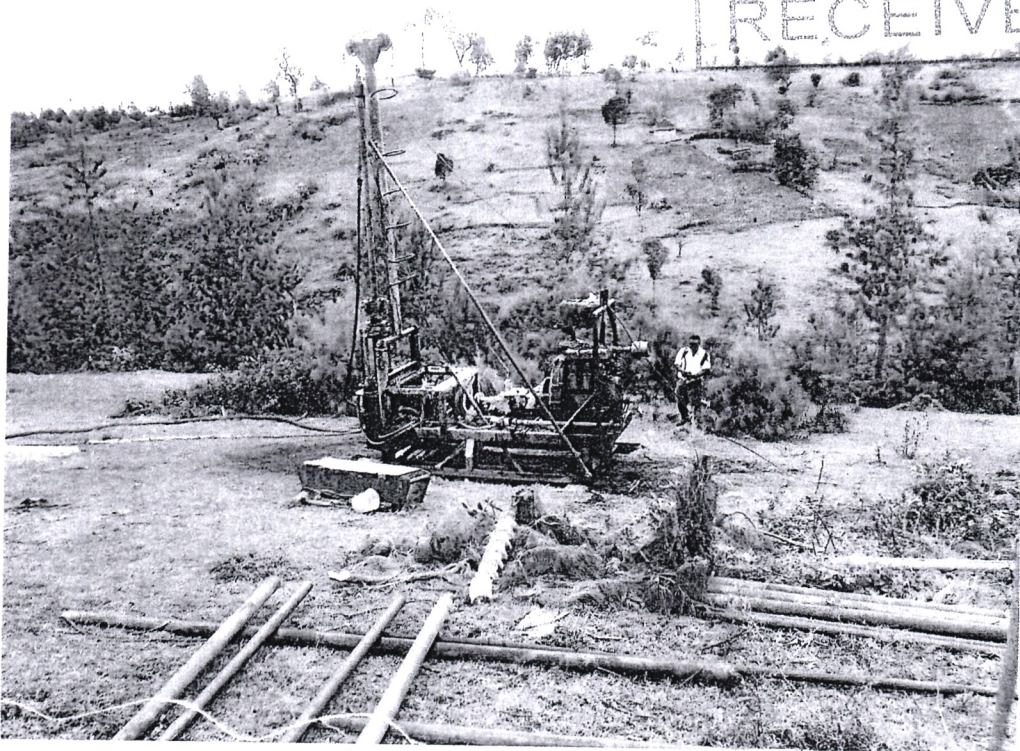
RIFT VALLEY WATER SERVICES BOARD

ISO 9001:2008 CERTIFIED

KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100, NAIROBI

16 APR 2014

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ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

