

REPUBLIC OF KENYA



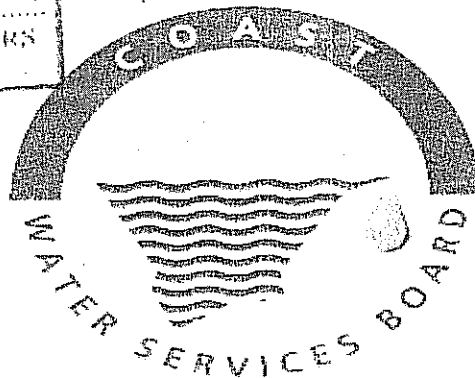
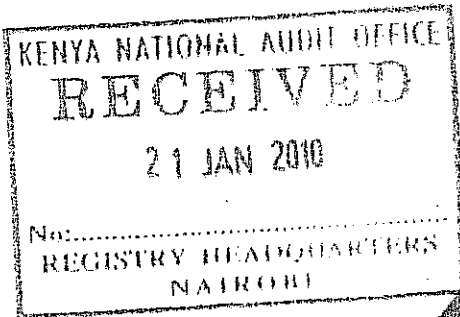
KENYA NATIONAL AUDIT OFFICE

**REPORT  
OF  
THE CONTROLLER  
AND AUDITOR-GENERAL**

**ON**

**FINANCIAL STATEMENTS OF  
COAST WATER SERVICES  
BOARD FOR THE YEAR  
ENDED 30 JUNE 2009**

# COAST WATER SERVICES BOARD



## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2009

**COAST WATER SERVICES BOARD  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2009**

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**COAST WATER SERVICES BOARD  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
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**BOARDS INFORMATION**

**Establishment**

The Coast Water Services Board is a body corporate established under the provisions of the Water Act 2002 of the laws of Kenya and it is domiciled in Kenya.

**Registered Office and principal Place of Business**

MIKINDANI STREET  
OFF NKRUMAH ROAD  
P.O BOX 90417,80100  
**MOMBASA**

**Bankers**

KCB BANK  
TREASURY SQUARE  
P.O. BOX 90254, 80100  
**MOMBASA**

**Independent Auditors**

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



**COAST WATER SERVICES BOARD  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
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**BOARD MEMBERS DURING THE FINANCIAL YEAR**

**CHAIRMAN**

Mr. Hamisi A. Mwachai  
P.O. Box 90417  
**Mombasa**

**MEMBERS**

Mr. John B. Kamunzyu  
P.O. Box 41437  
**Mombasa**

Mr. Ali Mohamed Fani  
P. O. Box 48  
**Lamu**

Mr. Boy Juma Boy  
P. O. Box 167  
**Lungalunga**

Mrs. Josephine Mboje  
P. O. Box 675  
**Voi**

Mrs. Getrude Bahati Charo  
P. O. Box 1373  
**Malindi**

Mrs. Margaret Ratemo  
Inspectorate State Corporation  
P.o Box 34457  
**Nairobi**

Ms Grace Nyarango  
Ministry of Finance  
P.o Box 30007  
**Nairobi**

**COAST WATER SERVICES BOARD  
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**BOARD MEMBERS DURING THE FINANCIAL YEAR**

Mr. Mohammed Hersi  
Kenya Association of Hotel Keepers and Caterers  
P. O. Box 90173  
**Mombasa**

Mr. Andrew K. Mattaza  
Kenya National Chambers of Commerce & Industry  
P. O. Box 566  
**Malindi**

Permanent secretary  
Ministry of Water & Irrigation  
P.O. Box 49720  
**Nairobi**

Mr. Patrick M. Karanja  
Ministry of Local Government  
P. O. Box 30004  
**Nairobi**

Mr. Benson G. Katana  
P.o Box 507  
**Malindi**

Eng. Idd A. Mwasina  
Chief Executive Officer  
Coast Water Services Board  
P.O Box 90417  
**Mombasa**

**COAST WATER SERVICES BOARD  
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**STATEMENT OF BOARD MEMBERS RESPONSIBILITIES**

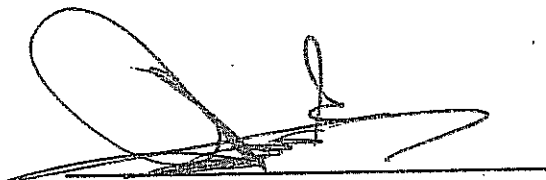
The Board Members are required to prepare financial statements which give a true and fair view of the state of affairs of the Board as at the end of each financial year and of its surplus or deficit for that year. The Board Members are required to ensure that the Board maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the Board. They are also responsible for safeguarding the assets of the Board.

