



WATER SERVICES REGULATORY BOARD

Ensuring Access to Quality Water Services for All



ANNUAL 2
REPORT 0
1
0

Towards Regulation by Incentives



WATER SERVICES REGULATORY BOARD

Annual Report
2010



VISION

To be a Model Regulator
for Water Services

MISSION

To Regulate the Provision
of Water Services to
Ensure Universal Access



contents



INSTITUTIONAL DETAILS | 4

BOARD OF DIRECTORS' CITATIONS | 5

KEY MANAGEMENT STAFF | 8

CHAIRMAN'S STATEMENT | 9

CEO'S STATEMENT | 10

PROFILE | 11

BOARD ISSUES | 13

STATEMENT OF DIRECTORS' REPORT | 15

ACTIVITIES | 16

FINANCIAL STATEMENTS | 29

Institutional Details

Establishment

The Water Services Regulatory Board, (Wasreb), 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. Albert Mumma
Mrs. Fridah Mwadime Mwaluma
Mr. Roger Ngoo Shako
Mr. Joel K. Mbaluka
Miss. Rachel Nyamori
Mr. Njoroge Muhu
Ms. Judy Cheptoo Koskei
Mrs. Lucy Ambasi
Mr. Odanyiro Wamukoya
Mr. Jackson Mwalulu
Eng. D.M Wanjau-Maina

BOARD COMMITTEES

Regulatory Services Committee

Eng. D.M Wanjau-Maina
Miss. Rachel Nyamori
Mr. Odanyiro Wamukoya
Mrs. Lucy Ambasi
Mr. Joel K. Mbaluka

Corporate Services Committee

Ms. Judy Cheptoo Koskei
Mr. Njoroge Muhu
Mr. Roger Ngoo Shako
Eng. D.M Wanjau-Maina
Mr. Jackson Mwalulu

Audit and Risk Committee

Mr. Odanyiro Wamukoya
Mr. Roger Ngoo Shako
Mrs. Fridah Mwadime Mwaluma
Miss. Rachel Nyamori
Mr. Njoroge Muhu

Offices

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

Bankers

National Bank of Kenya
Upper Hill Branch
P.O. Box 45219-00100
NAIROBI

Auditors

Controller & Auditor General
Kenya National Audit Office
Anniversary Towers
P.O. Box 30084
NAIROBI

Prof. Albert Mumma

Professor Mumma was appointed by the President of Kenya to be the Chairman of Water Services Regulatory Board. He holds a Bachelor of Laws LLB (Hons) from the University of Nairobi, a postgraduate Diploma in Legal Studies from the Kenya School of Law, a Master of Laws LLM from Yale University Law School in USA and a Ph.D. from Cambridge University in UK. He is a specialist in the legal and policy arrangements relating to institutional development, environmental and natural resources law, administrative law, tort law and the governance of legal forms of associations. He also has expertise in human rights law. He prepared the initial draft of the Water Act 2002 on behalf of the Government of Kenya which was subsequently enacted by Parliament. He has served as a Chairman of various Boards in the country.

**Mr. Jackson Mwalulu**

Mr. Jackson M. Mwalulu holds a BA(hons), a PGD in Mass Communication, and a Certificate in Human Resources (HR) from the University of Nairobi. He is a Media and Communications Consultant/practitioner; and consultant on governance matters, with long experience in civil society work. He has also served as a member of the Board of Directors of the Kenya Pipeline Company; and former Legislator representing Taveta Constituency.

**Mrs. Fridah Mwandime Mwaluma**

Mrs. Mwandime is a holder of a Diploma in Education. She is an educationist and trainer in development, gender and human rights.

**Mr. Roger Ngoo Shako**

Mr. Shako holds an LLB from the University of Nairobi and a Diploma from the Kenya School of Law. He is an advocate in private practice specializing in conveyance, commercial law and family law.





Mr. Joel K Mbaluka

Mr. Joel K. Mbaluka holds an LLB (Hons) from the University of Nairobi and a Diploma from the Kenya School of Law. He is an Advocate of the High Court of Kenya in private practice specialising in Commercial Law, Corporate Law, and Environmental Law with immense experience on NEMA related issues. Mr. Mbaluka is also a Commissioner for Oaths, Certified Public Secretary, a Notary Public and a legal advisor to various State Corporations.



Eng. D.M. Wanjau-Maina

Eng. D.M Wanjau- Maina is a Director representing the Institution of Engineers of Kenya (IEK). He is also the Chairman of the Regulatory Services Committee. He holds a BSc (Hons) in Civil Engineering from the University of Nairobi and an MSc degree in Environmental Engineering from the University of Newcastle Upon Tyne (UK). He is a fellow of the Institution of Engineers of Kenya and a Registered Consulting Engineer with the Engineers Registration Board of Kenya.

Eng. D.M Wanjau-Maina is in private practice and lectures in Civil Engineering. Currently he is the chairman of the Institution of Engineers of Kenya. He has also served on various Boards including Engineers Registration Board, Kenya Water Institute (KEWI) and National Environment Council (NEC).



Mrs. Rachel Mwangi Nyamori

Mrs. Nyamori is the Alternate Director to the Permanent Secretary, Ministry of Water and Irrigation. She holds an LLB (Hons) from the University Nairobi and a Diploma from the Kenya School of Law. She has been State Counsel at the AG's Chambers since 1995. Currently, she is based at the Ministry of Water and Irrigation.



Mr. Odanyiro Wamukoya

Mr. Wamukoya holds a B.Ed (Arts) from Egerton University. He is a development consultant and trainer in participatory methodologies and human rights. He has also served on various Boards including Child Rights and Legal Education- CRADLE, Institute of Performing Arts (IPAL), and the East African Theatre Institute (EATI).

Mr. Njoroge Muhu

Mr. Humphrey N. Muhu is an Economist and the Alternate Director to the Permanent Secretary, Treasury. He holds a Bachelor of Science degree (Mathematics and Statistics) from Kenyatta University, a Bachelor of Philosophy degree in Economics and a Master of Arts in Economics both from the University of Nairobi.



Ms. Judy Cheptoo Koskei

Ms. Judy Cheptoo Koskei holds a Bachelor of Arts Degree (Social Work) Hons from the (University of Nairobi). She has worked as an administrator and is currently a business woman and farmer. She is the Chairman of the Finance and Administration Committee



Mrs. Lucy Ambasi

Mrs. Lucy Ambasi is a Principal State Counsel, and an Alternate Director to the Hon. Attorney General. She holds an LLB (Hons) degree from the University of Nairobi and a diploma from Kenya School of Law.



KEY MANAGEMENT STAFF



**Eng. Robert N Gakubia,
HSC**

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



Ms. Bernadette Njoroge

Ms. Bernadette Njoroge is the Head, Legal and Compliance. She holds an LLB (Hons) degree from the University of Nairobi, and an LLM. 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 Head of Regulatory 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.

He is a Registered Engineer with the Engineers Registration Board (ERB), 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

Herbert A. Kassamani is the Head, Communications and Information Management. Mr. Kassamani 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.



Challenge of addressing Human Right to Water

By the close of 2010, I can confidently say that we had established the key elements of a regulatory regime to move the water and sanitation sector to a higher level. These elements include the development of appropriate instruments for regulation, the approval of cost reflective tariffs to ensure financial viability of water service provision, and the empowerment of consumers and the underserved.

For the regulatory framework to be complete, a performance monitoring and mechanism has also been established through the publication of *Impact Report*. The main indicators for the sector, namely water and sanitation coverage, continue to record growth, albeit marginally. These, I must say, are positive indications that the Regulator is making a positive contribution to improving access to water services and, not least, setting a firm foundation for universal access.

The water sector, however, continues to experience challenges of inadequate water resources which result in erratic supply schedules to consumers. It has been an uphill task responding to the demands and expectations of consumers and dealing with their issues fairly.

The sector also still falls short of meeting targets prescribed by the Millennium Development Goals (MDGS), where it is anticipated that by 2015, countries will halve the population of people without access to water and sanitation services.

