



# Annual Report

## 2014-2015



*Water Services for All*





# **WATER SERVICES REGULATORY BOARD**

**Annual Report and  
Financial Statements For  
The Year Ended 30th June 2015**





### **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.

### **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

To be a model regulator of water services.

## Mission

To regulate water services in line with the human right to water and sanitation.

## Strategic Objectives

- 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.

## Mandate

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



Capt. Antony M Kiroken  
Chairman



Eng. Robert Gakubia HSC  
Chief Executive Officer



Eng. Mohammed N. Ali



Ms. Eunice Karanja



Hon. Kalembe Ndile



Mr. James Mithika



Mr. Paul Logisoi



Ms. Mariam Lugonzo



Ms. Leah Naikanee





## **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).

## **Dr. Julius K. Itunga**

Dr. Julius K. Itunga is the Director Corporate Services. He holds a Doctor of Philosophy (PhD) in Business Administration from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Master in Business Administration and Bachelor of Commerce, Finance Option both from the Catholic University of Eastern Africa (CUEA). He is a Certified Public Accountant of Kenya (CPAK), Certified Public Secretary of Kenya (CPSK); a member of the Institute of Certified Public Accountant of Kenya (ICPAK) and Institute of Certified Public Secretaries of Kenya (ICPSK). Dr. Itunga has over 25 years of experience in public sector management having worked previously in senior positions in Kenya Posts and Telecommunications Corporation/Telkom Kenya, Agricultural Development Corporation and National Biosafety Authority. He also worked as an Associate Lecturer at the Kenya Methodist University and has published extensively in refereed journals.

## **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**

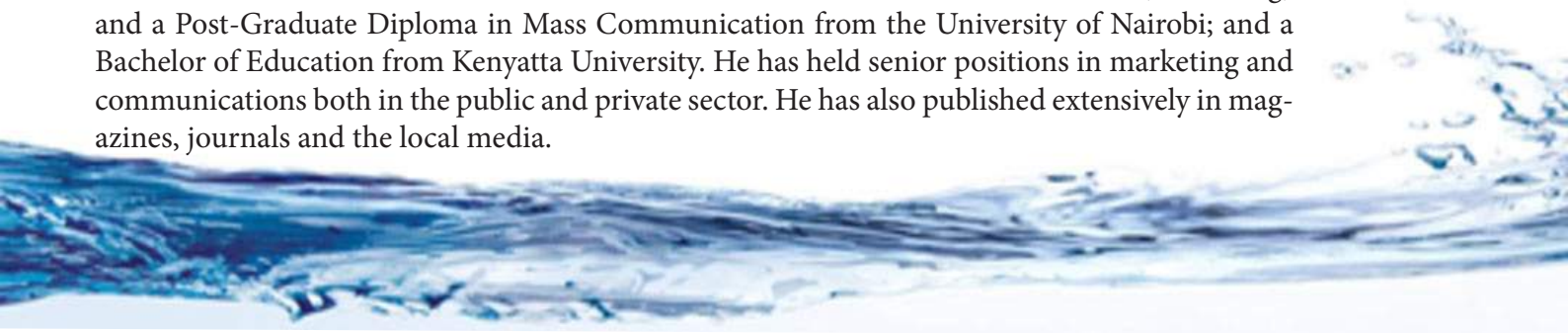
Eng Peter Njaggah is the Director Technical Services. He holds a Bachelor of Science degree in Civil Engineering from the University of Nairobi and Master of Science degree in Environmental Engineering from the University of New Castle –Upon Tyne in UK.

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.







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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON WATER SERVICES REGULATORY BOARD FOR THE YEAR ENDED 30 JUNE 2015

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Water Services Regulatory Board set out on pages 1 to 16, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as 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 Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 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 of the Public Audit Act 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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

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*Water Services Regulatory Board - Annual Report and Financial Statements for the year ended 30 June 2015*

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*Promoting Accountability in the Public Sector*





presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

#### **Basis for Qualified Opinion**

##### **Unpaid Penalties**

Included in the trade and other receivables balance of Kshs.100,788,843 as at 30 June 2015 is an amount of Kshs.576,500 being unpaid penalties. Though the Board suspended charging the penalties due to Devolution, the future collections of those penalties remain unclear.

In the circumstances, the recoverability of the unpaid penalties of Kshs.576,500.00 remained doubtful as at 30 June 2015.

##### **Qualified Opinion**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2002 and State Corporations Act, Cap 446 of the Laws of Kenya.

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

**Nairobi**

**09 May 2016**



## 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, 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 practised 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.