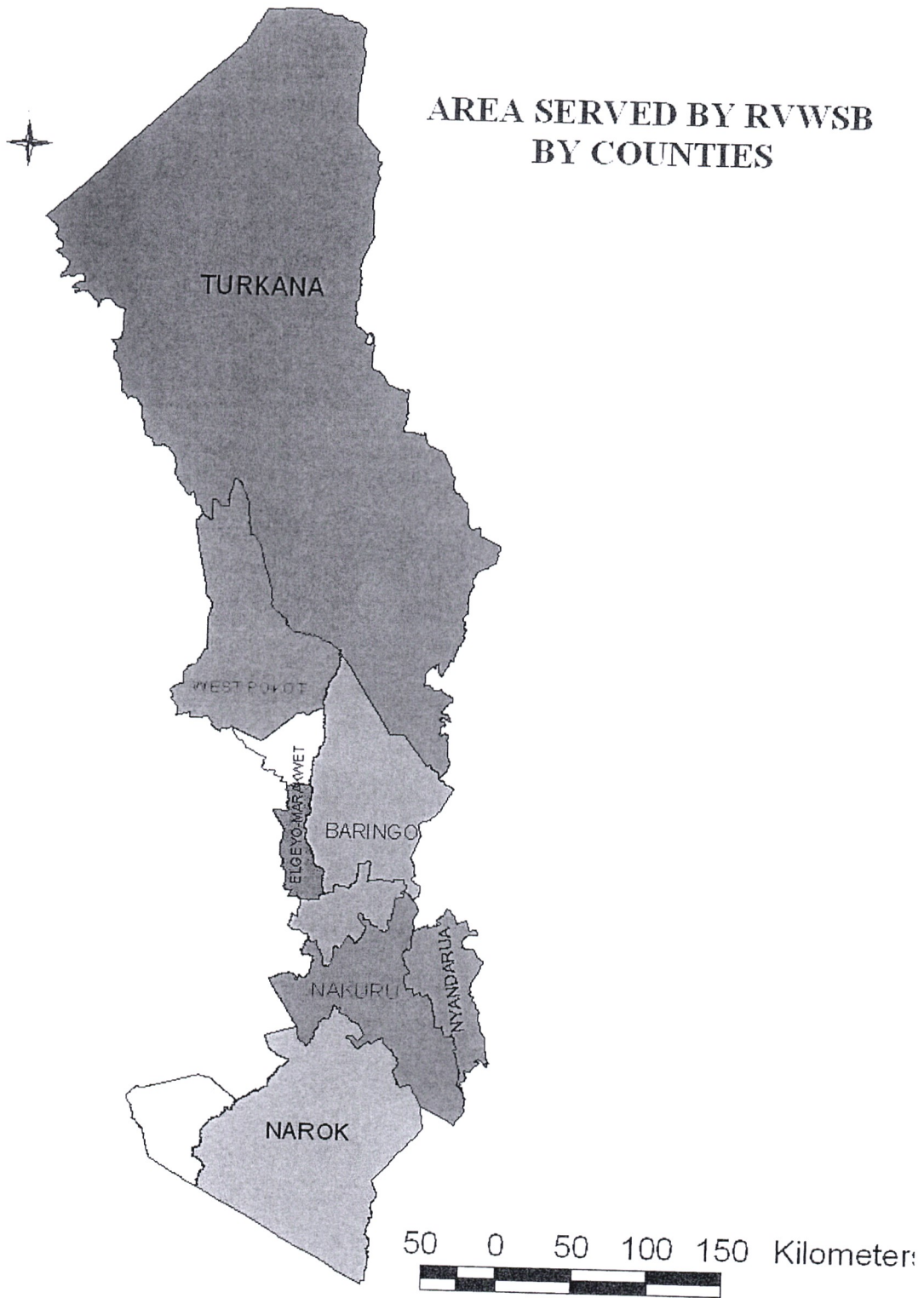
30TH JUNE 2013



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AREA SERVED BY RVWSB BY COUNTIES



ABBREVIATION

AfDB	African Development Bank
CBOs	Community Based Organizations
DWO	District Water Officer
ERAWASCO	Eldama Ravine Water & Sanitation Company
GDC	Geothermal Development Corporation
GOK	Government of Kenya
ITWASCO	Iten Tambach Water & Sanitation Company
KIDDP	Kenya Italy Debt for Development Program
KKV	Kazi Kwa Vijana
KWSP	Kenya Water & Sanitation Programme
KYEP	Kenya Youth Empowerment Programme
LOWASCO	Lodwar Water And Sanitation Company
MDGs	Millennium Development Goals
MEW&NR	Ministry of Environment, Water & Natural Resources
NAIVAWASS	Naivasha Water And Sanitation Services Company
NARUWASCO	Nakuru Rural Water And Sanitation Company
NARWASCO	Narok Water And Sanitation Company
NAWASSCO	Nakuru Water & Sanitation Services Company
NWCPC	National Water Conservation & Pipeline Corporation
OLWASCO	Olkalou Water & Sanitation Company
RVWSB	Rift Valley Water Services Board
UPC	Urban Project Concept
WRMA	Water Resources Management Authority
WSPs	Water Service Providers
WSTF	Water Services Trust Fund

BOARD OF DIRECTORS



Mr. Bartonjo Chesaina
Chairman



Mr. Samuel Kaleng
Director



Ms. Christine Ndoigo
Director



Mr. Julius Lamaan
Director

Mr Nemwel Machuki
Director



Mr. Barrack O. Amollo
Alt PS National Treasury

Eng. F K Kyengo
Alt PS Ministry of
Environment, Water &
Natural Resources

Ms Rosemary Wamoto
Alt PS Devolution

Mr Peter Waweru
Rep. Inspectorate of State
Corporations

SENIOR MANAGEMENT STAFF



Eng. Japheth Mutai
Chief Executive Officer



Mr. Paul K. Gicheru
Water Services Provision
Manager



CPA Grace Bowen
Finance Officer

Mr. Lewis Tikani
Legal Officer



Ms Leah Tanui
Human Resources &
Administration Manager



CPA Reuben Korir
Head of Internal Audit

CORPORATE INFORMATION

The Rift Valley Water Services Board is a body corporate established under the provisions of the Water Act 2002 to be responsible for the efficient and economical provision of water & sanitation services within its area of jurisdiction. The Board is domiciled in Kenya and was appointed through Kenya gazette notice no. 1715 of March 2004. Its service area covers 7 counties namely, Turkana, West Pokot, Baringo, Nakuru, Narok, Elgeyo-Marakwet, and Nyandarua.

The Board is required under section 82 (1) of the Water Act, 2002 to keep proper books of accounts of its income, expenditure, assets and liabilities. Further, section 82 (2) of the Water Act requires that accounts of the Board shall be audited and reported in accordance with the Public Audit Act. This report is therefore made pursuant to section 82 of the Water Act 2002. The report covers the financial year ended 30th June 2013.

Registered Office and Principal Place of Business

Maji Plaza

Prisons Road, Off Nakuru-Eldama Ravine Highway

P O Box 2451-20100,

Nakuru

Bankers

Kenya Commercial Bank

Kenyatta Avenue Branch,

P O Box 18-20100

Nakuru

Independent auditors

The Auditor General

Anniversary towers

P O Box 30084

Nairobi

CHAIRMAN'S STATEMENT

It is my pleasure to present the annual report and Financial Statements of Rift Valley Water Services Board for the year ended 30th June 2013.

The organization has continued to play its part in implementation of the water sector reforms aimed at improving management and provision of water & sanitation services, achievement of the Millennium Development Goals (MDG) and Vision 2030. In order to achieve the MDG the Board estimates that it would require an annual investment of KShs.2 billion. This would require sustained efforts in resource mobilization.

The Constitution of Kenya 2010 recognizes access to safe clean water and reasonable sanitation as a basic human right to all citizens. The Board is aware that this presents a challenge to all sector players to effectively respond to their responsibilities. In this regard, the Board has been intensifying its effort to ensure the Board's Strategic Plans are linked to Medium Term Plan and Vision 2030, Sector Performance Standards and other National Policy Documents.

The 4th Schedule of the Constitution of Kenya 2010 places the provision of water and sanitation services as a devolved function of the County Government. The ownership of the existing public water companies established by the defunct Local authorities will now be owned by the County Governments. The Board contributed towards the preparation of the draft Water Bill 2013 which will align the provision of Water and sanitation Services to the Constitution.