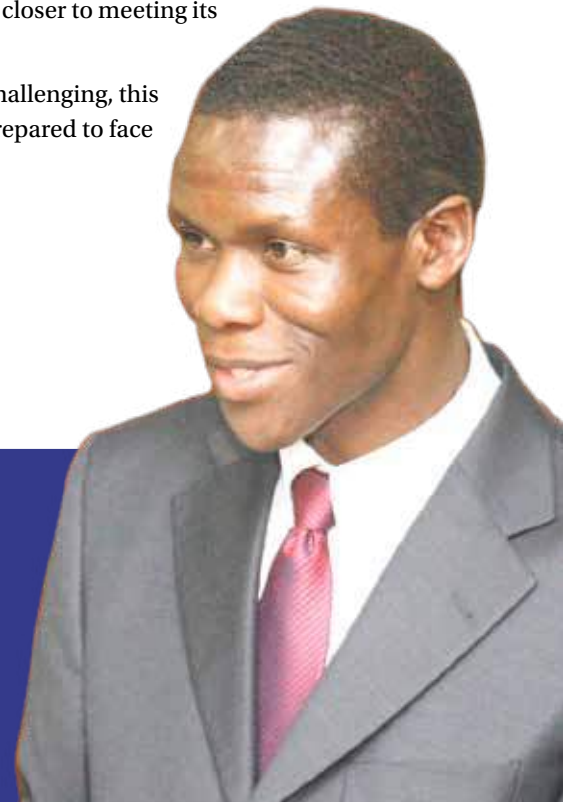
These challenges are compounded with the implementation of the new constitution in Kenya, where water is now recognized as a human right. The human right to water entitles everyone to sufficient, safe, accessible and affordable water services. Given that many of the Water Service Providers are still unviable, positive progress will require a lot of soul-searching within the sector.

The challenge to the Regulator in the coming period will therefore be to work with sector institutions to ensure that issues of coverage, quality, and hours of supply are prioritized so that the country can move closer to meeting its MDG targets.

I am certain that though challenging, this is a task the Regulator is prepared to face in the coming year.



Prof Albert Mumma
Chairman



The Building of a Stronger Regulator

When we look back at the activities and events of the year 2010, we can say the Wasreb made significant strides towards the attainment of the objectives contained in our Strategic Plan. This had the impact of significantly improving the recognition of the Regulator within the sector.

The first major activity was the licensing of two Water Services Boards, which had hitherto operated on interim licences. As a core function of Wasreb, the licensing process ensures that Water Services Boards (WSBs) demonstrate their capacity to deliver on their mandate. The WSBs are licensed only when the Wasreb is satisfied that their Business and Investment Plans are growth oriented and are geared towards addressing consumer needs.

In the area of sector monitoring, the third issue of water services sector performance report, Impact, was published, giving insights into how the sector had performed in nine key indicators. For the first time, a reward and recognition system was introduced for WSBs and WSPs which had excelled in their work. The awards given were an incentive by Wasreb to encourage sector institutions to improve their performance.

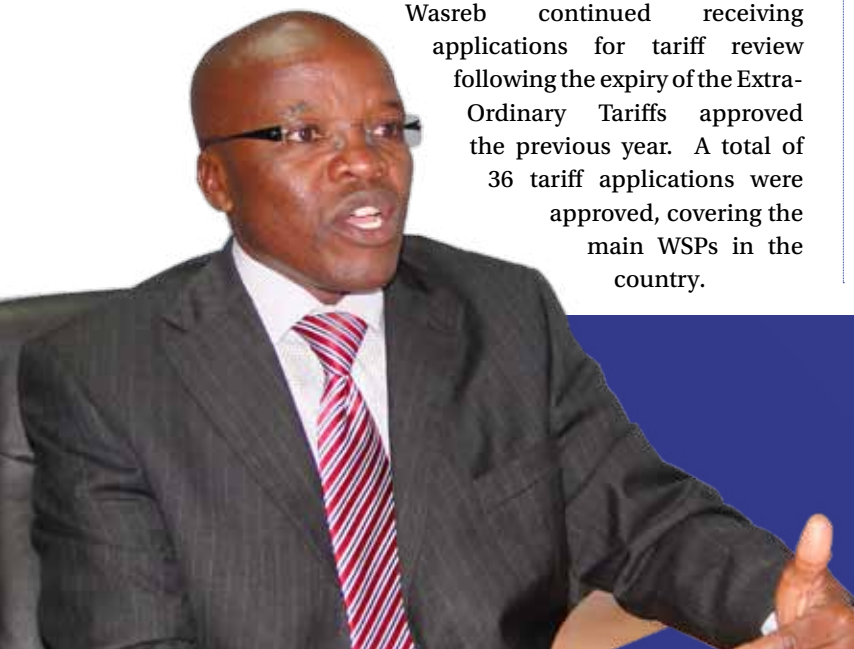
Wasreb continued receiving applications for tariff review following the expiry of the Extra-Ordinary Tariffs approved the previous year. A total of 36 tariff applications were approved, covering the main WSPs in the country.

To improve the management of sector institutions, Wasreb issued the Corporate Governance Guideline having noted that numerous governance issues were beginning to replicate across sector institutions. Wrangles were witnessed between and within some sector institutions reflecting lack of understanding on procedures for appointing Boards of Directors, the separation of roles between management and Boards of Directors, relationships between WSBs and WSPs. Wasreb is determined to enforce the implementation of this guideline to ensure the smooth running of the sector particularly now that water is a constitutional right.

On the consumer front, Wasreb completed the piloting of the water action groups. Feedback indicates overwhelming endorsement of WAGs as an appropriate mechanism for consumer engagement. The next phase is to study the lessons learnt with a view to up-scaling the concept.

But our work has not been without challenges. The most notable one has been budgetary. At institutional level, we continued facing substantial difficulty meeting our financial requirements. This was largely attributed to a reduction in funding from the exchequer. Additionally, water production went down in drought hit areas thus affecting the regulatory levy.

In the coming year, we shall be focusing on reviewing our Strategic Plan to take stock of the gains made so far so that we can direct our energies more appropriately to the tasks ahead. We are optimistic that we can build on the strengths already established to ensure sustained progress in the water sector.



A handwritten signature in blue ink, appearing to read 'Robert Gakubia'.

Robert Gakubia
Chief Executive Officer

About the Water Services Regulatory Board



The 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.

Key among the responsibilities of the Regulator is issuance of licences to Water Service Boards (WSBs). Through these licences, WSBs are responsible for the efficient and economical provision of water services within their jurisdictions. Under the Water Act 2002, WSBs cannot provide services directly, so they have to enter contract with Water Service Providers (WSPs) through signing Service Provision Agreements (SPAs). Wasreb monitors the performance of WSBs and WSPs on a continuous basis.

Our Vision

To be a model regulator for water services.

Our Mission

To regulate the provision of water services to ensure universal Access

Core Values

- ▮ Accountability
- ▮ Teamwork
- ▮ Responsiveness
- ▮ Innovation
- ▮ Fairness
- ▮ Integrity

Strategic Objectives

- ▮ To refine, strengthen and enforce the legal and regulatory framework governing the provision of water services by WSBs and WSPs.
- ▮ To promote the commercial sustainability of WSBs and WSPs.
- ▮ To improve the Institutional capacity of Wasreb to regulate water service provision.
- ▮ To facilitate the development of an enabling policy environment for water service provision.
- ▮ To facilitate effective information and communication on water services.
- ▮ To enhance collaboration between Wasreb and other relevant institutions.

Functions

The Responsibilities of the Wasreb according to the Water Act 2002 are to:-

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

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. 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, media, public opinion makers and pressure groups.

The Directors and management of Wasreb regard corporate governance as pivotal to the successes of the Board 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 State Corporation Act and 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 Directors

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.

Committees of the Board

The Board has set up the following committees which meet under well defined terms of reference set by the board. This is intended to facilitate efficient decision making of the board in discharging its duties and responsibilities.

Corporate Services Committee

This committee deals with strategic, financial, employment and administrative issues. It meets at a minimum of four times a year or as necessary. Its membership comprises Mrs. Judy Cheptoo Koskei (Chairperson), Eng. D.Wanjau-Maina, Mr. Humphrey N Muhu, Mr. Jackson Mwalulu and Mr. Roger Shako.

Its responsibilities include reviewing of Annual Accounts, reviewing Development and Recurrent Budgets, opening and Closure of bank accounts, recommendation of Board's strategic plan and all staff matters.