### 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 of Ms. Leah Naikanae (Chairperson), Ms. Mariam Lugonzo and James Mithika. Its responsibilities include; Performance contract negotiation; Reviewing of Annual Accounts; Reviewing Development and Recurrent Budgets; Recommendation of Board's Strategic Document, monitoring all human resources matters and monitoring the financial management of the corporation.

## Technical Services Committee

There is a Technical Services Committee whose membership comprises Mr. Kalembe Ndile (Chairman), Ms Eunice Karanja, Eng. Mohammed Noor. Its responsibilities include; Overseeing development and enforcement of regulations and laws; Approval of tariffs; Reviewing of Water service standards and ensuring compliance; Approval of Service Provision Agreements; Recommending 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 Management Committee

The board has constituted an audit committee which meets four times a year or as necessary. Its membership comprises of Mr. Paul Logisoi, Eng. Mohammed Noor, Mr. James Mithika (Chairman). Its responsibilities include; examining and assessing the effectiveness of the internal control system; approving the Internal Audit programs; carry 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 advices to different stakeholders in the sector to facilitate access to quality water services.







## 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 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 2015 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:

**CAPT. ANTONY MEITIAKI KIROKEN**  
Chairperson

**ENG. ROBERT GAKUBIA**  
Chief Executive Officer





Wasreb recognizes that the financial health of any institution is a key determinant for sustainability. Therefore, in the review period, the Regulator continued employing measures to ensure that a sound financial base was maintained. Among the measures put in place in the year included, adopting forward planning for all the Board's activities for the year, strict adherence to the approved procurement plan, adopting work plans with resource requirements that enable timely procurement, strict monitoring of fund utilisation on all budget lines and undertaking a variance analysis between the budgeted and the utilised funds at the end of the financial year. Thus, cost control measures were undertaken to ensure efficiency in all operations.

In addition the Board complied with the budget guidelines issued by The National Treasury. The budget was based on the resources availed which would be expended in accordance with the approved budget. The Board targeted to collect a sum of KShs.110 Million in the year 2014/2015 as regulatory levy from the eight Water Services Boards (WSBs).

## **SERVICE DELIVERY**

The Board implemented the recommendations in the 2013/14 Customer Satisfaction Survey by enhancing public participation in regulatory issues through seminars, meetings, print media, electronic media and online platforms. It also established linkages with County Governments through correspondence, seminars and meetings.

On service delivery automation, the Board developed and implemented an electronic Document Management System (DMS) to promote efficiency in the handling of service related information. This was done to ensure proper file indexing is in place, develop workflows based on the current procedure of document flow training of users.

Further, the Board adopted and operationalized the updated e-Government standards, digitized all approved tariffs, rolled out the MajiVoice system to two additional WSPs and conducted training for its staff as well as for those from WSPs on WARIS V.3. Implementation of an institutional e-waste policy was done.

Resolution of public complaints is key. The Board established a complaints handling and management infrastructure where it developed and displayed complaints-handling procedures, it developed and implemented service delivery charter, conducted capacity building for complaints-handling officers and staff and created awareness on the existence of the Board's complaints handling system by using all the possible communication channels.

## **OPERATIONS**

The Board advised the parent ministry- Ministry of Water and Irrigation on regulatory issues and policy direction under the National Water Services Strategy by monitoring implementation of Governance Standards in very large and large urban WSPs which have a five year SPA. The Board ensured that for five very large and large WSPs, Annual Reports existed and were published, Revenue Reconciliations were done, Annual General Meetings were held and Audited Accounts existed.







The Board monitored implementation of license conditions in WSPs by issuing recommendations and enforcement actions to the WSP and the County Governments. Compliance with standards in design, construction, operations and maintenance of facilities was monitored. The Board undertook eight (8) risk based inspections and developed minimum requirements for billing software.

The Board revised and implemented the Communications Strategy to align it with the devolved structure of government by promoting awareness and public participation through seminars, meetings, print media, electronic media and online platforms.

The Board facilitated Consumer Engagement in regulation through the Water Action Groups, WAGs, by holding public forums, Focus Group Discussions and provision of feedback on consumer complaints in eight WSPs areas (Nairobi, Mombasa, Kisumu, Nakuru, Kakamega, Garissa, Mavoko and Murang'a).

In efforts to implement Non-Revenue Water (NRW) management standards, the Board facilitated adoption of the NRW standards by the eight Water Service Boards by ensuring establishment of NRW Reduction units in the WSPs and development of a NRW reduction plan.

