

# Annual Report

**2013-2014**



**WATER SERVICES REGULATORY BOARD**

*Water Services for All*



# **WATER SERVICES REGULATORY BOARD**

**Annual Report and  
Financial Statements For  
The Year Ended 30th June 2014**



## Institutional Details

The Water Services Regulatory Board is a body corporate established under the provisions of the Water Act 2002 and operating under the provisions of the State Corporations Act, Cap 446 of the laws of Kenya and it is domiciled in Kenya.

### Board of Directors

Prof. Patricia Kameri-Mbote – Chairperson  
 Eng. Robert Gakubia – Chief Executive Officer  
 Mr Juma Aguko – Member  
 Mr George Ndonji – Member  
 Ms Grace Masese – Alt PS, Ministry of Local Government  
 Mr Joseph Ngala Mwengea – Member  
 Mr Mohamed Sheikhow – Member  
 Mr Roger Ngoo Shako – Member  
 Ms Rachel Nyamori – Alt PS, Ministry of Water and Irrigation  
 Ms Lucy Ambasi – Alternate to Attorney General  
 Ms Veronica Birgen – Member  
 Ms Susan Karanja – Alternate to PS, Treasury

### Physical Address

NHIF Building  
 Ngong Road  
 P. O. Box 41621-00100  
 NAIROBI  
 KENYA.

### Bankers

National Bank of Kenya  
 Hill Branch  
 P. O. Box 45219-00100  
 Nairobi  
 KENYA

### External Auditors

Auditor General  
 Kenya National Audit Office  
 Anniversary Towers  
 P.O. Box 30084  
 Nairobi  
 KENYA



## About the Water Services Regulatory Board

Water Services Regulatory Board (WASREB) is a non-commercial State Corporation established in march 2003 as part of the comprehensive reforms in the water sector. The mandate of the institution is to oversee the implementation of policies and strategies relating to provision of water and sewerage services. WASREB sets rules and enforces standards that guide the sector towards ensuring that consumers are protected and have access to efficient, adequate, affordable and sustainable services.

### Vision

The Vision of the Board is “To be a model regulator of water services”.

### Mission

The Mission is “To regulate water services in line with the human right to water and sanitation.

### Strategic objectives

The Boards five objectives are as follows:-

- 1.To enforce the legal and regulatory framework governing provision of water services.
- 2.To ensure efficiency and viability in provision of water services,
- 3.To monitor sector progress in realizing universal access.
- 4.To strengthen Wasreb institutional capacity.
- 5.To promote stakeholders participation in the provision of water services.

### Responsibilities

The Responsibilities of the Water Services Regulatory Board according to the Water Act 2002 are to:-

- Issue license to the eight Water Services Boards for the provision of water services
- Develop and review standards for use in the Water Sector
- Establish procedures for handling complaints made by consumers against licensees
- Monitor and enforce license conditions
- Develop guidelines for fixing tariffs
- Advice on cost effective and efficient management and operations of water services.
- Develop model performance agreements for use between licensees and water service providers.
- Monitor the operations of the agreement and take appropriate actions to improve their effectiveness.
- Disseminate information about water services
- Promote water conservation and demand management measures
- Monitor National Water Services Strategy
- zDetermine fees, levies to be imposed on water services
- Gather and maintain information on water services
- Liaise with other bodies for better regulation and management of water services.
- Advice the Minister on matters concerned with water services
- With the consent of the Director of Public Prosecution undertake prosecution of any offences arising under the act.



# Board of Directors



Prof. Patricia Kameri Mbote SC  
Chairperson



Eng Robert Gakubia HSC  
Chief Executive Officer



George Ndonji



Joseph Ngala



Aguko Juma



Roger Ngoo Shako



MS. Susan Karanja  
Alt. to PS National Treasury



Lucy Ambasi  
Alt. to Hon Attorney General



J.H.O. Ouma  
Alt. to PS Ministry of Environment  
Water and National Resources.