Regulatory Services Committee

There is a Regulatory Services Committee whose membership comprises Eng. D. Wanjau-Maina (Chairman), Mrs. Lucy Ambasi, Mr. Joel Kyatha Mbaluka, Mr. Odanyiro Wamukoya and Ms. Rachael Nyamori. Its responsibilities include overseeing development and enforcement of regulations and laws, facilitating fixing of tariffs, reviewing of water service standards and ensuring compliance, review of Service Provision Agreements, recommending

We continually strive to strengthen and sustain the trust that the government, the water sector and the public have placed on us

issuance of licenses to Water Service Boards and making recommendations as regard setting and determination of fees, levies, premiums and other charges to be imposed for water services.

Audit and Risk Committee

The Board has constituted an Audit Committee which meets four times a year or as necessary. Its membership comprises Mr. Odanyiro Wamukoya (Chairman) Mrs. Frida Mwaluma Mwadime, Rachael Nyamori, Mr. Humphrey N Muhi and Mr Roger Ngoo Shako. Its responsibilities include examining and assessing the effectiveness of the internal control system, approving the Internal Audit programs,

carrying out special audits, verifying Boards assets and liabilities and receiving reports from the Internal Auditor.

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 advice to different stakeholders in the sector to facilitate access to quality water services.

Attendance of Board Meetings

Full Board

DATES	ATTENDANCE
25 th September 2009	11 Members + CEO
13 th October 2009	10 Members + CEO
4 th December 2009	10 Members + CEO
23 rd February 2010	9 Members + CEO
17 th June 2010	10 Members + CEO

Regulatory Services Committee

27 th August 2009 (RSC)	4 Members + CEO
13 th November 2009 (RSC)	5 Members
9 th February 2010 (RSC)	5 Members + CEO
8 th May 2010 (RSC)	5 Members + CEO
17 th February 2010 (RSC)	5 Members + CEO

Corporate Services Committee

4 th August 2009 (CSC)	5 Members + CEO + Chairman
7 th September 2009 (CSC)	5 Members + CEO
10 th September 2009 (CSC)	5 Members + CEO
30 th November 2009 (CSC)	5 Members + CEO
3 rd February 2010 (CSC)	5 Members
15 th February 2010 (CSC)	5 Members + CEO

Audit and Risk Committee

28 th October 2009 (ARC)	5 Members + CEO
10 th February 2010 (ARC)	5 Members + CEO
4 th April 2010 (ARC)	4 Members + CEO
20 th August 2010 (ARC)	4 Members + CEO

Statement of Directors' Responsibilities

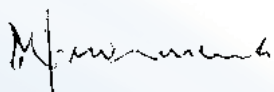
The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Board as at the end of each financial year and of its surplus or deficit for that year. The Directors are required to ensure that the Board maintains proper accounting records which 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 International Financial Reporting Standards. 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 International Financial Reporting Standards 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 2010 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. Albert Mumma
CHAIRMAN



Eng. Robert Gakubia, HSC
CHIEF EXECUTIVE OFFICER

Date.....

Date.....

Licensing is Where it all Begins

The Licensing of Water Services Boards is a fundamental activity of Wasreb. The licence is a statutory requirement which gives the Water Service Boards (WSBs) the power to provide water services according to the Water Act 2002. As a tool for regulating the sector, the Licence sets out conditions and targets of performance WSBs should reach to ensure quality in service provision.

The conditions include the targets the Boards should meet, and a plan of action for improvement in water service provision in terms of service quality, water quality, water coverage, and efficiency. It also commits Boards to establish procedures for handling of complaints.

In the review period, Wasreb licensed two Water Services Boards (WSBs), who had been operating conditionally to provide water services over a ten-year period. These are Rift Valley and Athi Water Services Boards.

The licences were presented by Wasreb's CEO, Eng. Robert Gakubia, to Rift Valley Water Services Board's (RVWSB) CEO. Eng. Japheth Mutahi, and

the then Ag CEO, Athi Water Services Board (AWSB), Ms. Rose Nyagah.

The Boards had been operating on five-year conditional licences issued in 2004. Five other Boards received their licences in the year 2007. These are Lake Victoria North, Lake Victoria South, Northern, Coast and Tana Water Services Boards. Currently, there are eight Water Services Boards operating in the country. Wasreb also extended a one year interim licence to Tanathi.

The licence stipulates conditions WSBs should meet as a way of improving the provision of water services. Conditions include the development of an acceptable business plan, indicating how the Boards intend to achieve the government's objective of increasing water access to vulnerable households. The Boards are also expected to develop a pro-poor strategy and promote low cost technology in provision of water services.

Wasreb monitors adherence to conditions set as a way of gauging progress towards the attainment of the Millennium Development Goals (MDGs).



The CEO of Rift Valley Water Services Board Eng. Japheth Mutahi (2nd right) poses with staff soon after receiving the licence

Service Provision Agreements

A five year SPA was issued to Runda Water Company, a wholly private entity operating within the Runda Estate with an approved capital works plan and approved tariff structure with targets on quality of service and water quality.

Regulation of Small scale Operators

These are independent operators with a production capacity below 2,500cubic meters per day. Under the licence conditions a directive was issued to licensees to commence registration of these small scale operators. Wasreb also put out a notice to ensure that the information was available country wide. This registration precedes the process of bringing all these businesses into formal regulation to ensure sale of quality water at approved tariffs.

Enforcement of Licence Conditions

Wasreb issued the Compliance and Enforcement Strategy for Water Service Boards and Water Service Providers which follows a graduated approach from encouraging compliance to enforcing compliance with the highest sanction being prosecution. Under the Strategy, Wasreb issued advisory circulars, warnings, cure orders and penalties under licence for non compliance. All the Licensees were cited for various forms of non compliance. Most of the licensees responded with cure plans which they are currently enforcing in their areas of supply.

Corporate Governance Guideline

Wasreb issued governance standards for Water Service Providers to be used as entry requirements into the sector for companies wishing to be appointed as agents of Water

Services Boards under section 55 of the Water Act 2002. The results are encouraging - however there are challenges as reforms aimed at entrenching transparency accountability and checks and balances are always resisted. It is ironic that they are resisted by shareholders who are currently Local Authorities. Wasreb is encouraging the licensees to terminate SPAs with the renegade companies and contract compliant companies to act as agents and manage their assets.

Review of Existing Model SPA

To respond to emerging issues on management of Water Service Providers, Wasreb revised the model SPA 1 to incorporate urgent and important additions for better management of water services through the agency relationship between Water Services Boards and Water Service Providers. The model is now being used for interim management of services as five year agreements are negotiated based on the model.

Court Cases

Wasreb has variously been sued in the high court for several regulatory decisions it made. The suits are in respect of:

- 1 Increase in tariffs under tariff guideline
- 1 Implementation of governance guideline
- 1 Interpretation of the right to water

As the regulatory decisions widen in scope, there will be more High Court orders against Wasreb. This is good for the water services sector in the long run as it will deepen the understanding of water as a social and economic good and the realistic implementation of the right to water and not least, the role of regulation in ensuring sustainable service delivery.



This registration precedes the process of bringing all these businesses into formal regulation to ensure sale of quality water at a transparent tariff.



Regular Tariff Adjustment

The regulator has to date approved a total of 36 Regular Tariff Adjustments (RTA). Basically the large WSPs within a Board area have had their tariffs reviewed. The urgency to review the tariffs has been necessitated by the following factors:

- ❑ Dependence on subsidy which has become unsustainable.
- ❑ Low tariffs that outlived their usefulness due to over ten years that have elapsed since last review as they do not reflect cost of services.
- ❑ Input costs for production have continued to rise.
- ❑ Recent increments in cost of electricity, fuel and their spiraling effect.
- ❑ Most WSPs and WSBs are unsustainable.

The focus of the tariff review process has been to seek a balance between the commercial, social and ecological interests of the concerned parties. Hence the key consideration in fixing the tariffs was justified costs with respect to inputs into services delivery, in order to eliminate any costs that should not be borne by consumers, in what otherwise could be the inefficiency of the institutions' management.

While increase of tariff is one of the ways that may be used to cushion and allow sustainability to most of the WSPs, there are other factors, which if not checked, may threaten sustainability.

These include, poor governance, dilapidated infrastructure, poor clustering (ignoring economies of scale), and inadequate capacity.

Despite the large number of approved RTA, it has been observed that some WSBs are yet to implement the Tariffs. This is because some of the tariff increases were opposed by some individuals in court. On the other hand, some WSBs and WSPs did not see the urgency to implement the new tariffs.