In order to facilitate a smooth transition to the new dispensation, the Board has held briefing sessions with the County Governments on the status of water and sanitation services in the counties. The Board has also participated in the development of their strategic plans.

In order to increase access to water and sanitation services, the Board, in collaboration with GoK, development partners and other stakeholders implemented various projects across all counties within its jurisdiction.

The Board also sponsored several Corporate Social Responsibility (CSR) activities among them, the Mau Peace Marathon, KASS marathon, GDC marathon and donation of food supplies to a children's Home and a School of the physically challenged and tree planting among others.

The Board concluded its ninth performance contract with the Government which enabled the Board to concentrate its efforts in fulfilling its mandate as provided for in the Water Act 2002.

STATEMENT OF CORPORATE GOVERNANCE

Board of Directors

The Board of Directors of the Rift Valley Water Services Board have the responsibility of enhancing corporate governance practices to bring the level of governance in line with International Standards. The essence of good corporate governance practice is to promote and protect stakeholders' interests. These includes the Government, Water Services Boards, The Regulatory Board, other Statutory Institutions, Water Services Providers, development Partners, Communities and water consumers.

The Board of Directors exercise leadership, enterprise, integrity and judgment in directing the Board and acts in its best interest in a transparent, accountable and responsible way. The Board consists of eleven Directors sourced from the following broad categories: Three directors from various Government Ministries, eight are from the private sector representing a wide cross section of stakeholders within the Board area with a mix of skills, age, qualifications, gender and experience, However, three resigned by 3rd of September, 2012. A representative from Inspectorate of State Corporations also attends the meetings for advisory purposes.

Board Committees

To ensure the efficient running of the Board's operations, the Board has established three standing committees which meet and make recommendations to the Board on issues delegated to them. Each Committee has a Charter to guide its operations. During the year under review the Board had the following committees in place;

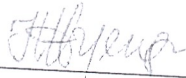
1. Finance and General Purposes Committee
2. Technical and Standards Committee
3. Audit and Risk Management Committee
4. Human Resources and Establishment Committee

Board Meetings

In order to ensure that the Board's expenditure on Board meetings is within the approved budget for 2012/2013, a calendar of the Board meetings was adhered to.

Directors Remuneration

The Directors of the Board are paid sitting allowance for every meeting attended as well as accommodation allowance while on Board duty as per Government guidelines. The Chairman is paid a monthly honorarium.



Eng. Fidelis K Kyengo

For Chairman

Date: 24/12/2013

CHIEF EXECUTIVE OFFICER'S REPORT

Overview

The core functions of the Board are derived from its mandate as provided for in the Water Act 2002 and they are:

1. Planning and development of facilities for improvement in provision of water supply and sanitation services.
2. Appointing, contracting and monitoring Water Services Providers.
3. Asset holder of Central Government facilities

In order to perform its Mandate, the Board developed its ten year strategic plan in 2005 to cover the period 2006 to 2015, with a target of attaining the Millennium Development Goals for the water and sanitation sub-sector. The strategic plan which was reviewed in 2009 to incorporate the Vision 2030 has seven Strategic Objectives as follows, i.e.

1. To increase access and coverage to safe water and sanitation services in urban and rural areas.
2. To ensure efficient utility management and economical utilization of available water.
3. To enhance the Board's financial resource base to ensure operational sustainability.
4. To strengthen the institutional capacity of the Board to meet its mandate.
5. To minimize conflicts and disputes among water users.
6. To mainstream cross-cutting issues.
7. To improve Service Delivery in order to enhance customer satisfaction

This annual report is based on the above Strategic Objectives and illustrates the achievements of the Board during the financial year 2012/2013.

The year ended 30th June 2013 was the ninth year of the Board's existence since its establishment on 12th March 2004.

Our contribution to national growth remains indisputable. The Board is in no doubt well equipped to make the most of any opportunity arising on funding of projects by Government and other agencies.

The investments made resulted in an increase in coverage in urban areas from 72% to 75% and rural from 48% to 52%.

Financial Statements

During the year under review, we recorded a total income of Kshs.329.3 million compared to Kshs.418.7 million for the previous financial year.

The total Asset base stands at Kshs2,691.7 million compared to Kshs2,634.8 million for the previous financial year.

During the year under review, the Board's Current Assets grew by 1.6% from ksh 372 million in 2012 to ksh 378 million in 2013

ISO 9001:2008 Certification

During the year under review, the Kenya Bureau of Standards (KEBS) carried out two certification surveillance audit and confirmed the Board's continued certification. The implementation of Quality Management Systems in activities of the Board has ensured improved delivery of service levels to our customers and stakeholders. The three year expires in August, 2014

Staffing and Employee Development

The Board has well qualified and trained professionals. During the year under review, various trainings were facilitated among them, senior management course, Supervisory skills development course, training of trainers course for NRW management, First Aiders Training auto-card, civil 3D, ISO 9001: 2008 Internal Auditors and staff were facilitated to attend professional seminars and workshops to enhance their performance.

The Board also conducted Employee Satisfaction, Work environment surveys, Fire Drill, Fire Audit and Health and Safety Audit.