The Board advised the County Governments on the viability of water service providers by promoting the clustering of water service providers to form viable units through eight regional workshops. The Board also continued to update an inventory of WSPs that require operational subsidy and propose to the respective County Governments the nature, extent and conditions of the subsidy.

The Board ensured that all approved tariffs incorporate a social tariff (Flat rate) in the tariff structure to cater for the poor and underserved communities. This was realized through implementation of reviewed tariffs for six (6) WSPs.

The Board determined the real cost of providing sewerage services and the impact of charging cost recovery tariffs for sewerage services. This followed a study on the possibility of charging a sewerage services levy to cover part of collection treatment and disposal of waste water.

The Board collected data on the performance of WSPs and WSBs and published the IMPACT Report for the year 2014.

## **DYNAMICS/QUALITATIVE ORGANIZATION CAPACITY**

To strengthen the Board's institutional capacity, these activities were undertaken; reviewing the Skills Needs Assessment Report internally while reviewing and implementing a training plan based on the reviewed reports.

On Knowledge Management, the Board developed a Knowledge Management Policy to ensure that individual institutional knowledge is captured, shared and stored.

In the fight against corruption, the Board committed to level four (4), Zero incidence on corruption during the FY 2014/15. This was guided by the report on National Survey on Corruption and Ethics by the EACC that indicates the status/ranking of the Board.

Specifically, the Board submitted a work plan on the implementation of the sub-indicator in the first quarter; in addition it submitted a Procurement Plan, submitting quarterly reports to EACC, using prescribed format clearly indicating corruption prevention strategies implemented during the reporting quarter.



**Financial Statements For  
The Year Ended 30th June 2015**







**I. WATER SERVICES REGULATORY BOARD  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30th JUNE 2015**

	Note	2014-2015 Kshs	2013-2014 Kshs
<b>Revenue from non-exchange transactions</b>			
GOK Grants	3	30,245,100	45,735,300
Regulatory Levy	4	156,834,355	139,484,004
Miscellaneous Income	5	3,662,507	1,962,216
Donor Grants	6	52,255,783	18,485,087
<b>Total revenue</b>		<b><u>242,997,745</u></b>	<b><u>205,666,607</u></b>
<b>Expenses</b>			
Employee costs	7	73,850,658	60,534,073
Board expenses	8	12,675,513	10,987,581
Administrative Expense	9	157,350,327	80,850,993
<b>Total expenses</b>		<b><u>243,876,498</u></b>	<b><u>152,372,647</u></b>
<b>(Deficit)/Surplus for the period</b>		<b><u>(878,753)</u></b>	<b><u>53,293,960</u></b>





**II. WATER SERVICES REGULATORY BOARD  
STATEMENT OF FINANCIAL POSITION  
AS AT 30th JUNE 2015**

	Note	2014-2015	2013-2014
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	88,387,507	86,282,172
Receivables	11	100,788,843	104,826,134
Other current assets	12	4,581,826	4,617,937
		<b>193,758,176</b>	<b>195,726,243</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	15,589,063	16,901,042
<b>Total assets</b>		<b>209,347,239</b>	<b>212,627,285</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	799,150	2,283,770
Refundable deposits from customers		979,500	979,500
Employee benefit obligation		7,921,002	6,361,200
<b>Total liabilities</b>		<b>9,699,652</b>	<b>9,624,470</b>
<b>Net assets</b>		<b><u>199,647,587</u></b>	<b><u>203,002,815</u></b>
Capital Reserve	15	36,487,577	36,487,577
Revaluation Reserve	16	8,283,065	10,879,865
Accumulated surplus	17	154,876,945	155,635,373
<b>Total net assets and liabilities</b>		<b><u>199,647,587</u></b>	<b><u>203,002,815</u></b>



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**WATER SERVICES REGULATORY BOARD**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30th JUNE 2015**



	Capital Reserves	Revenue Reserve	Revaluation Reserve	Total
	Kshs	Kshs	Kshs	Kshs
<b>Balance as at 30<sup>th</sup> June 2013</b>	36,487,577	155,635,373	-	192,122,950
Surplus/ (Deficit) for the period	-	-	-	-
Revaluation Surplus	-	-	10,879,865	10,879,865
<b>Balance as at 30<sup>th</sup> June 2014</b>	<b><u>36,487,577</u></b>	<b><u>155,635,373</u></b>	<b><u>10,879,865</u></b>	<b><u>203,002,815</u></b>
<b>Balance as at 1st July 2014</b>	36,487,577	155,635,373	10,879,865	203,002,815
Depreciation on the revalued assets	-	-	(2,596,800)	(2,596,800)
Surplus/ (Deficit) for the period	-	(878,753)	-	(878,753)
Prior Year Adjustments	-	120,325	-	120,325
<b>Balance as at 30<sup>th</sup> June 2015</b>	<b><u>36,487,577</u></b>	<b><u>154,876,945</u></b>	<b><u>8,283,065</u></b>	<b><u>199,647,587</u></b>