WSPs are challenged to improve their coverage, their efficiency and their services.

An analysis of the submissions of applications made revealed that the information provided was either inadequate or not in the prescribed format. This was largely due to uncoordinated preparation of the documents by the two leading players: WSBs and WSPs.

In addressing the above anomalies, Wasreb held regional workshops and invited WSBs and their respective WSPs to Wasreb to make presentations of their tariff applications as a way to equip the applicants with skills and to instill commitment in the tariff preparation process.


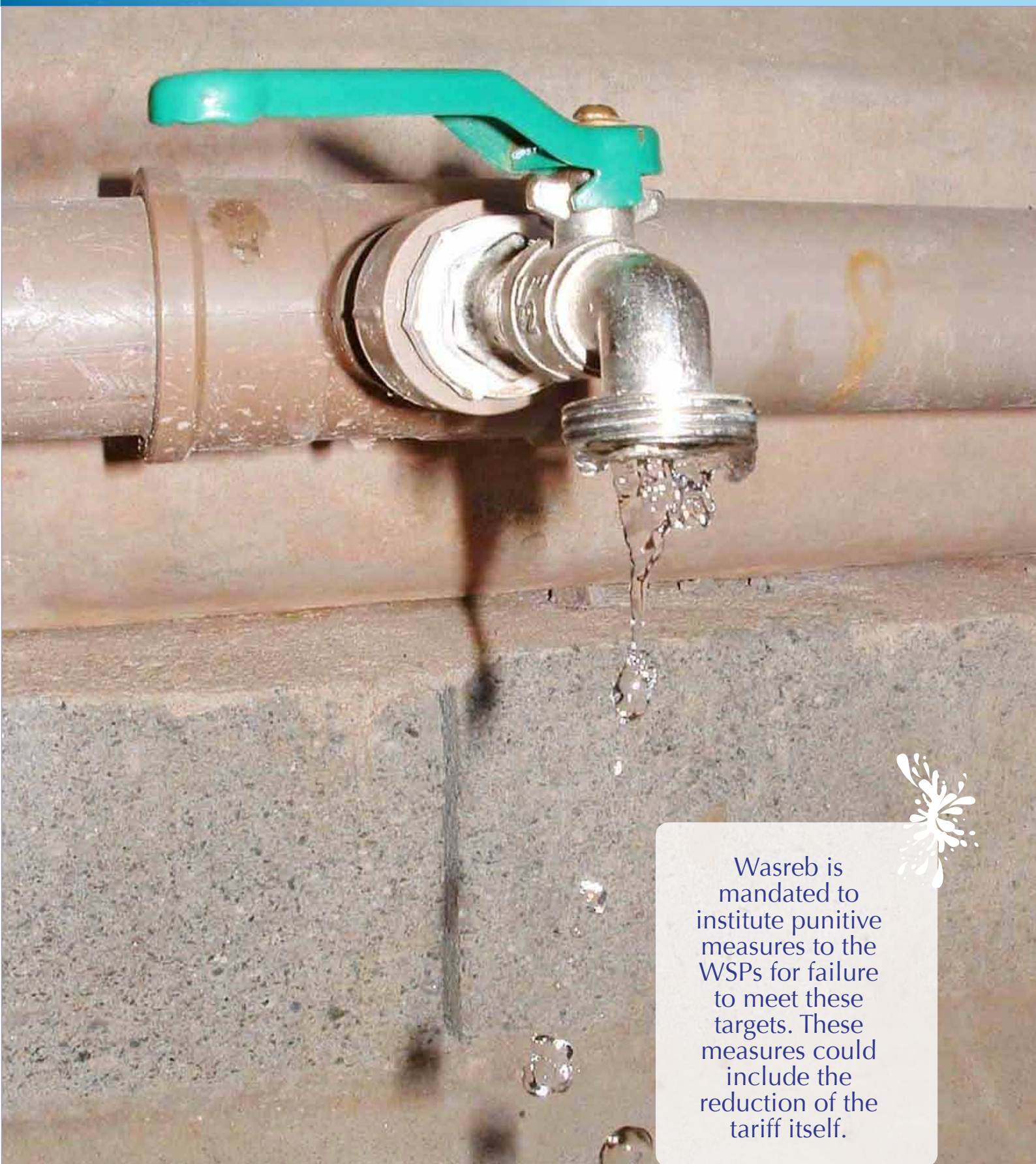
RTA is prepared in a manner that ensures the WSP covers all its justified costs thus ensuring sustainability of the Water Services Provision. During the approved tariff period, certain key performance targets are set to be achieved by WSPs and are continuously monitored by the Regulator to ensure that they are attained.

In approving the tariffs, Wasreb scrutinizes the application to ensure that only justified costs are allowed in the application. WSPs are challenged to improve their coverage, their efficiency and their quality of services. This is meant to protect consumer interests while ensuring sustainability of services at the same time.

Wasreb is mandated to institute punitive measures to the WSPs for failure to meet these targets. These measures could include the reduction of the tariff itself.

Forty four (44) RTAs failed to meet Wasreb standards for tariff approval and were returned to respective Boards for correction.

Applications approved by Wasreb are supposed to be published in the Kenya Gazette by the respective Water Service Boards, giving consumers at least two months notice before the tariffs are affected.



Wasreb is mandated to institute punitive measures to the WSPs for failure to meet these targets. These measures could include the reduction of the tariff itself.

Inspections: Negative Perception but Objective is Improvement

Wasreb continued carrying out inspections in Water Services Boards and Water Service Providers to check compliance with licence conditions. This is in line with the Regulator's mandate of ensuring improvement in service delivery.

The key areas of focus were:

- ❑ Licence conditions
- ❑ Implementation of the approved tariffs
- ❑ Implementation of the capital works plans, and
- ❑ Compliance with regulations.

Methodologies used in conducting the inspections were:

- ❑ Examination of sampled records and documents at the WSBs and WSPs head offices.
- ❑ Interview with key staff of the WSBs and those of the WSPs.
- ❑ Physical verification of some projects previously submitted to Wasreb, and
- ❑ Physical verification of implementation status of approved tariffs as captured in their data base.

Overall, Inspections to the WSBs and their agents have been viewed negatively, while in essence, the inspections are meant to help the licensees and their respective agents to improve on their weak areas, and ultimately provide quality water services for all.



Inspections conducted during the period under review revealed that some WSBs were not fully complying with the provisions of the licence and SPA. Capacity was found to be lacking in certain cases to fully implement the provisions of the licence and the SPA.

While there is a major improvement in the payment of Regulatory Levy, some WSPs were basing this on collection other than billing as required.

Some WSBs are still of the view that the Regulatory Levy be paid through them as opposed to the requirement of the legal notice that the levy be paid directly to the Regulator.

Some companies were found to have been implementing projects without involving the Board. This implies inadequate coordination between institutions. There is, therefore, need to enhance linkages between institutions in the sector to ensure the smooth running of the operations.

Corporate governance still remains a big challenge in the water sector. Governance issue touched on Boards of Directors and management of some of the sector institutions. Poor management practices were the main issues at the WSPs level. These included poor delegation of powers and responsibilities, inadequate cost control, problems of unsurrendered or unaccounted for imprests, violation of procurement procedures, ad hoc project implementation, poor guidelines, resistance to restructuring and attitude change.

Conflict of interest resulting from dealing with the company by both the Boards of Directors and the management were also noted. These were in employment, consulting services and trading with the company.

To address anomalies unearthed during the inspections, respective institutions were compelled to ensure adherence to the Public Procurement and Disposal Act. They were also required to ensure proper accounting and record keeping. Further, the institutions were compelled to put in place proper policies and strictly adhere to guidelines issued to them by Wasreb.



Communications: Addressing the Right to Know...

Transparency, accountability and public engagement are almost norms in the way organisations operate today. In the water sector, accountability is required to the general public, to shareholders and Directors of the WSPs and WSBs, and to other decision makers in the sector.

For the regulatory framework to be complete, there must be an evaluation mechanism that provides feedback on how the sector is performing. It is in fulfillment of this that Wasreb is mandated to monitor the performance of the sector and disseminate information on this to the public.

The publication of *Impact Report* is done in fulfillment of this mandate. In the course of the year, the third issue of the report was published and launched. The report reflects the performance of the sector for the periods 2006/7 and 2008/9.