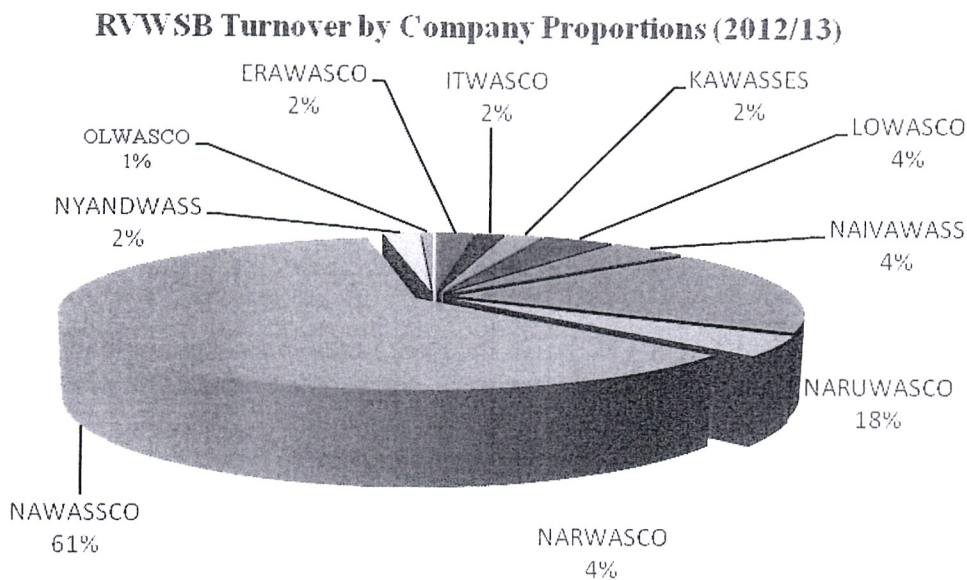
The Board also gave an opportunity to trainees from various training institutions to develop practical skills in their areas of studies.

Water Service Providers

During the year under review, the Board supported four WSPs namely, Iten, Nyandarua, Olkalou and Narok to acquire new regular tariff approvals from WASREB. Six other companies are at various stages of the tariff proposal process and expect to complete within the next year.

The annual total water production for the year 2012/2013 was **25, 766,500 m³**. This compares to the production for the year 2011/2012 of **24,604,830 m³**. There was an increase in the amount of water produced of 4.7%.

As per the requirements of the License, the Board carried out technical performance and financial audits on the contracted WSPs. The turnover was Kshs.900 million compared to Kshs.851 million earned the previous year. This can be attributed to increased efficiencies and investments made under different projects funded by Government and other agencies.



The Board has ensured continual improvement in the management of water services to increase efficiency and sustainability of service delivery.

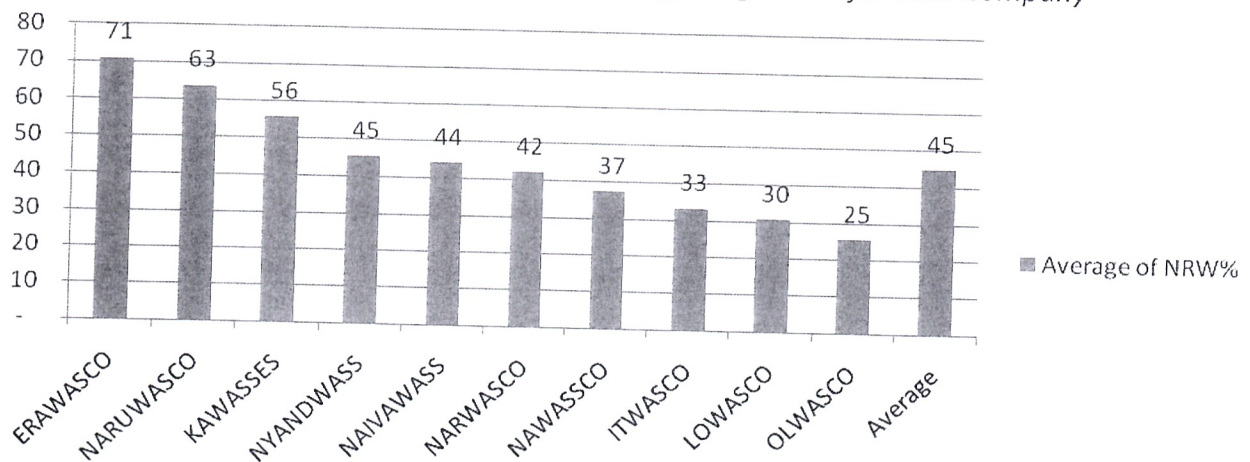
Projects:

During the financial year under review, the Board made investments which include;

1. Non Revenue Water (NRW) Reduction Programme

The weighted average NRW for the year was 45% down from 50.2% previous year. This level is not sustainable. Chart 1 below shows the NRW levels in each of the WSPs ranging from 71% at Erawasco to 25% at Olwasco

Chart 1: - Cumulative Weighted Average %age NRW for each Company



In order to address the NRW challenges, the Board put more emphasis on Non-Revenue Water (NRW) reduction by implementing specific measures which include increasing metering ratio.

The Board also designed an NRW Reduction Programme, which is geared towards consistently reducing Non Revenue Water in all SPA 1 WSPs in the Board area in a sustainable manner.

2. Kenya Italy Debt for Development Programme (KIDDP)

a) Kipipiri–Malewa Water Project

The project cost Kshs.68 million and involves rehabilitation of intake and laying of 60 km distribution pipelines and construction of storage tank. The project is ongoing and is expected to be completed by December 2013.

b) Kiplombe Kaplesir Water Project

The project cost is Ksh 64.0 million. The components included the construction of an intake, reticulation system and three masonry storage tanks. This is a gravity system measuring 14.7 km pipeline. It is serving 9,500 people in Rongai and Koibatek Districts. Project is complete and operational.

c) Kapindaram Water Project

The project cost is KShs. 35 million whose implementation works is ongoing and is expected to be complete by December 2013. The population to be served is 12,000 people.