**WATER SERVICES REGULATORY BOARD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30th JUNE 2015**

	<u>2014/15</u>	<u>2013/14</u>
	<b>KShs.</b>	<b>KShs.</b>
Surplus/Deficit generated from Operating activities	(878,753)	53,293,960
Adjustment for Prior Year Adjustment	120,325	
Depreciation	2,038,238	1,950,156
<b>Cashflow from operating activities before</b>	<hr/>	<hr/>
<b>Working capital changes</b>	<b>1,279,810</b>	<b>55,244,116</b>
(Increase)/Decrease in Receivables & other		
Current assets	4,073,402	(23,221,483)
Increase/ (Decrease) in Payables	75,182	(745,196)
	<hr/>	<hr/>
<b>Net Cash flow from operating activities</b>	<b>5,428,394</b>	<b>31,277,437</b>
Cash flow from investing activities		
Acquisition of assets	(3,323,059)	(348,000)
<b>Cash flow from financing activities</b>	<b>2,105,335</b>	<b>30,929,437</b>
Increase in Capital reserves	-	-
Decrease in Revenue reserves	-	-
<b>Net increase in cash and cash equivalent</b>	<b>2,105,335</b>	<b>30,929,437</b>
Cash and cash equivalents at start of year	86,282,172	55,352,735
<b>Cash and cash equivalents at end of year</b>	<b><u>88,387,507</u></b>	<b><u>86,282,172</u></b>



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

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>
	<b>2014-2015</b>	<b>2014-2015</b>	<b>2014-2015</b>	<b>2014-2014</b>	<b>2014-2015</b>
<b>Revenue</b>					
Regulatory levies	110,000,000	20,000,000	130,000,000	156,834,355	26,834,355
Government grants and subsidies	60,000,000	(30,000,000)	30,000,000	30,245,100	245,100
Miscellaneous Income	2,500,000	-	2,500,000	3,662,507	1,162,507
Donor Grants	-	52,255,783	52,255,783	52,255,783	-
Retained Earnings	34,098,823	(20,000,000)	14,098,823	-	(14,098,823)
<b>Total income</b>	<b>206,598,823</b>	<b>22,255,783</b>	<b>228,854,606</b>	<b>242,997,745</b>	<b>14,143,139</b>
<b>Expenses</b>					
Compensation of employees	81,952,851	-	81,952,851	73,850,658	8,102,193
Administrative expenses	112,437,827	16,843,928	129,281,755	155,312,088	(26,030,333)
Board Expenses	11,000,000	-	12,620,000	12,675,513	(55,513)
Other payments - Depreciation	1,208,145	-	5,000,000	2,038,238	2,961,762
<b>Total expenditure</b>	<b>206,598,823</b>	<b>16,843,928</b>	<b>228,854,606</b>	<b>243,876,497</b>	<b>(15,021,891)</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(878,753)</b>	<b>(878,753)</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



	<b>Capital Reserves</b>	<b>Revenue Reserve</b>	<b>Revaluation Reserve</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Balance as at 30<sup>th</sup> June 2013</b>	36,487,577	155,635,373	-	192,122,950
Surplus/ (Deficit) for the period	-	-	-	-
Revaluation Surplus	-	-	10,879,865	10,879,865
<b>Balance as at 30<sup>th</sup> June 2014</b>	<b><u>36,487,577</u></b>	<b><u>155,635,373</u></b>	<b><u>10,879,865</u></b>	<b><u>203,002,815</u></b>
<b>Balance as at 1st July 2014</b>	36,487,577	155,635,373	10,879,865	203,002,815
Depreciation on the revalued assets	-	-	(2,596,800)	(2,596,800)
Surplus/ (Deficit) for the period	-	(878,753)	-	(878,753)
Prior Year Adjustments	-	120,325	-	120,325
<b>Balance as at 30<sup>th</sup> June 2015</b>	<b><u>36,487,577</u></b>	<b><u>154,876,945</u></b>	<b><u>8,283,065</u></b>	<b><u>199,647,587</u></b>