How the sector performed

Impact 3 showed a general improvement in sector performance between 2007 and 2009, with water coverage in urban areas rising from 37 per cent to 45 per cent.

The report also showed a steady improvement in the responsiveness of WSPs to customer needs. Substantial effort also went into reducing Non Revenue

Water (NRW) in realization that the little water that is available must be managed well.

Highlights of sector performance as was captured by the report is reflected below:

Water Coverage

Water coverage improved from 37 per cent in 2006/7 to 45 per cent in 2008/9. This represents an increase of 8 per cent. The increase was attributed to increased investments in infrastructure, supported by the government and development partners.

Sanitation Coverage

The average sanitation coverage, which includes sewerage and pit-latrines, was 50 per cent. While this represented an improvement from previous years, it was still clearly below the acceptable sector benchmark of 80 per cent.

Non Revenue Water

Average Non Revenue Water rose from 47 per cent to 49 per cent. Sector performance in NRW was far from meeting the set benchmark of 25 per cent.



The average metering ratio increased by 1% from 82 per cent to 83 per cent. This, however, was still below the acceptable sector benchmark of 95 per cent.



Metering Ratio

The average metering ratio increased by 1% from 82 per cent to 83 per cent. This, however, was still below the acceptable sector benchmark of 95 per cent.

Hours of Supply

During the reporting period, the average hours of supply improved from 14 hrs per day to 15 hours per day.

Water Quality

There was an improvement in this indicator, which means that more WSPs were carrying out the required number of quality tests, and fulfilled the residual chlorine standards.

Dormant Connections

The national average for dormant connections continued to be high at 37 per cent compared to 20 per cent in the last reporting period.

Revenue Collection Efficiency

Revenue collection efficiency dropped from 86 per cent to 83 per cent.

Cost Coverage

On average, WSPs were able to cover only 97 per cent of their costs, which indicated lack of sustainability.

Staffing

The indicator improved from 11 to 8 staff per 1000 connections. Hence, the national average moved to the acceptable sector benchmark for all sizes of WSPs.

Performance of WSBs

Although WSBs showed a slight improvement over time, their performance was generally wanting. They displayed a poor level of information disclosure on important sector aspects like rural water supply and sanitation, investments undertaken, and subsidies received. For instance data on investments, subsidies and schemes operated by WSBs through District Water Officers was not submitted to Wasreb.

Introducing Incentives in Regulation of Water Services

Nyeri Water and Sewerage Company and Athi Water Services Board emerged tops at the first Water Services Sector Awards presented by Wasreb in the course of the year. The awards were presented to Water Service Providers (WSPs) and Water Services Boards (WSBs) based on their performance in the year 2008/09.

During the function, Nyeri was declared the best WSP, followed by Meru and Embu. Athi Water Services Board emerged top in the Boards category. It was followed by Coast, and Northern WSBs.

Tambach Water Services Company won position one as the most improved WSP. It was followed by Othaya Mukurweini and Kiambu Water Service Companies.

The lowest performers were Upper Chania, Kwale, and Rumuruti.

Those whose performance declined most were Ndaragwa, Olkalou, and Chemosit.

The introduction of performance awards by Wasreb is an important step in making use of incentives in the regulation of Kenya's water sector.

The Awards were based on the third issue of Impact 3 Report which was launched at the ceremony. Impact report documents the performance of Water Services Boards (WSBs) and Water Service Providers (WSPs), in line with the commitments in the licences and the SPAs, and compares the performance amongst the WSPs and also the WSBs. The purpose of the report is to introduce a benchmarking mechanism and encourage comparative competition in the water services sector to encourage growth.



Prices galore

Influencing Perceptions through Media

During the year, a media campaign was initiated to communicate the work of the regulator to the public. Messages were disseminated on vandalism and illegal practices, and the importance of regulation. Following a three-month campaign on Citizen TV, GTZ contacted a perception survey on the water sector. Findings of the survey are as indicated:

- ▮ Wasreb recorded the second highest level of awareness at 66% among sector institutions, coming after the Ministry of Water and Irrigation which recorded the highest awareness level at 98%.
- ▮ Wasreb was said to be best known for: Formulation of water regulation policies (81%); Checking on the quality & standards of water (7%); Acting as an advisory body (1%).
- ▮ Wasreb adverts were rated as being the most appealing at 38 per cent, followed

by the Ministry of Water and Irrigation at 14%, and Nairobi Water and Sewerage Company at 6%.

- ▮ Water Action Groups (WAGs) were perceived as having the following roles: taking disciplinary actions on Water related cases (30%); providing water to locals (27%); working with water funding groups and Ministry (18%); protecting consumers (11%); creating awareness (7%), and advocating for proper water use (7%).
- ▮ Wasreb was said to have 'endeavored to carry out its mandate despite capacity limitations...' Official MWI.
- ▮ Wasreb was also known to be 'monitoring the performance of Water Services Boards and has helped to improve services...' Official MWI.

Which advert/informercials/ communications did you find most appealing?

Institution	Percentage %
Water Services Regulatory Board (Wasreb)	38
Ministry of Water and irrigation (MWI)	14
Nairobi Water & Sewerage Company	6
Garissa Water & Sewerage Company	6
Meru Water & Sewerage Company	5
Water Services Trust Fund (WSTF)	4
Kenya Water Institute (KEWI)	4
Nakuru Water & Sewerage Company	4
Nyeri Water & Sewerage Company	3
Kisumu Water & Sewerage Company	3
Tana Water Services Board	2
Lake Victoria Water Services Board	2
Western Water Sewerage Company	2
Eldoret Water Sewerage Company	1

Source: GTZ Perception survey on Water Sector Reforms 2011

Utilizing Citizen Representatives in Consumer Affairs

WAGs have been able to provide feedback on different matters in the sector



Regulation, by and large, is about consumer protection in respect to service delivery. In a bid to improve service levels and ensure consumer protection, Wasreb piloted the Water Action Groups (WAGs) concept in the year 2010, in the four towns of Nairobi, Mombasa, Kisumu and Kakamega.

The main purpose of the pilot was to bridge the gap between sector institutions and consumers, and by so doing improve responsiveness to consumer concerns as well as improving consumers' faith in sector institutions. As a link between consumers and sector institutions, WAGs have been able to provide feedback on different matters in the sector and in relation to sector reforms. Members have held various public forums together with Water Service Providers (WSPs) and Water Service Boards (WSBs). WAGs were also mandated to take up complaints and issues that have been presented to WSPs and not resolved, and follow up on them through the respective WSP until they get resolved or until it becomes necessary to escalate them to oversight bodies.

Although WAGs were setup to ensure social accountability, the approach used has been one aimed at improving the capacity of Sector Institutions to deliver services, as opposed to agitation and pointing of fingers. This has been done by making use of Complaints forms detailing particulars of cases raised by consumers, and discussing these cases with Service Providers. For progressive

Managers, it has helped them get a sincere picture and feedback on operations and areas for improvement. Partnerships with WSPs and WSBs facilitated joint community meetings, and this has gone some way in improving the image consumers have of Water Sector Institutions, for like the old saying goes, a problem shared is a problem half solved. Consumers have been delighted to have 'Water Officers' coming to listen to their problems.



Just as with any other accountability initiative, WAGs concept was received with a lot of suspicion and hostility by Water Service Providers. It was challenging getting WSPs to acknowledge that some operations have not been happening right, and that the complaints lodged were genuine. Few people like to be told that they are not doing the right thing, but some Managers seized the opportunity to use the information provided to strengthen operations. The situation has been complicated by water cartels that are making a kill by manipulating water supply. It is not surprising therefore that percentages of Unaccounted for Water still remain quite high.

Corruption indeed fights back and the WAGs concept has not been spared of its fair share of challenges.

Nevertheless, it has to be acknowledged that major strides have been made to improve service delivery. In the areas WAGs have been operating, there have been commendable efforts by Sector Institutions to improve services. For example in Kakamega, with

the commissioning of Tindinyo Project, the area covered now has more water supply than demand. Kisumu's Dunga treatment plant, popularly known as 'the Christmas gift to Kisumu residents', will be commissioned soon and will greatly improve water supply in the area. Different interventions have similarly happened in the other towns.