3. Rural Projects Funded Under the GoK UNICEF WASH Programme:

The project received Ksh5.3 million for borehole drilling and equipping. The boreholes drilled were equipped with a diesel pump and solar pump. These were in the Turkana and Pokot Counties

4. ACP-EU project for Nakuru Town

The Project is funded by the African, Caribbean and Pacific – European Union Water Facility through the Government of the Netherlands. The funding is 73% grant from the ACP-EU Water facility while the remainder is co-financed by the beneficiary organizations i.e. RVWSB and NAWASSCO. The main objective is to increase access to water and sanitation services by the urban poor in Nakuru town and to scale up best practices to 9 WSPs in the RVWSB areas. The total project cost is Kshs.134 million.

5. Drought Mitigation Support:

The board continued to implement drought mitigation projects that were funded the previous year and whose works commenced and were completed during the year.

6. Support to internally Displaced Persons

The Board was allocated ksh 55 million for Drilling and Equipping of boreholes for IDPs at Majani Mingi and 5 in Turkana County. Baraka and San Marco in Nakuru County which were funded the previous year were completed during the year.

7. Kenya Youth Empowerment Programme (KYEP)

The implementation of the KYEP projects was completed. These were being funded by the World Bank to tackle the twin problems of hunger and un-employment. The projects were completed.

8. Urban Project Concept (UPC)

The UPC is funded by KfW, European Union and GIZ through WSTF. The specific objectives of the program include improvement and development of water supply infrastructure in the informal urban settlements. During the year, 4th call and 5th call projects were completed have brought 73,000 new people.

9. Projects implemented through DWOs AIEs

The Ministry of Environment, Water & Natural Resources (MEW&NR) allocated Ksh101 million for rehabilitation of rural water supplies, Ksh 43 million for urban water supplies and Ksh 8.5 million for Rehabilitation of sewerage systems.

10. Ground Water Exploration

The Board signed an agreement with NWCPC to drill and equip 16 boreholes. Out of these 2 boreholes had been drilled by the end of the year and were completed. In addition 7 other boreholes were sited and surveys completed a further 8 were sited

11. Projects nearing completion phase

The Ol-Kalou Town Council Water Supply Project was nearing completion. Components of the project included, intake works, transmission pipeline, water reticulation system and storage tanks and are now substantially complete and partly in use.

12. Projects under design phase

The designs for four large water schemes were completed. Those are;

a) Itare Dam Water Supply Project

This Dam project will have a capacity to yield 100,000m³/day of water. The dam site is in the Mau Forest in Nakuru County. The other project components include; bulk transfer 14.5 km tunnel, 92 km of 1.2m diameter bulk transfer pipeline and 100,000m³/day treatment works. Preliminary designs and tender documents are complete.

b) Narok Town Water Expansion Supply Project

This project is funded by JICA and will cover an area of 215km² of Narok Town and its environs with a planning target year of 2020. A funding agreement has been signed between the governments of Kenya and Japan. Preliminary designs have been done and approved by the Japanese Government.

c) Kirandich Dam Water Supply Project

This project is being implemented with a Loan amounting to 18 million Euros from the Government of Italy. The project components include; expansion of water supply, construction of a sewerage system and generation of hydro-electric power to reduce electricity expenses in the running of the system and rehabilitation of the Kirandich dam.

Feasibility studies and designs have been done and forwarded to the Government of Italy for procurement of a contractor.

d) Sabor-Iten Tambach Water Supply Project

A funding agreement has been signed between the Belgium and Kenyan Governments for implementation of the project. This will be a gravity system whose components will include construction of a treatment plant, main gravity line of 600mm diameter, main distribution systems, storage tanks, sewerage systems and sewerage treatment plants for Iten and Tambach Towns.

e) Chemususu Dam Water Supply Project

The construction of Chemususu dam, one of the 22 medium size dams under Vision 2030, is now complete. During the year the RVWSB commenced feasibility studies and preparation of designs for the distribution network covering Koibatek, Mogotio and parts of Rongai districts. The project will serve more than 300,000 people. Preliminary designs were completed during the year.



Eng. Japheth Mutai

Chief Executive Officer

Date 24/12/13

STATEMENT OF DIRECTORS' RESPONSIBILITIES

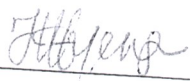
The Water Act 2002 requires the Directors to cause to be prepared Financial Statements for each financial year which present a true and fair view of the financial affairs of the Board at end of the financial year and the operating results for the year.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Board in addition to ensuring that the assets of the Board are safeguarded.

The Directors accept responsibility for the Financial Statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with the International Financial Reporting Standards and with the requirements of the Public Audit Act. The Directors are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Board and of its operating results as at 30th June 2013. The Directors further accept responsibility for the maintenance of the accounting record which may be relied up on in the preparation of Financial Statements as well as adequate systems of the 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 twelve months from the date of this statement.