## MANAGEMENT STAFF

### Eng Robert N. Gakubia, HSC

Eng. Gakubia is the Chief Executive Officer of Wasreb. He has held senior positions in the Ministry of Water and Irrigation, rising to the position of Director of Water services. He holds BSc degree in Engineering from University of Nairobi and a MSc degree at IHE Delft, Netherlands. He is a corporate member of the Institution of Engineers of Kenya and a registered Engineer with the Engineers Board of Kenya (EBK).

### Ms. Bernadette Njoroge

Ms. Bernadette Njoroge is the Director Legal and Enforcement. She holds an LLB (Hons) degree from the University of Nairobi, LLM; and she is a Certified Public Secretary CPS (K) Previously she worked as a Lecturer at Inoorero Centre; Senior State Counsel at the Attorney General's Office and Legal Counsel at Kenya Tourist Board. She is an Advocate of the High Court of Kenya.

### Eng Peter Njaggah

Eng Peter Njaggah is the Director Technical Services. He holds a Bachelor of Science degree in Civil Engineering from the University of Nairobi and Master of Science degree in Environmental Engineering from the University of New Castle –Upon Tyne in UK.

Eng. Njaggah has over 24 years experience and knowledge in the water sector having previously worked as a senior manager in several water utilities as the Managing Director of Western Water Services Company; as Head of Water and Wastewater departments in Central District Council, South East District Council and Ghanzi District Council- all in the Republic Of Botswana, and also in the then Water & Sewerage Department- Nairobi City Council- Republic of Kenya.

He is a Registered Engineer with the Engineers Board of Kenya (EBK), a Corporate Member of the Institution of Engineers of Kenya (I.E.K) and member of Institute of Waste Management of Southern Africa.

### Herbert A Kassamani

Mr. Kassamani is the Director Consumer and Public Affairs. He holds an MBA (Marketing) and a Post-Graduate Diploma in Mass Communication from the University of Nairobi; and a Bachelor of Education from Kenyatta University. He has held senior positions in marketing and communications both in the public and private sector. He has also published extensively in magazines, journals and the local media.



## REPUBLIC OF KENYA

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P.O. Box 30084-00100  
 NAIROBI

## KENYA NATIONAL AUDIT OFFICE

**REPORT OF THE AUDITOR-GENERAL ON WATER SERVICES REGULATORY BOARD - FOR THE YEAR ENDED 30 JUNE 2014**
**REPORT ON THE FINANCIAL STATEMENTS**

I have audited the accompanying financial statements of Water Services Regulatory Board set out on pages 13 to 26, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

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

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

**Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003, and submit the report in compliance with Article 229 (7) of the constitution of Kenya. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk



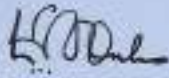


assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's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

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

#### Opinion

In my opinion, the financial statements present fairly, in all material respects the financial position of the Board as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Water Act, 2002



Edward R. O. Ouko, CBS  
AUDITOR-GENERAL

Nairobi

17 November 2014



## Corporate Governance Statement

The Water Services Regulatory Board is committed to the values and principles of good corporate governance. Good corporate governance requires that the board of directors must govern the corporation with integrity and enterprise in a manner which entrenches and enhances the mandate it has under section 47 of the Water Act 2002 to operate. This mandate is not only regulatory but embraces the corporation's interaction with government and other stakeholder such as the water services boards and their providers, consumers of water services, the media, public opinion makers and pressure groups.

The directors and management of WASREB regard corporate governance as pivotal to the successes of the corporation and are unreservedly committed to ensuring that good corporate governance is practiced so that WASREB remains a sustainable and viable vehicle for regulating water services in Kenya.

As a public service organization, the Board's decisions are guided by the core tenets prescribed in the Public Officers Ethics Act, and internal codes of conduct. We continually strive to strengthen and sustain the trust that the government, the water sector and the public have placed on us. Accordingly the Board and its committees regularly evaluate the latest national and international standards with the aim of incorporating them in the business processes of WASREB so as to consistently deliver on our mandate.

### Board of Director

The board of directors meets at least four times a year. The directors are given appropriate information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the board has delegated authority for conduct of day to day business to the Chief Executive Officer. The board nonetheless retains oversight responsibility for establishing and maintaining the control of financial, operational and compliance issues.