**9. Administrative Expenses**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Advertising & Publicity	12,856,353	11,576,144
Audit fees	464,232	464,232
Conferences expenses	5,766,364	4,154,499
Consulting fees	39,170,562	11,665,731
Office running Expenses	4,421,977	3,767,943
Computer Expense	1,182,578	955,233
Repair & Maintenance expenses	957,704	1,176,812
Insurance expenses	10,018,334	9,478,134
Internet	482,400	921,240
Printing and stationery	134,095	2,209,025
Rental	14,578,549	13,066,050
Bank Charges & Other Operating Exp	2,610,252	1,376,736
Telecommunication	237,290	681,033
Capacity building	9,286,083	2,400,785
Allowances for Impairment ( General)	1,878,066	2,769,836
Allowances for Impairment (Specific)	24,747,428	-
Travel & Accommodation Expenses	25,560,178	11,624,370
Fuel and oil	959,644	613,034
Depreciation	<u>2,038,238</u>	<u>1,950,156</u>
<b>Total Administrative Expenses</b>	<b><u>157,350,327</u></b>	<b><u>80,850,993</u></b>







### 10. Cash and cash equivalents

Cash In Bank	47,923,945	65,842,035
Short-term deposits	<u>40,463,562</u>	<u>20,440,137</u>
<b>Total cash and cash equivalents</b>	<b><u>88,387,507</u></b>	<b><u>86,282,172</u></b>

### 11. Receivables

#### Current receivables

Staff Debtors	4,220,399	989,353
Water Service Boards	576,500	816,500
Trade debtors	134,154,858	114,557,701
Less: impairment allowance	(38,162,914)	(11,537,420)
<b>Total current receivables</b>	<b><u>100,788,843</u></b>	<b><u>104,826,134</u></b>

#### Reconciliation of impairment of receivables

As at 1 <sup>st</sup> July 2014	11,537,420	8,767,584
Charges in provision for the year (General)	1,878,066	2,769,836
Charges in provision for the year (Specific)	<u>24,747,428</u>	<u>-</u>
<b>As at June 2015</b>	<b><u>38,162,914</u></b>	<b><u>11,537,420</u></b>



**12. Other Current Assets**

	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Prepaid Insurance	4,119,332	3,855,630
Prepaid Internet	368,150	-
Prepaid training	<u>94,344</u>	<u>762,307</u>
<b>Total</b>	<b><u>4,581,826</u></b>	<b><u>4,617,937</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 2014	12,984,000	7,478,160	17,401,959	37,864,119
Additions	-	1,153,965	2,169,094	3,323,059
<b>At 30 June 2015</b>	<b>12,984,000</b>	<b>8,632,125</b>	<b>19,571,053</b>	<b>41,187,178</b>
<b>Depreciation and impairment</b>				
At 1 July 2014	-	(5,263,994)	(15,699,083)	(20,963,077)
Charge for the year	(2,596,800)	(567,480)	(1,470,758)	(4,635,038)
<b>At 30 June 2015</b>	<b>(2,596,800)</b>	<b>(5,831,474)</b>	<b>(17,169,841)</b>	<b>(25,598,115)</b>
<b>Net book values</b>				
<b>At 30 June 2015</b>	<b><u>10,387,200</u></b>	<b><u>2,800,651</u></b>	<b><u>2,401,212</u></b>	<b><u>15,589,063</u></b>
<b>At 30 June 2014</b>	<b><u>12,984,000</u></b>	<b><u>2,214,166</u></b>	<b><u>1,702,876</u></b>	<b><u>16,901,042</u></b>

Note;

All fully depreciated assets will be revalued in the following year.





#### 14. Trade and other payables

	2015	2014
	Shs	Shs
Trade payables	334,918	2,283,770
Audit fees	464,232	
Performance Guarantee	979,500	979,500
Gratuity	7,921,002	6,361,200
<b>Total trade and other payables</b>	<b>9,699,652</b>	<b>9,624,470</b>

#### 15. Capital Reserve

Brought Forward	36,487,577	36,487,577
<b>Carried Forward</b>	<b><u>36,487,577</u></b>	<b><u>36,487,577</u></b>

#### 16. Revaluation Reserve

	10,879,865	10,879,865
Amortization in the year	(2,596,800)	-
Carried Forward	<b><u>8,283,065</u></b>	<b><u>10,879,865</u></b>

#### 17. Revenue Reserve

Brought Forward	155,635,373	102,341,413
Surplus for the years	(878,753)	53,293,959
Prior Year Adjustment	<u>120,325</u>	_____ -
<b>Carried Forward</b>	<b><u>154,876,945</u></b>	<b><u>155,635,373</u></b>









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