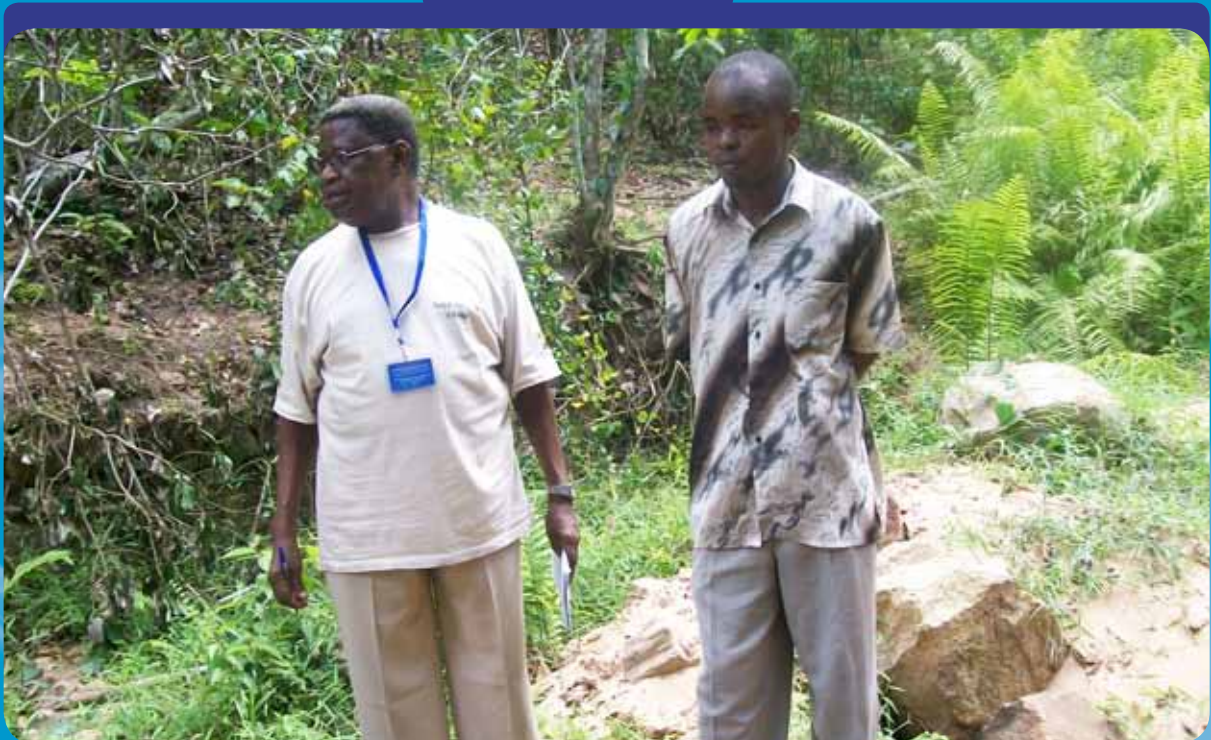
The glaring disconnect still remains issues of service delivery. Without doubt, there are major problems across the board with billing, metering, water supply scheduling, response to bursts and leakages, sewerage, water theft and customer care. These are issues that will have to be confronted with sincerity and with a sense of purpose.

One thing that has emerged very strongly through the WAGs initiative, is the fact that consumers rarely make unfounded or frivolous complaints. Their issues will thus have to gain greater attention in the future. Huge gains have been made. There have been over 400

There has been extensive consumer education and involvement including holding of over 50 public forums.

cases followed up on behalf of consumers, most of which were resolved satisfactorily and the rest referred for management follow-up. There have been numerous cases of water bursts and leakages reported for repair. There has been extensive consumer education and involvement including holding of over 50 public forums. WAGs also held 25 Focus Group Discussions to understand underlying problems in different areas, and organized Public Hearings to facilitate deliberations on the same. The issues handled touch on the very lives of citizens, and each case resolved has put a smile on someone's face.

With the successful conclusion of the pilot, Wasreb plans to institutionalize the concept and roll it out to other towns. Water as a right has been enshrined in the new constitution, and this has many implications on service delivery, implications that have to be internalized by both sector institutions and Consumers. And with initiatives aimed at involving the consumer like the WAGs initiative, we are right on track.



Members of WAGs on an inspection tour. Consumer involvement is vital in water conservaton



Regulators from Mozambique, Tanzania and Lesotho field questions from participants at the Mombasa meeting

Collaboration Enhanced as Regulators Sign Pact

The Water Services Regulatory Board was host to seven water regulatory agencies who congregated in Kenya's Coastal Town of Mombasa at the 4th East and Southern African Water Utilities Regulators' Meeting (ESAWUR), held in the year.

The objective of the meeting was to share experiences that could facilitate the development of water regulation in individual countries. The most important outcome of the meeting was the signing of the ESAWUR constitution by all members, as it will further formalize collaboration between the regulators.

The forum, whose theme was "Responding to the changing Environment", brought together more than 30 participants drawn from water utility regulators in Kenya, Zambia, Tanzania, Mozambique and Rwanda. In addition, Uganda and Lesotho attended the forum as observers. GTZ and representatives from the Ministry of Water and Irrigation in Kenya were also present

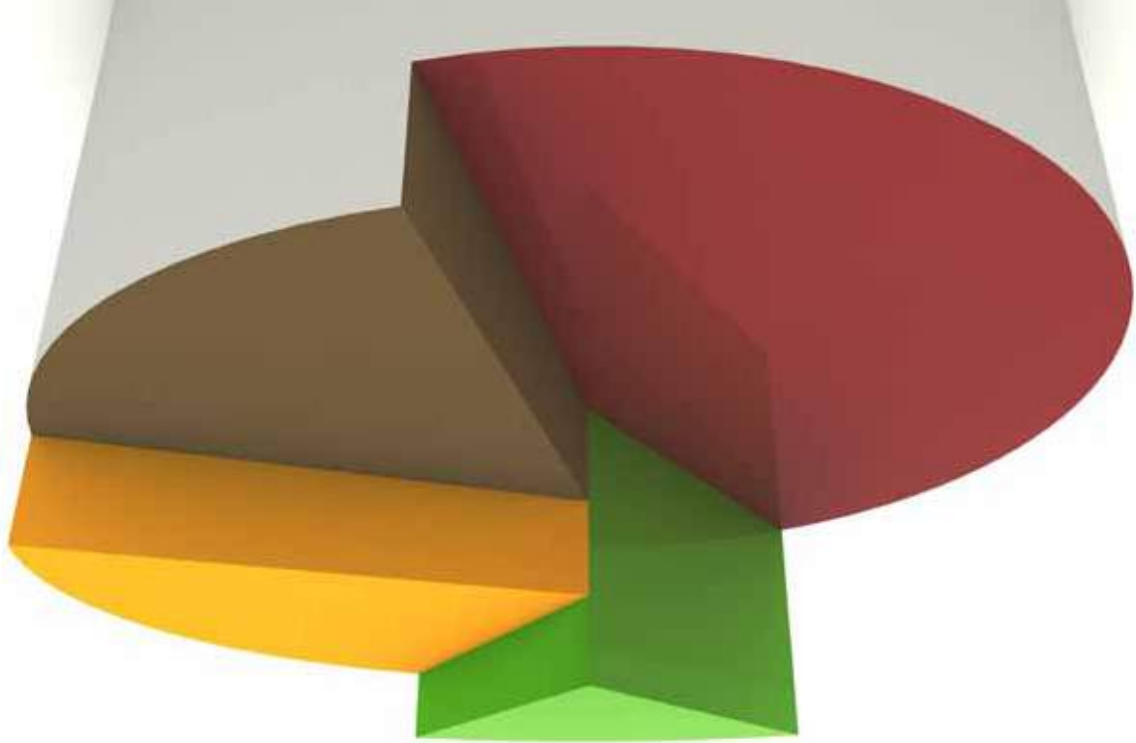
During the 3rd ESAWUR meeting, held in Maputo, Mozambique, the Regulators signed a Memorandum of Understanding (MoU) committing themselves to co-operate for purposes of improving their work.

Training: More Staff get Skills Exposure

As part of the process of building capacity within Wasreb, a number of courses were undertaken in the last quarter by staff and Board of Directors both internally and outside the country. The courses which were funded by both the organization and external donors enabled

the participants acquire skills and exposure in their areas of operation. The courses conducted were in the areas of general management, Human Resource Management, Communications, Finance, Networking and Water Management.