### Committes of The Board

- Corporate Services Committee
- Technical Services Committee
- Audit and Risk Management Committee



## Corporate Services Committee

The Corporate Services Committee meets at least on quarterly basis. The committee deals with strategic, financial, employment and administrative issues. The committee comprises of the following are the members of the committee:

- 1.Mr. Mohamed Ali Sheikhow - Chairperson
- 2.Mr. Joshua Harry Okoth Ouma
- 3.Mr. George Ndonji
- 4.Ms.Miriam Lugonzo.

The responsibilities of the committee include;

- a)Performance contract negotiation
- b)Reviewing of Annual Accounts
- c)Reviewing Development and Recurrent Budgets;
- d)Opening and Closure of bank accounts
- e)Make recommendation on Board's strategic plan and all staff matters.

The Committee held four meeting during the period under review.

## Technical Services Committee

The Technical Services Committee meets at least on a quarterly basis. The committee deals with overseeing development and enforcement of regulations and laws. The committee comprises of the following are the members of the committee:

1. Mr.Juma Aguko - Chairman
2. Mrs. Lucy Ambasi
3. Mr. George Ndonji
4. Mr. Roger Shako
5. Mr. Joshua Harry Okoth Ouma.

The responsibilities of the committee include;

- a) Approval of tariffs,
- b) Reviewing of Water service standards and ensuring compliance,
- c) Approval of Service Provision Agreements,
- d) Recommending issuance of licenses to Water Service Boards
- e) Making recommendations as regard setting and determination of fees, levies, premiums and other charges to be imposed for water services.

The Committee held four meeting during the period under review.



## Audit and Risk Management Committee

The Audit and Risk Management Committee meets at least on a quarterly basis. The committee deals with assessing the effectiveness of the internal control system. The committee comprises of the following are the members of the committee:

1. Mr. Roger Shako -Chairman
2. Mr. Juma Aguko
3. Ms. Susan Karanja
4. Mr. Joseph Ngala Mwengea,

The responsibilities of the committee include

- a) Approving the Internal Audit programs,
- b) Carry out special audits,
- c) Verifying Boards assets and liabilities
- d) Receiving reports from the Internal Auditor Manager.

The Committee held four meeting during the period under review.

## Corporate Social Responsibility

WASREB acknowledges its responsibility to society in its capacity as a corporate citizen; consequently, it endeavors to play an active role in national matters as per its mandate besides contributing to various worthy causes. In the financial year under review WASREB continued to offer advices to different stakeholders in the sector to facilitate access to quality water services.



## Statement of Directors Responsibilities

Section 81(1) of the Public Finance Management Act, 2012 and Section 14 (3) of the State Corporations Act, requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the Board as at the end of each financial year and of its surplus or deficit for that year. The directors are required to ensure that the Board maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the Board. They are also responsible for safeguarding the assets of the Board.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with IPSAS. This responsibility includes: designing, implementing and maintaining internal controls relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with IPSAS and in the manner required by State Corporations 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 Water Services Regulatory Board as at 30th June 2014 and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statement, as well as adequate systems of internal financial controls.

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 Directors and it is signed on their behalf by:



**PROF. PATRICIA K. MBOTE**  
Chairperson



**ENG. ROBERT GAKUBIA**  
Chief Executive Officer



## Financial

In an effort to make the best use of assets, the Board maintained and updated its asset register. It ensured repairs of all office equipment and motor vehicles on time besides disposing off of all idle assets during the year.

The Board is ISO 9001:2008 certified thus compliance to the regulations was observed through carrying out Internal and Surveillance audits. Implementation and compliance with policies governing prevention of HIV Infections among staff, prevention of Alcohol and Drug Abuse, Gender Mainstreaming, Disability Mainstreaming and Youth Empowerment were adhered to. Reports were sent to the relevant bodies.

On automation of processes, the Board upgraded to the WARIS online platform. Sensitization and training of staff was done. WARIS V3 is now available at <http://waristest.cloudapp.net/>. Other electronic platforms like Majivoice programme were commissioned among selected water utilities.

The Board continued implementing its HR policy by conducting induction for new interns, registering of qualified employees with professional bodies and renewing membership for those already registered.