This statement is approved by the Board of Directors of the Rift Valley Water Services Board and it is signed on their behalf by:



Eng. Fidelis K. Kyengo

For Chairman

Date 24/12/2013



Eng. Japheth Mutai

Chief Executive Officer

Date 24/12/13

REPUBLIC OF KENYA

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E-Mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON RIFT VALLEY WATER SERVICES BOARD FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Rift Valley Water Services Board set out on pages 16 to 25, which comprise the statement of financial position as at June 30, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Responsibility of Management for the Financial Statements

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

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

Responsibility of the Auditor-General

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Basis for Qualified Opinion

1. Non-Current Assets

As previously reported, the Board inherited non-current assets of undetermined value previously owned by the Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation in respect of water distribution infrastructure which have not been included in these financial statements due to what the Board attributes to absence of a formal transfer of the assets.

In addition, the non-current assets balance of Kshs.2,142,525,895 as at 30 June 2013 includes the value of land measuring approximately 0.1012 hectares costing Kshs.500,000 which the Board purchased at Naivasha Municipality whose ownership documents were not availed for audit verification. Further, the Board did not produce for audit, a fixed assets register in which details of its assets are recorded.

Consequently, the accuracy of the non-current assets balance of Kshs.2,142,525,895 as at 30 June 2013 could not be confirmed.

2. Repairs, Maintenance and support to Water Supplies Schemes

Included under repairs, maintenance and support to Water schemes expenditure of Kshs.224,333,482 for the year ended 30 June 2013 is cost of water pipes for the Kaberenge, Buiwon and Endao Kampi Samaki Water Projects purchased at a total cost of Kshs.17,066,500. However, a market survey carried out at hardware shops in Nakuru Town on 23 October 2013 revealed that the items were grossly overpriced contrary to section 30(3) of the of the Public Procurement and Disposal Act 2005 which requires that standard goods, services and works with known market prices shall be procured at the prevailing market price as follows:-

Kaberenge and Buiwon Water Project								
PV No.	Item	Unit Price	Qty	Total (Kshs)	Average Price Mkt Price	Diff	% Diff	Amount (Kshs.)
3135	2" c/B G.I Pipes	7,250	310	2,247,500	4,220	3,030	72%	939,300
3103	3" dia dia c/B G.I Pipes	15,000	20	300,000	7,300	7,700	105%	154,000
3103	2" dia dia c/B G.I Pipes	7,800	70	546,000	4,220	3,580	85%	250,600
3103	1 1/2" dia c/B G.I Pipes	6,000	100	600,000	2,915	3,085	106%	308,500
3103	2" dia PVC Pipes c/c	1,200	850	1,020,000	705	495	70%	420,750
	Sub-Total			4,713,500				2,073,150
Endao Kampi Samaki Water Project								
3669	75mm dia c/B G.I Pipes	14,820	650	9,633,000	7,150	7,670	107%	4,985,500
4089	50mm dia c/B G.I Pipes	6,800	400	2,720,000	4,100	2,700	66%	1,080,000
	Sub-Total			12,353,000				6,065,500
	Grand Total			17,066,500				8,138,650

Consequently, the propriety of the expenditure of Kshs.224,333,482 could not be confirmed.

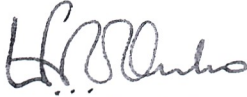
3. Accounts Receivables

The accounts receivables balance of Kshs.238,661,459 as at 30 June 2013 includes outstanding imprests of Kshs.13,533,030 some of which have remained outstanding since 2010. Further, some of the imprest holders were issued with more than one imprest at the same time contrary to Section 5.6.5 of Government Financial Procedures and Regulations. Under the circumstances, the accuracy and full recoverability of the accounts receivable balance of Kshs.238,661,459 as at 30 June 2013 could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, the financial position of the Board as at 30 June 2013, and of its financial performance and its cash flows for the

year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2002.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

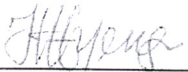
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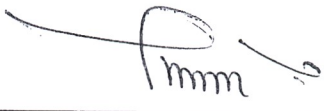
7 April 2014

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

	NOTES	2012/2013 KSHS	2011/2012 KSHS
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	1 & 2	2,142,525,895	2,142,214,559
Work In Progress	12	171,562,395	120,615,900
Total Non-Current Assets		<u>2,314,088,290</u>	<u>2,262,830,459</u>
Current assets			
Accounts Receivables	4	238,661,459	201,606,011
Deposits	5	95,000	95,000
Bank	6	138,862,865	170,257,039
Total Current assets		<u>377,619,324</u>	<u>371,958,050</u>
TOTAL ASSETS		<u><u>2,691,707,614</u></u>	<u><u>2,634,788,509</u></u>
EQUITY AND LIABILITIES			
Capital			
-General Fund	9	1,000,585,204	875,585,204
-Reserves		244,039,844	263,829,663
Loans ADf	14	<u>1,362,012,296</u>	<u>1,362,012,296</u>
		<u>2,606,637,344</u>	<u>2,501,427,163</u>
Accounts Payables			
Accounts Payables	7	85,070,270	133,361,346
Total Accounts Payables		<u>85,070,270</u>	<u>133,361,346</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,691,707,614</u></u>	<u><u>2,634,788,509</u></u>

The Financial Statements on pages 16-25 were approved for issue by the Board of Directors on 25th of September, 2013

Signed: 

Signed: 