The Board Members 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.

The Board Members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the coast Water Services Board as at 30<sup>th</sup> June 2009 and of its surplus for the year then ended. The Board Members further confirm the accuracy and completeness of the accounting records maintained by the Board which has been relied upon in the preparation of financial statements, as well as adequacy of the internal controls.

Nothing has come to the attention of the Board Members 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 Members and is signed on their behalf by:



**MR. Hamisi Mwachai  
CHAIRMAN**

DATE ..... 20/07/2010 .....

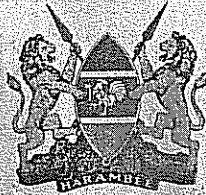


**MR. Andy Maro Tola  
CHIEF EXECUTIVE OFFICER**

DATE ..... 20/07/2010 .....

REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-341482  
E-mail: [cag@kenao.go.ke](mailto:cag@kenao.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P. O. Box 30084-00100  
NAIROBI

Date: .....

## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COAST WATER SERVICES BOARD FOR THE YEAR ENDED 30 JUNE 2009

I have audited the accompanying financial statements of Coast Water Services Board set out at pages 7 to 20 which comprise the Balance Sheet as at 30 June 2009, the Income statement, the Statement of Changes in Owners' Fund and the Cash Flow Statement 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 Controller and 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 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 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.

## 1. Outstanding Transfer of Assets and Liabilities

As previously reported, the Balance Sheet as at 30 June 2009 reflects total assets of Kshs.932,469,471 and total liabilities of Kshs.384,898,949. However, the balances exclude undetermined value of assets and liabilities which were to be transferred to the Board pursuant to Legal Notice No 101 of 12 August 2005. Further, the Board did not maintain a Fixed Assets Register during the year and as a result, it has not been possible to conduct a physical verification of the Property, Plant and Equipment stated at Kshs.108,659,448 as at 30 June 2009.

## 2. Trade and Other Receivables

- (i) As reported in 2007/2008, the Trade and Other Receivables balance of Kshs.519,976,101 includes an overdue debt of Kshs.84,427,767 owed by Mombasa Water and Sewerage Company Ltd since the year 2006, and a further amount of Kshs.2,832,965 relating to outstanding imprests. No reason has been provided for failure to have the Receivables paid. Further, no provision for bad and doubtful debts appears to have been made in the Accounts during the year.
- (ii) The debtors balances reflected in the records of the Board differ with those shown in the books of the Water Services Providers as shown below:-

Client	Balance as Reported by the Board Kshs.	Balance as Reported by the Company Kshs.	Variance
Kwale Water and Sewerage Co Ltd	52,204,226	58,694,657	6,490,431
Kilifi Mariakani Water and Sewerage Co Ltd	59,344,007	51,125,607	8,218,400
Tavevo Water and Sewerage Co Ltd	46,923,254	27,832,459	19,090,795
Lamu Water and Sewerage Co Ltd	226,207	1,536,356	1,310,149
Malindi Water and Sewerage Co Ltd	64,691,770	57,134,125	7,557,645

These variances have not been reconciled or explained. In the circumstances, the accuracy and recoverability of the Trade and Other Receivables balance of Kshs.519,976,101 as at 30 June 2009 could not be confirmed.

### **3. Unremitted Statutory Deductions**

Included in the Trade and Other Payables balance of Kshs.104,442,404 as at 30 June 2009 are unremitted statutory and other deductions totalling Kshs.20,021,276 and Kshs.34,144,264 in respect of the Paymaster General and Ukulima SACCO amongst others. The Board is therefore in breach of the law.

### **Opinion**

Except for the foregoing reservations, in my opinion, the financial statements give a true and fair view of the financial position of the Board for the year ended 30 June 2009, of 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

**CONTROLLER AND AUDITOR GENERAL**

**Nairobi**

**25 February 2010**

**COAST WATER SERVICES BOARD  
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FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2009**