## Operation

The Board issued advisory papers on the role of regulation in the devolved water services sector in preparation of the Water Bill. Several WSPs held annual general meetings as per the Governance Standards over the last year. They are; Nyeri, Muranga, Malindi among others. Those who flouted the rules by holding annual general meetings that did not follow the required format and agenda, thus attracting court cases, are Nairobi, Mombasa and Nakuru.

During the period, WASREB monitored the implementation of the Licence conditions by requiring Water Service Boards to submit reports while maintaining an updated inventory for small scale operators in all WSB areas.

WASREB implemented the Communications and Public Relations Strategy by undertaking various activities including, publishing of supplements in the print media. On Consumer Engagement, the Board promoted the activities of Water Action Groups (WAGs), by funding public fora, Focus Group Discussions, followed up consumer complaints among other activities. On branding, the Board aligned the application of its brand with the Vision 2030 brand.



## Dynamics/Qualitative Organisation Capacity

The Board implemented the recommendations of the Work Environmental Survey conducted the previous year, which gave a satisfaction rating of 78%. In the financial year 2013/14, the independent employee satisfaction survey gave a satisfaction rating of 67.5%. Measures taken included adherence to the Occupational Safety and Health Act 2007 which requires employers to keep emergency doors functional and open at all times, replenishing First Aid kit and insuring of all assets, among others. Information safety was ensured through regular backup of information and maintaining offsite storage.

## Corruption Eradication

To eradicate and prevent corruption during the period 2013/14, WASREB undertook a raft of measures. They include vetting of the Chief Executive Officer and Heads of Departments, promoting principles provided for in Chapter Six of the Constitution of Kenya on Leadership and Integrity as well as ensuring that members of staff suspected of corrupt practices step down to allow room for investigation.



# Financial Statements For The Year Ended 30th June 2012





**I. WATER SERVICES REGULATORY BOARD  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2014**

	Note	2013-2014 Kshs	2012-2013 Kshs Restated R
<b>Revenue from non-exchange transactions</b>			
GOK Grants	3	45,735,300	20,735,300
Regulatory Levy	4	139,484,004	133,418,318
Miscellaneous Income	5	1,962,216	6,380,934 R
Donor Grants	6	18,485,087	16,209,490
<b>Total revenue</b>		<b><u>205,666,607</u></b>	<b><u>176,744,042R</u></b>
<b>Expenses</b>			
Employee costs	7	60,534,073	56,192,258 R
Board expenses	8	10,987,581	13,175,016
Administrative expenses	9	80,850,993	94,713,637 R
<b>Total expenses</b>		<b><u>152,372,647</u></b>	<b><u>164,080,911R</u></b>
<b>Surplus for the period</b>		<b><u>53,293,960</u></b>	<b><u>12,663,131 R</u></b>



**II. WATER SERVICES REGULATORY BOARD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30<sup>th</sup> JUNE 2014**

	Note	2013-2014 Kshs	2012-2013 Kshs
<b>Assets</b>			<b>Restated R</b>
<b>Current assets</b>			
Cash and cash equivalents	10	86,282,172	55,352,735
Receivables	11	104,826,134	81,885,412 R
Investments- Other current assets	12	4,617,937	4,337,176
		<b>195,726,243</b>	<b>141,575,323R</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	16,901,042	7,623,333
<b>Total assets</b>		<b>212,627,285</b>	<b>149,198,656R</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	2,283,770	6,488,566
Refundable deposits from customers		979,500	979,500
Employee benefit obligation		6,361,200	2,901,600
<b>Total liabilities</b>		<b>9,624,470</b>	<b>10,369,666</b>
<b>Net assets</b>		<b><u>203,002,815</u></b>	<b><u>138,828,990R</u></b>
Capital Reserves	15	36,487,577	36,487,577
Revaluation Reserve	16	10,879,865	
Accumulated surplus	17	155,635,373	102,341,413R
<b>Total net assets and liabilities</b>		<b>203,002,815</b>	<b>138,828,990R</b>