Course	Period and Venue	Participants
15 th International AfWA Congress and Exhibition	15 th -18 th March 2010, Kampala, Uganda	Head, Regulatory Services Head Communication and Information Management Engineer Regulatory Services
The Pillars to a successful Audit Committee	24 th -26 th March 2010, Whitesands Hotel, Mombasa	Three members of the audit committee
Gender Mainstreaming Workshop	22 nd -27 th March 2010, KCB Leadership Centre, Karen, Nairobi	Human Resource Manager
Africa Adaptation to climate change programme inception workshop	25 th -26 th March 2010, Kenya School of Monetary Studies, Nairobi	Chief Executive Officer
Rural Water Services Performance Assessment	13 th -15 th April 2010, Kampala, Uganda	Chief Executive Officer Inspectorate Manager
Strategic Negotiations	19 th -23 rd April 2010, Kenya Development Learning Centre, K.I.A, Nairobi	Human Resource Manager
Best practices in public expenditure management	3 rd -28 th May 2010, Lusaka, Zambia	Accounts Assistant
Database Systems Design, Implementation and Management	3 rd -28 th May 2010, Arusha, Tanzania	ICT Assistant
Corporate Governance Workshop	2 nd - 4 th June 10, 2010, Nairobi	11 Board Directors
Records Management Programme	6 th October 2010, Durban, South Africa	Secretary
Management Development Programme for Executive Assistants III	4 th to 29 th October 2010, Mombasa	Secretary
Project Management Programme	23 rd August to 17 th September 2010, Mbabane, Swaziland	Engineer
Purchasing and Supply Chain Management	6 th to 24 th September 2010, Mbabane, Swaziland	Procurement Officer
Public Participation in Regulatory Process	23 rd to 27 th August 2010, Washington DC	Head, Communications and Information Management.
World Water Week	4 th to 13 th September 2010, Stockholm, Sweden.	Chief Executive Officer
The 3 rd EA Human Resource Summit	6 th to 8 th October 2010, Kampala, Uganda.	Human Resource Officer
Implementing IT Security in the Enterprise	27 th January 2011, Nairobi	ICT Assistant



Financial Statements

THE YEAR ENDED 30TH JUNE 2010

At a glance

Letter from the Auditor	30
Statement of Comprehensive Income	31
Statement of Financial Position	32
Statement of Cashflow	34
Accounting Policies	35
Notes to the Accounts	36



Kenya National Audit Office

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF WATER SERVICES REGULATORY BOARD FOR THE YEAR ENDED 30 JUNE 2010

I have audited the accompanying financial statements of Water Services Regulatory Board set out at pages 12 to 20, which comprise the Statement of Financial Position as at 30 June 2010, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flow for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of 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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Auditor General

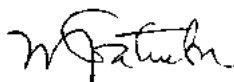
My responsibility is to express an independent opinion on the financial statements based on the audit. The Audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining 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 controls 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 controls. 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 the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements present fairly, in all materials respects, the financial position of the Board as at 30 June 2010, and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Water Act, 2002.


A. S. M. Gatumbu
AUDITOR GENERAL

Nairobi.
12 January, 2011



Statement of Comprehensive Income

FOR THE YEAR ENDED 30TH JUNE 2010

	Notes	2009/10 (Kshs)	2008/09 (Kshs)
INCOME			
GOK Grants	1	10,341,360	6,909,246.00
Regulatory Levy		65,714,076	56,404,389.00
Miscellaneous Income	2	537,883	504,100.00
Donor Grants	3	6,308,608	2,923,676.00
		82,841,427	66,741,411.00
EXPENDITURE			
Personal emoluments	4	35,642,151	31,007,737.00
Administration Costs	5	33,100,259	27,985,786.00
General Office Expenses	6	786,746	564,014.00
Audit Fees		300,000	300,000.00
Board Expenses	14	7,412,004	
Depreciation	7	6,675,476	5,384,481.00
		83,916,636	65,242,019.00
SURPLUS / (DEFICIT) FOR THE YEAR		(1,075,209)	1,499,392.00

N.B

Notes can be found from page 36 - 39.



Statement of Financial Position

AS AT 30TH JUNE 2010

	Notes	2009/10 (Kshs)	2008/09 (Kshs)
NON CURRENT ASSETS			
Property, Plant and Equipments	7	16,210,622	13,250,265
CURRENT ASSETS			
Receivables	8	12,780,803	15,547,220
Cash and Cash equivalents	9	52,234,780	45,105,277
Other current Assets	10	1,978,829	425,337
		66,994,412.00	61,077,833
CURRENT LIABILITIES			
Payables	11	(7,073,938)	(6,552,709)
Net Assets		76,131,096	67,775,389
FINANCED BY			
Capital Reserves	12	30,739,820	21,385,820
Revenue Reserves	13	45,319,276	46,389,569
		76,131,096	67,775,389

Prof. Albert Mumma
Chairman

Date

Eng. Robert Gakubia, HSC
Chief Executive Officer

Date



Statement of Financial Position

AS AT 30TH JUNE 2010

	Capital Reserves (Kshs)	Revenue Reserves (Kshs)	Totals (Kshs)
Year ended 30th June 2009			
Balance at start year	8,713,322	44,890,177	67,775,389
Funds received during the year	12,672,498	-	12,672,498
Surplus (Deficit) for the year	-	1,499,392	1,499,392
Balances at end of year	21,385,820	46,389,569	67,775,389
Year ended 30th June 2010			
Balance at start year	21,385,820	46,389,569.00	67,775,389
Funds received during the year	9,482,000	-	9,482,000
Prior year adjustment	-	76916	76,916
Surplus for the year	-	(1,075,209)	(1,075,209)
Balances at end of year 30.06.2010	30,867,820	45,391,276	76,259,096

Statement of Cashflow

FOR THE YEAR ENDED 30TH JUNE 2010

	2009/10 (Kshs)	2008/09 (Kshs)
Surplus generated from operating activities	(1,075,209)	1,499,392
Adjustment for:		
Depreciation	6,675,476	5,384,481
Prior year adjustment	(76,916)	
Changes in working capital:		
Increase/(Decrease) in receivables	1,212,924	4,901,950
Increase/(Decrease) in payables	521,229	2,448,209
	1,734,153	7,350,159
Net Cash from operating activities	7,257,503	14,234,032
Investing activities		-
Net cash from investing activities	(128,000)	-
Net increase in cash and cash equivalent	7,129,503	14,234,032
Cash and cash equivalents at start of year	45,105,277	30,871,245
Cash and cash equivalents at end of year	52,234,780	45,105,277

Accounting Policies

a) Basis of Preparation

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) under the historical cost convention.

b) Revenue Recognition

- ▮ Regulatory levy is recognized on accrual basis when income is earned from Water service Providers and
- ▮ Miscellaneous income is accounted for on a receipt basis

c) Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation. 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	per%
Motor Vehicle	- 20
Furniture, Fittings and Office Equipment	- 15
Computers, software	- 33.33

d) Receivables

Trade receivables are recognized and carried at original amount less any unrecoverable amount.

e) Retirement Benefit Obligation

Employees of the Board seconded from National Water Conservation and Pipeline Corporation (NWCPC) are members of contributory pension scheme. The Board makes a monthly contribution of 25% of the employee's basic salary and the employees contribute 5% of the monthly basic salary.

f) Comparatives

Where necessary comparative figures have been adjusted where applicable to conform to changes in the current presentation.

g) Accounting for government grants

The government grants received were credited to income and expenditure account as per the IAS No.20. The nature and amount received during the year is disclosed under note 1 to the accounts.

h) Incorporation

The Board is a State Corporation established under the Water Act 2002

i) Reporting Currency

These accounts are presented in Kenya Shillings (Kshs.)

j) Provision for Bad Debts

The provision for bad debts is 10% of the amount outstanding.