**Income Statement for the year ended 30<sup>th</sup> June 2009**

	NOTES	2009 Kshs	2008 Kshs
Income	2	556,293,690	503,169,100
Operations expenses	3	293,392,677	281,314,207
Gross surplus		<u>262,901,013</u>	<u>221,854,893</u>
Grants	4	49,045,862	15,205,000
		311,946,875	237,059,893
Expenditure			
Staff costs	5	121,518,519	107,964,974
Establishment costs	6	6,994,106	5,937,175
Administration costs	7	44,462,911	52,364,464
Board expenses	8	<u>7,046,183</u>	<u>11,880,367</u>
		180,021,719	178,146,980
Surplus before miscellaneous income and finance charges		131,925,156	58,912,913
Miscellaneous income	9	7,230,553	17,671,078
		<u>139,155,709</u>	<u>6,583,991</u>
Finance & Legal costs	10	<u>1,920,337</u>	<u>12,215,525</u>
Surplus/ (loss) for the year		<u><b>137,235,372</b></u>	<u><b>64,368,466</b></u>

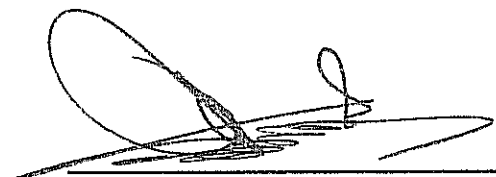


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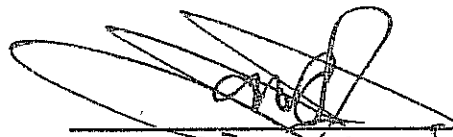
**Balance Sheet as at 30<sup>th</sup> June 2009**

	Notes	2009 Kshs	2008 Kshs
<b>Non- current assets</b>			
Property, Plant and Equipment	11	25,518,824	32,110,594
Work in progress	12	79,636,507	51,578,781
		-----	-----
		105,155,331	83,689,375
<b>Current assets</b>			
Inventories	13	5,227,912	3,886,139
Trade & other receivables	14	519,976,101	383,094,052
Customer deposit	15	11,695	1,980,926
Cash and Bank Balances	16	302,098,432	20,142,407
		-----	-----
		827,314,040	409,103,524
<b>Total assets</b>		<b>932,469,471</b>	<b>492,792,899</b>
		=====	=====
<b>Equity &amp; Liabilities</b>			
Retained surplus	17	547,570,522	410,335,150
<b>Current liabilities</b>			
Trade & Other payables	18	104,442,404	80,476,823
Customers deposit	19	11,695	1,980,926
		-----	-----
		104,454,099	82,457,749
<b>Non Current liabilities</b>			
World Bank Loan	20	280,444,850	
		-----	-----
		932,469,471	492,792,899
		=====	=====



**MR. HAMISI A. MWACHAI  
CHAIRMAN**

DATE ..... 20/07/2010 .....



**Mr. Andy Maro Tola  
CHIEF EXECUTIVE OFFICER**

DATE ..... 20/07/2010 .....



**COAST WATER SERVICES BOARD  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
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**Statement of changes in owners' Funds  
For the year ended 30<sup>th</sup> June 2009**

	<b>Board Capital Kshs.</b>	<b>Surplus Earnings Kshs.</b>	<b>Total Kshs.</b>
<b>2007/2008</b>			
Balance b/f	-	345,966,684	345,966,684
Surplus for the year	-	64,368,466	64,368,466
	-----	-----	-----
	-	410,335,150	410,335,150
	=====	=====	=====
<b>2008/2009</b>			
Balance b/f	-	410,335,150	410,335,150
Surplus for the year	-	137,235,372	137,253,372
	-----	-----	-----
Balance as at the end of the year	-	547,570,522	547,570,522
	=====	=====	=====

**COAST WATER SERVICES BOARD  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
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**Cash Flow Statement for the one year ended 30<sup>th</sup> June 2009**

	notes	2009	2008
		Kshs	Kshs
<b>Operating Activities</b>			
Surplus for the year		137,235,372	64,368,466
<b>Adjustment for:</b>			
Depreciation	11	6,591,770	6,678,739
		-----	-----
		143,827,142	71,047,205
<b>Changes in working capital</b>	20	(116,227,472)	(103,648,516)
		-----	-----
<b>Net cash flow from operating Activities</b>		27,599,670	(32,601,311)
<b>Investing Activities</b>			
Projects/work in progress	12	(28,057,726)	(27,237,429)
Purchase of computers, furniture & Equipment	11	0	(14,425,081)
		-----	-----
Net cash flow used in investing activities		(28,620,726)	(41,662,510)
		-----	-----
<b>Financing Activities</b>			
World Bank loan		280,444,850	
Net Increase in cash & cash Equivalents		279,980,910	(74,263,821)
Cash and Cash equivalents at the Start of year		<u>22,123,333</u>	<u>96,387,154</u>
Cash and Cash equivalent at end of year	16	<u>302,110,127</u>	<u>22,123,333</u>
		=====	=====