**III. WATER SERVICES REGULATORY BOARD  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2014**

	Capital reserve Kshs	Revenue Reserve Kshs	Revaluation Kshs	Total Kshs Restated R
<b>Balance as at 30<sup>th</sup> June 2012</b>	32,367,577	89,678,282		122,045,859
Surplus/(deficit) for the period	-	12,663,131		12,633,131 R
Grants (Furniture & Computer)	4,120,000	-		4,120,000
<b>Balance as at 30<sup>th</sup> June 2013</b>	<u>36,487,577</u>	<u>102,341,413</u>		<u>138,828,990 R</u>
Balance as at 1 <sup>st</sup> July 2013	36,487,577	102,341,413		138,828,990
Surplus for the period	-	53,293,960		53,293,960
Revaluation Surplus	-	-	10,879,865	10,879,865
<b>Balance as at 30<sup>th</sup> June 2014</b>	<u>36,487,577</u>	<u>155,635,373</u>	<u>10,879,865</u>	<u>203,002,815</u>



**IV. WATER SERVICES REGULATORY BOARD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2014**

	<u>2013/14</u>	<u>2012/13</u>
	KShs.	KShs.
		Restated R
Surplus generated from Operating activities	53,293,960	12,663,131 R
Adjustment for		
Depreciation	1,950,156	5,469,993
<b>Cashflow from operating activities before</b>		
<b>Working capital changes</b>	<b>55,244,116</b>	<b>18,133,124</b>
(Increase)/Decrease in Receivables & other		
Current assets	(23,221,483)	(28,985,484)
Increase/ (Decrease) in Payables	(745,196)	1,212,223 R
	(23,966,679)	(27,773,261) R
<b>Net Cash flow from operating activities</b>	<b>31,277,437</b>	<b>(9,640,137)</b>
Cash flow from investing actives		
Purchase of Furniture & fittings	-	(1,044,820)
Purchase of Computers	(348,000)	(3,542,816)
<b>Cash flow from financing activities</b>	<b>30,929,437</b>	<b>14,227,773</b>
Increase in Capital reserves	-	4,120,000
Decrease in Revenue reserves	-	-
<b>Net increase in cash and cash equivalent</b>		<b>30,929,437</b>
<b>(10,107,773)</b>		
Cash and cash equivalents at start of year	55,352,735	65,460,508
<b>Cash and cash equivalents at end of year</b>	<b>86,282,172</b>	<b>55,352,735</b>



**V. WATER SERVICES REGULATORY BOARD  
STATEMENT OF COMPARISON OF BUDGET AND  
ACTUAL AMOUNTS**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Regulatory levies	100,000,000	-	100,000,000	139,484,004	39,484,004
Government grants and subsidies	57,000,000	12,000,000	37,000,000	45,735,300	8,735,300
Miscellaneous Income & Donor Grants	2,150,600	-	2,151,000	20,447,303	18,296,703
Retained Earnings	28,500,000	-	18,000,000	-	28,500,000
<b>Total income</b>	<b>187,650,600</b>	<b>12,000,000</b>	<b>157,151,000</b>	<b>205,666,607</b>	<b>48,515,607</b>
<b>Expenses</b>					
Compensation of employees	75,996,628	-	75,997,000	60,534,073	(15,462,927)
General Expenses	103,653,972	12,000,000	73,154,000	80,850,993	7,696,993
Board Expenses	8,000,000	-	8,000,000	10,987,582	2,987,582
<b>Total expenditure</b>	<b>187,650,600</b>	<b>12,000,000</b>	<b>157,151,000</b>	<b>152,372,648</b>	<b>(4,778,352)</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,293,959</b>	<b>53,293,959</b>



## I. ACCOUNTING POLICIES

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

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

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

### 2. Summary of significant accounting policies

#### a) Revenue recognition

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

#### Regulatory levy and fines

Wasreb recognizes its revenues from levies and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

#### Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

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

#### Miscellaneous income

These include penalties charged, sale of tender and interest income which is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.



## b) Budget information – IPSAS 24

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

## c) Taxes – IAS 12

### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## e) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Property and equipment are stated at historical cost less accumulated depreciation and new acquisition are not depreciated in the year of purchase. Depreciation is calculated on the straight-line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Per Annum		%
Motor Vehicle	-	20
Furniture, Fittings and Office Equipment	-	15
Computers, software	-	33.33

## g) Intangible assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized



development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

#### **h) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- **The technical feasibility of completing the asset so that the asset will be available for use or sale**
- **Its intention to complete and its ability to use or sell the asset**
- **How 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. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

#### **i) Provisions – IPSAS 19**

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

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

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

#### **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.

### j) Nature and purpose of reserves

Wasreb creates and maintains reserves in terms of specific requirements. Wasreb maintains both capital and revenue reserves.