Eng. Fidelis K Kyengo

Eng. Japheth Mutai

Chairman

Chief Executive Officer

Date: 24/12/2013

Date: 24/12/13

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2013**

		2012/2013	2011/2012
		KSHS	KSHS.
INCOME	10	329,256,864	418,679,015
EXPENDITURE			
Administrative Expenses	11	90,374,229	95,836,354
Audit fees		900,000	900,000
Bank Charges		331,668	386,487
Training Expenses (Conferences and Seminars)		6,816,955	6,366,777
Transport Operating Expenses		4,323,960	4,717,095
Honoraria		960,000	760,000
Repairs, Maintainance and Support to W/S schemes	13	224,333,482	162,499,443
Board Expenses		9,244,854	11,190,039
Contracted professional services		2,616,300	9,812,432
contracted guards & cleaning services		1,926,467	3,089,560
Depreciation		1,158,724	884,047
Support to CBOs-international org		5,734,145	57,410,936
Corporate Social Responsibility (CSR)		325,900	811,000
Foreign Exchange Loss			416,853
TOTAL EXPENDITURE		349,046,683	355,081,023
SUPLUS/(DEFICIT)		(19,789,819)	63,597,992

**STATEMENT OF CHANGES IN OWNERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2013**

	General Fund	Revenue Reserves	Totals
	Kshs	Kshs	Kshs
Year ended 30 June 2013			
Balances at start of year	875,585,204	263,829,663	1,139,414,867
Funds received during the year	125,000,000	-	125,000,000
Surplus for the year	-	19,789,819	(19,789,819)
Balances at end of year	1,000,585,204	244,039,844	1,244,625,048

**STATEMENT OF CHANGES IN OWNERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2012**

	General Fund	Revenue Reserves	Totals
	Kshs	Kshs	Kshs
Year ended 30 June 2012			
Balances at start of year	853,650,853	200,231,671	1,053,882,524
Funds received during the year	21,934,351	-	21,934,351
Surplus for the year	-	63,597,992	63,597,992
Balances at end of year	875,585,204	263,829,663	1,139,414,867

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2013

	2012/2013	2011/2012
	KSHS.	KSHS.
A. OPERATING ACTIVITIES		
Cash generated from operations		
Depreciation Adjustment	(19,789,819)	63,597,992
Decrease(Increase) in Accounts Receivables	1,158,724	884,047
Increase in Deposits (Water and Electricity)	(37,055,448)	(62,940,789)
Increase(Decrease) in Accounts Payables	-	32,000
CASH FLOW FROM OPERATING ACTIVITIES	<u>(103,977,619)</u>	<u>12,010,050</u>
B. INVESTING ACTIVITIES		
Non-Current Assets acquired	(52,416,553)	(127,848,027)
CASH FLOW FROM INVESTING ACTIVITIES	<u>(52,416,553)</u>	<u>(127,848,027)</u>
C. FINANCING ACTIVITIES		
Loans	-	19,314,001
Grants	125,000,000	21,934,351
CASH FLOW FROM FINANCING ACTIVITIES	<u>125,000,000</u>	<u>41,248,352</u>
D. TOTAL CASH FLOW (A +C)	<u>21,022,381</u>	<u>53,258,402</u>
NET CASH FLOW (D+B)	<u>(31,394,174)</u>	<u>(74,589,625)</u>
MOVEMENT IN CASH AND CASH EQUIVALENTS		
As at 30 June 2012	170,257,039	244,846,664
Increase/(Decrease) for the year	(31,394,174)	(74,589,625)
As at 30 June 2013	<u><u>138,862,865</u></u>	<u><u>170,257,039</u></u>

NOTES TO THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The Financial Statements are prepared in compliance with the International Financial Reporting Standards (IFRSs). The measurement basis applied is the historical cost. The Financial Statements are presented in Kenya shillings (Kshs). The preparation of Financial Statements are in conformity with IFRSs that require the use of estimates and assumptions. They also require management to exercise its judgement in the process of applying the Board's accounting policies.

b) Revenue Recognition

The Board adopts the accrual basis of accounting for revenue and expenses.

Revenue from supply of water from schemes formerly run by NWCPC represents amounts actually billed to customers for water consumed upto the month of June 2012.

Grants are recognized when received.

Agency fees are revenue earned from water sales collected by the contracted Water Service Providers (WSPs) at negotiated percentages. Revenue of other goods and services are recognised in the period in which the board delivers the goods or the services to the customer and the customer has accepted them.

c) Non-Current Assets

Motor vehicles, Furniture, fittings, plant, machinery, computers and equipments are stated at historical cost less depreciation. Repairs and maintenance expenses are charged to the income and expenditure during the financial year in which they are incurred. Land has been taken at cost though on leasehold status to be converted to the freehold. Depreciation is calculated using the straight line method to write down the cost of the assets to their residual value over the estimated useful lives, as follows;

Asset Description	% Per annum	Years
Motor Vehicles	25	4
Furniture and fittings	12.5	8
Plant and Machinery	12.5	8
Computers and office equipm	33.3	3
Water pipelines	5	20
Sewerage line	5	20
Buildings	2	50
Water Reservoirs & Storage	2	50
Electro-mechanical, Tools & I	6.67	15
Boreholes	2	50
Intangible Assets	33.3	3

The assets are not depreciated in the year of aquisition.

(d) WSPs and CBOs Assets

Assets acquired on behalf of WSPs and CBOs shall not be depreciated.