Notes to the Accounts

FOR THE YEAR ENDED 30TH JUNE 2010

1. GOK Grants

The amount of government grants of Kshs.10,341,360 received for the financial year was as follows:

	2009/10	2008/09
Recurrent	8,000,000	3,616,176
Salaries paid by Ministry to staff	2,341,360	3,293,070
Seconded to the Board	10,341,360	6,909,246

2. Miscellaneous Income

Sale of Tenders	356,000	
Interest income	181,883	504,100
	537,883	504,100

3. Donor grants

Development of strategic plan	1,742,750	
Board Induction	348,000	
Printing of regulatory tools	832,926	
WAGS-programmes	2,860,500	
Capacity building Programs	3,448,108	
	6,308,608	2,923,676

4. Personal Emoluments

Salaries	29,889,945	25,255,891
Reimbursements	1,450,148	1,216,620
Pension Costs	1,365,197	1,247,017
Gratuity	2,936,861	2,448,209
Honoraria	-	840,000
	35,642,151	31,007,737

5. Administration Costs

Staff training	2,694,876	459,140
Transport Expenses	926,712	1,126,480
Traveling & Accommodation	6,437,690	2,210,766
Communication Expenses	2,138,954	2,379,033
Consultancy expenses	-	2,399,859
Board Expenses	-	5,750,548
Advertising & Publicity	7,980,212	1,053,763

Notes to the Accounts

FOR THE YEAR ENDED 30TH JUNE 2010



	2009/2010	2008/2009
Bank Charges & other operating exp.	567,093	1,063,264
Rent & Rates	5,789,095	4,377,516
Publishing & Printing	1,234,270	1,988,605
Insurance cost	3,022,908	3,901,425
Office running expenses	2,631,442	1,817,113
Provision for bad debts	(322,995)	(541,727)
	33,100,259	27,985,786

6. General Office Expenses

Purchase of Uniforms	77,532	-
Computer Expenses	709,214	564,014
	786,746	564,014

7. Fixed Assets Schedule for the period ended 30th June 2010

	Motor Vehicles	Furniture and Fittings	Computer and Equipment	Total
Cost at 1.07.2009	12,062,048	4,477,543	12,701,123	29,240,714
Additions	9,354,000	-	128,000	9,482,000
Prior year adjustment	-	77,353	(437)	76,916
Costs at 30th June 2010	21,416,048	4,554,896	12,828,686	38,799,630
Depreciation				-
At 1.07.2009	6,018,983	1,830,227	8,064,319	15,913,529
Charge for the period	3,880,550	671,631	2,123,294	6,675,476
Accumulated Depreciation	9,899,533	2,501,858	10,187,614	22,589,008
Net Book Value as at 30.06.10	11,516,513	2,053,038	2,641,072	16,210,622
Net Book value as at 30.06.09	6,113,065	2,527,413	4,641,241	13,250,265

Notes to the Accounts

FOR THE YEAR ENDED 30TH JUNE 2010

8. Receivables	2009/10	2008/09
Staff debtors	241,206	100,664
Trade debtors		
Lake Victoria South	4,654,000	5,909,187
Rift Valley Services Board	350,000	610,000
Lake Victoria North Services Board	3,103,885	3,327,797
Coast Water Services Board	2,300,000	2,833,687
Athi Water Service Board	3,525,000	4,482,169
	13,932,885	17,162,840
Provision for Bad Debts	(1,393,288)	(1,716,284)
	12,539,596	15,446,556
Total	12,780,803	15,547,220

9. Cash and Cash Equivalent	2009/2010	2008/2009
NBK-cb balance	35,829,245	45,105,277
Securities-T bills	9,755,455	
Fixed Deposit	6,000,000	
Coop bank -cb balance	650,080	
Total	52,234,780	

10. Other Current Assets

Prepaid Rent	377,930	377,930
Accrued Interest	189,224	47,407
Prepaid insurance	1,411,674	
Total	1,978,829	425,337

Notes to the Accounts

FOR THE YEAR ENDED 30TH JUNE 2010

11. Payables

Royal Media Services	2,784,000	
Audit fees	300,000	300,000
Gratuity for staff	2,989,938	5,252,709
Performance Guarantee	1,000,000	1,000,000
Total	7,073,938	6,552,709

12. Capital Reserves

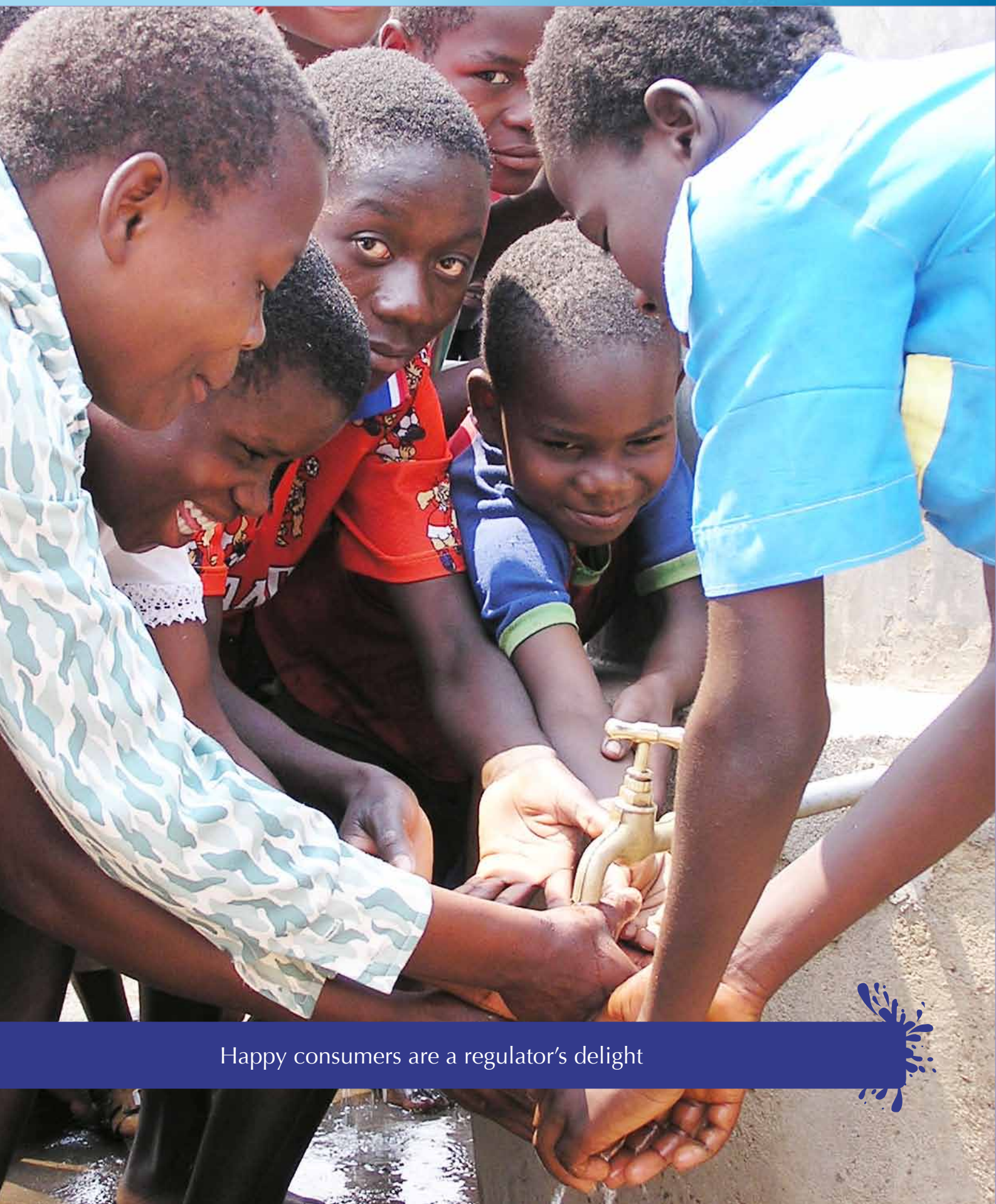
Brought Forward	21,385,820	8,713,322
Capitalized Assets in the year	9,354,000	12,672,498
Carried forward	30,739,820	21,385,820

13. Revenue Reserves

Brought Forward	46,389,569	44,890,177
Surplus (Deficit) for the year	(1,075,209)	1,499,392
Prior year adjustment	76,916	
Carried forward	45,391,276	46,389,569

14. Board Expenses

Honoraria	960,000
Sitting Allowance	6,452,004
Total	7,412,004



Happy consumers are a regulator's delight





Water Services Regulatory Board
5th Floor, NHIF Building, Ngong Road
P.O. Box 41621 - 00100 GPO Nairobi, Kenya
Tel: +254 (0)20 2733559/61
Fax: +254 (0)20 2733558
Email: info@wasreb.go.ke
Website: www.wasreb.go.ke