### k) Changes in accounting policies and estimates – IPSAS 3

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

### l) Employee benefits – IPSAS 25

#### Retirement benefit plans

Wasreb provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which an entity pays 20% fixed contributions based on the employees basic salaries and the employee contributes 10% of their basic salaries into a separate 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.

### m) Related parties – IPSAS 20

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

### n) Cash and cash equivalents

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



**o) Comparative figures**

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

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

The preparation of Wasreb'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.

**Provisions for bad debts**

Trade receivables are recognized and carried at original amount less any unrecoverable amount and the provision for bad debts is 10% of the amount outstanding.

**q) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.



## VII. NOTES TO THE ACCOUNTS

### 3. GOK Grants

	2014 Shs	2013 Shs Restated R
<b>Unconditional grants</b>		
Recurrent/ Development Grant	45,000,000	20,000,000
Salary Paid by Ministry to Seconded Staff in Wasreb	735,300	735,300
<b>Total government grants and subsidies</b>	<b>45,735,300</b>	<b>20,735,300</b>

### 4. Regulatory Levy

Revenue Income	139,484,004	133,418,318
<b>Total</b>	<b><u>139,484,004</u></b>	<b><u>133,418,318</u></b>

### 5. Miscellaneous Income

Prequalification of suppliers	-	329,000
Surcharges & Loss Recovery	269,000	262,000
Penalties to WSBs	300,000	3,925,600
Interest Income	1,393,216	1,864,334
<b>Total other income</b>	<b>1,962,216</b>	<b>6,380,934</b>

### 1. Donor Grants

6. 1a Water Services Board	2,538,784	9,090,644
GIZ	3,959,995	5,319,568
Athi Water Services Board	11,986,308	1,799,275
<b>Total Donor Grants</b>	<b><u>18,485,087</u></b>	<b><u>16,209,490</u></b>

### 7. Employee costs

Salaries and wages	49,943,170	46,589,876R
Contributions to pensions	4,451,622	3,648,639
Gratuity	3,459,600	3,459,600
Leave Allowance	2,679,680	2,494,143
<b>Employee costs</b>	<b>60,534,072</b>	<b>56,192,258</b>



## 8. Board Expenses

	2014	2013 Restated R
Chairpersons Honoraria	990,000	960,000
Sitting Allowances	9,997,581	12,215,015
<b>Total Board remuneration</b>	<b>10,987,581</b>	<b>13,175,015</b>

## 9. Administrative Expenses

Advertising & publicity	11,576,145	9,939,753
Audit fees	464,232	464,232R
Conferences expenses	4,154,499	3,022,330
Consulting fees	11,665,731	9,892,162
Office running exp	3,767,943	3,210,161
Computer Expense	955,233	2,241,013
Fuel and oil	1,176,812	1,261,551
Insurance expenses	9,478,134	7,854,182
Internet	921,240	687,184
Printing and stationery	2,209,025	2,884,273
Rental	13,066,050	12,605,342
Bank Charges & Other Operating Exp	1,376,736	2,353,338
Telecommunication	681,033	2,343,219
Capacity building	2,400,785	8,418,310
Allowance for impairment	2,769,836	2,807,260
Travel and accommodation expenses	11,624,370	18,488,077
Repair & Maintenance expenses	613,034	771,257
Depreciation	1,950,156	5,469,993
<b>Total Administrative Expenses</b>	<b>80,850,993</b>	<b>94,713,637</b>

## 10. Cash and cash equivalents

	2014	2013
Cash In Bank	65,842,035	33,597,955
Short-term deposits	20,440,137	21,754,780
<b>Total cash and cash equivalents</b>	<b>86,282,172</b>	<b>55,352,735</b>