The GAAPs principle on "matching expense to income" was not met

2. Non-current Assets Movement Schedule

Asset Class	Cost (Kshs)	Additions (Kshs)	Totals (Kshs)	Accumulated Depreciation B/F (Kshs)	Depreciation 2012/2013 (Kshs)	Accumulated Depreciation C/F (Kshs)	Net book Value as at 30/6/2013 (Kshs)	Net book Value as at 30/6/2012(Kshs)
Furniture & Fittings 12.5%	3,135,182	-	3,135,182	1,862,572	391,898	2,254,470	880,712	1,272,610
Motor vehicles 25%	2,087,720	-	2,087,720	2,087,720	-	2,087,720	-	-
Plant & Machinery 12.5%	2,328,737	-	2,328,737	1,841,319	291,092	2,132,411	196,326	487,418
Land 0%	7,775,000	626,550	8,401,550	-	-	-	8,401,550	7,775,000
Computers, UPS & Printers, office Equip 33.3%	3,447,219	843,508	4,290,727	2,018,589	475,734	2,494,323	1,796,404	1,428,629
Assets Acquired under ADB project								
Water Pipelines 5%	658,501,343	-	658,501,343	-	-	-	658,501,343	658,501,343
Sewerage Lines 5%	131,276,646	-	131,276,646	-	-	-	131,276,646	131,276,646
Buildings 2%	162,773,515	-	162,773,515	-	-	-	162,773,515	162,773,515
Storage Tanks & Reservoirs 2%	74,233,062	-	74,233,062	-	-	-	74,233,062	74,233,062
Electro-Mechanical Tools & Equipment 6.67%	184,300,452	-	184,300,452	-	-	-	184,300,452	184,300,452
Fixtures & Fittings 12.5%	1,910,115	-	1,910,115	-	-	-	1,910,115	1,910,115
Computers, UPS & Printers 33.3%	15,834,053	-	15,834,053	-	-	-	15,834,053	15,834,053
Meters 20%	103,239,739	-	103,239,739	-	-	-	103,239,739	103,239,739
Boreholes 2%	167,126,009	-	167,126,009	-	-	-	167,126,009	167,126,009
Motor vehicles 25%	22,235,391	-	22,235,391	-	-	-	22,235,391	22,235,391
Intangible Assets* 33.33%	609,820,577	-	609,820,577	-	-	-	609,820,577	609,820,578
	2,150,024,760	1,470,058	2,151,494,818	7,810,200	1,158,724	8,968,924	2,142,525,895	2,142,214,559

*Intangible assets: this is made up of consultancies under the project

*Assets acquired under AfDB project have not been depreciated since the GAAPs principle on "matching expense to income" was not met

3. Inventories

The Board did not have any stocks as at end of the financial year.
Inventories are stated at the lower of cost and net realisable value.

4. Accounts Receivables

Receivables are recognised at fair value. No provision is made for impairment of receivables as there is no objective evidence that the Board will not be able to collect the amounts due to it according to the terms of original receivable

	2012/2013 Kshs	2011/2012 Kshs
WSPs	197,946,359	158,056,571
General Consumers(Baringo Schemes)	21,619,779	19,364,919
Staff	13,785,574	17,213,822
KPLC (Pre-paid)	26,421	36,708
Trillion investment Co. Ltd	3,466,996	6,933,991
Foundation Piling Ltd	1,816,331	-
	238,661,459	201,606,011

5. Deposits

	2012/2013 Kshs	2011/2012 Kshs
Rent (Mugi Properties)	60,000	60,000
Electricity (KPLC)	30,000	30,000
Water (NAWASSCO)	5,000	5,000
	95,000	95,000

6. Cash and Cash Equivalents

	2012/2013 Kshs	2011/2012 Kshs
Oikalou Project Account	-	1,895,484
KCB General Account	-	-
KCB Grant Account	-	531,329
KCB EU-ACP Account	816,397	-
Standard Bank -London	950	984
KCB Development funds - GOK	98,802,649	114,586,180
KCB Revenue Account	412,622	1,041,518
KCB Kenya/Italy Account	25,612,690	37,482,571
Cash in Hand	5,550	115
KCB Consumer Deposit Account	2,458,587	2,153,564
KCB Unicef Account	10,753,420	12,565,293
	138,862,865	170,257,039

7. Accounts Payables	2012/2013 kshs	2011/2012 kshs
Administration-		
Statutory deductions and other deductions	-	1,779,573
June salaries (nett)	-	2,055,850
Honoraria	-	80,000
Staff Gratuity and Pension	5,578,778	5,915,164
KRA (payee)	-	999,079
Trade creditors-		
Consumer deposits	2,458,587	2,153,564
KPLC (Kabarnet, sch & DWO)	7,918,646	7,370,703
KCB General Account	8,067,206	4,387,847
KCB Olkalou Account	521	
General trade creditors	6,145,291	11,591,432
KENYA ITALY Creditors-		
Libex Construction Co Ltd	-	985,802
Retention Kenya Italy	9,635,210	5,668,583
Unicef Creditors-		
Chepunyo Ltd	1,485,770	1,485,770
Retention Unicef	-	2,205,535
EU-ACP Creditors-		
Hotel Cathey	113,000	-
Development Creditors-		
Drought Mitigation projects	1,887,650	11,493,492
ADB projects	14,622,239	32,007,619
Hotel Cathey	-	52,100
Oriental Construction	7,882,813	7,882,813
Nairobi Iron Mongers	279,523	279,523
HP Gauff Ingenieure	-	5,896,764
Machiri LTD	1,175,641	22,462,817
KOKA Koimhuri & Co	-	700,000
Retention money Olkalou	5,708,813	5,708,813
Retention money adb	198,502	198,502
Kiri Consult Ltd	1,441,381	-
Batiment Consulting Ltd	577,941	-
Tertiary Consulting Engineers Ltd	3,287,340	-
Gibb Consulting Engineers Ltd	5,823,824	-
Foundation piling Ltd (Retention)	781,596	-
	85,070,270	133,361,346