## 11. Receivables



**Current receivables**

Staff Debtors	989,353	1,204,065 R
Trade debtors	115,374,201	89,448,931
Less; Impairment Allowance	(11,537,420)	(8,767,584)
<b>Total current receivables</b>	<b>104,826,134</b>	<b>81,885,412</b>

**Reconciliation of allowance for impairment of receivables**

2014                      2013

**Allowance for impairment**

As at 1 <sup>st</sup> July	8,767,584	5,960,324
Charge for the year	2,769,836	2,807,260
	<b>11,537,420</b>	<b>8,767,584</b>

**As at 30<sup>th</sup> June****12. Other Current Assets**

Prepaid Insurance	3,855,630	3,870,491
Accrued Interest	<u>762,307</u>	466,685
Prepaid training		
<b>Total</b>	<b><u>4,617,937</u></b>	<b><u>-4,337,176</u></b>

**13. Property, plant and equipment**

	<b>Motor Vehicles</b>	<b>Furniture &amp; Fittings</b>	<b>Computer &amp; Equipment</b>	<b>Total</b>
<b>Cost</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
At 1 July 2012	<b>21,416,048</b>	<b>6,433,340</b>	<b>13,511,143</b>	<b>41,360,531</b>
Additions	-	1,044,820	3,542,816	<b>4,587,636</b>
<b>At 30 June 2013</b>	<b>21,416,048</b>	<b>7,478,160</b>	<b>17,053,959</b>	<b>45,948,167</b>
Additions	-	-	530,800	<b>530,800</b>
Disposal (Loss on Asset)	-	-	(182,800)	<b>(182,800)</b>
Elimination on Revaluation	(21,416,048)	-	-	(21,416,048)
Revaluation	<u>12,984,000</u>	-	-	<u>12,984,000</u>



<b>At 30 June 2014</b>	<b>12,984,000</b>	<b>7,478,160</b>	<b>17,401,959</b>	<b>37,864,119</b>
<b>Depreciation and impairment</b>				
At 1 July 2012	(16,205,113)	(3,753,883)	(12,895,845)	(32,854,841)
Charge for the year	(3,106,800)	(914,423)	(1,448,770)	(5,469,993)
<b>At 30 June 2013</b>	<b>(19,311,913)</b>	<b>(4,668,306)</b>	<b>(14,344,615)</b>	<b>(38,324,834)</b>
Elimination on Revaluation	19,311,913	-	-	<b>19,311,913</b>
Charge for the year	-	(595,688)	(1,354,468)	<b>(1,950,156)</b>
Elimination on Revaluation	-	(5,263,994)	(15,699,083)	(20,963,077)
Net book values				
At 30 June 2014	12,984,000	2,214,166	1,702,876	16,901,042
At 30 June 2013	2,104,135	2,809,854	2,709,344	7,623,333



**14. Trade and other payables**

	2014	2013 Restated R
Trade payables	1,819,538	6,024,334 R
Performance Guarantee	979,500	979,500
Gratuity	6,361,200	2,901,600
Audit fees	464,232	464,232 R
<b>Total</b>	<b>9,624,470</b>	<b>10,369,666 R</b>

**15. Capital Reserve**

Brought Forward	36,487,577	32,367,577
Capitalized Assets		4,120,000 R
<b>Carried Forward</b>	<b><u>36,487,577</u></b>	<b><u>36,487,577 R</u></b>

**16. Revaluation Reserve**

	10,879,865	-
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**17. Revenue Reserve**

Brought Forward	102,341,413	89,678,282
Surplus for the years	<u>53,293,959</u>	<u>12,663,131 R</u>
<b>Carried Forward</b>	<b>155,635,373</b>	<b><u>102,341,413 R</u></b>

**18. RESTATED AMOUNTS**

The restated amounts have the suffix “R” besides them and this subsequently affected the surplus amount and its treatment in the statement of financial performance, state of changes in net assets, statement of cashflow and statement of financial position. The restated amounts included:

- i. Miscellaneous income which was understated by Kshs 22,000.
- ii. Employee costs which were understated by Kshs 940,000 that was to be paid as non practicing allowance.
- iii. Audit fees that was understated by Kshs 116,232 from the invoiced amount given by the auditors after the audit.











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