Water Sector Reform Programme Kenya - Component 2: Water Sector Regulation and Pro-poor Financing

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Kenya
Final Report: Capacity Building Needs Assessment

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Final Report
Capacity Building Needs Assessment

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ABBREVIATIONS AND ACRONYMS

AfDB  African Development Bank
AFD  French Development Agency
AWSB  Athi Water Services Board
CAG  Controller and Auditor General
CBOs  Community Based Organisations
CEO  Chief Executive Officer
CMT  Central Management Team
CWSB  Coast Water Services Board
DANIDA  Danish Development Agency
DMM  Delegated Management Model
EWASCO  Embu Water and Sanitation Company Limited
EMCA  Environmental Management and Coordination Act
FMIS  Financial Management Information System
GAWASCO  Garissa Water and Sewerage Company Limited
GOK  Government of Kenya
GTZ  Germany Technical Co-operation Agency
ICT  Information Communication Technology
IDA  International Development Agency
KIW  Kreditanstalt fur Wiederaufbau
KIWASCO  Kisumu Water and Sewerage Company Limited
KWSP  Kenya Water Sector Project
LVNWSB  Lake Victoria North Water Services Board
LVSWSB  Lake Victoria South Water Services Board
MD  Managing Director
MOH  Ministry of Health
MOLG  Ministry of Local Government
MOWASCO  Mombasa Water and Sewerage Company Limited
MWI  Ministry of Water and Irrigation
NEMA  National Environment Management Authority
NAWASSCO  Nakuru Water and Sewerage Services Company Limited
NGOs  Non-Governmental Organisations
NWCPC  National Water Conservation and Pipeline Corporation
NWSB  Northern Water Services Board
O&M  Operations and Maintenance
RUJAWASCO  Ruiru-Juja Water and Sewerage Company Limited
RVWSB  Rift Valley Water Services Board
SIDA  Swedish Development Agency
SIP  Sector Investment Plan
SPA  Service Provision Agreement
TNA  Training Needs Assessment
TOT  Training of Trainers
TWSB  Tana Water Services Board
UfW  Unaccounted for Water
UNICEF  United Nations Children Education Fund
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EXECUTIVE SUMMARY

1 Introduction

The German Technical Cooperation Agency (GTZ) together with Water Services Trust Fund (WSTF), have contracted a consortium comprising of the GFA Consulting Group GmbH, (GFA) and Fichtner Water & Transportation GmbH (ex Beller Consult GmbH), Freiburg and Wachira Iruungu & Associates, Nairobi (WIA) to provide consulting services under the "Water Sector Reform Programme (WSRP), Kenya".

There are currently fifty six (56) Water Service Providers (WSPs), considered for project initiatives, and seven (7) Water Service Providers (WSBs) in Kenya (now 8 WSBs). These WSPs, and with the support of the WSBs, have been earmarked as appropriate vehicles for implementing projects designed to install or improve water and sanitation services to low income urban areas, these projects being financed by GTZ through the WSTF. However, the current capacities of these organizations are quite limited in the context of resources.

In order for these pro-poor urban projects to be sustainable it is necessary that the WSPs and WSBs have the capacity to support the projects and to sustain the subsequent services. This implies the need for individual WSPs to have access to the necessary resources to operate as going concerns and that the Water Service Boards (WSBs) have the capacity to give the WSPs appropriate support.

2 Overall Objectives of the Review

The main objective of the assignment is to provide support to the Water Services Providers by identifying capacity building requirements necessary to safeguard the sustainability of water and sanitation services to low income urban areas. In particular, it is anticipated that skill shortages will be a national issue rather than localised and to this end one of the main outputs of the assignment will be the development of a training concept and plan.

3 Approach and Methodology

The Consultants carried out the necessary project mobilisation activities, including the development of the information gathering tools, discussing the tools and agreeing on the same with WSTF, gathered the necessary data and information from the WSPs and WSBs through e-mail and field reviews and interviews with key personnel of all the seven WSBs and a representative sample of seven WSPs drawn across the entire country.

4 Key Findings from the Review

The results of our review indicate that the WSBs and WSPs have achieved varied levels of institutional and capacity development, with Athi Water Services Board (AWSB) being at the upper end of the spectrum. All the other WSBs properly fit into the second level of institutional and capacity development. On the other hand, the WSPs can also be group into category
three and four, i.e. category three being for big and most developed WSPs and category four for the small and less developed ones. A summary of the key findings from our review is presented below.

4.1 Athi Water Services Board (AWSB)

AWSB’s corporate governance structure and practices are in line with the guidelines issued by the Ministry of Water and Irrigation (MWI). The Board is governed by an eleven-member board of directors, inclusive of the Chief Executive Officer (CEO). The Board has constituted appropriate board committees, including an Audit and Risk Committee. Below the board is a Core Management Team, led by a CEO. AWSB has also established appropriate functional departments which are staffed by suitably qualified and skilled personnel. In addition, AWSB has developed and put in place:

- A suitable Strategic Plan for the period 2008 to 2012;
- An Asset Plan for the period to 2020;
- Suitable policies and procedures manuals, including for the WSPs in its area of jurisdiction;
- A proper budgeting and budgetary control process;
- Appropriate procurement system in accordance with the Public Procurements and Disposal Act 2005 and the Regulations issued in 2006;
- Appropriate accounting and internal control systems, including internal audit function;
- A Performance contracting system.
- The ISO 9001 – 2000 quality standards;
- The WARIS system, whereby it is now implementing Version 2 of the system;
- Currently implementing a document management system, namely the “Knowledge Tree”.

- The Board monitors the performance of the WSPs in its area of jurisdiction, including the water and waste water quality assurance and control.

- AWSB involves the local communities in project design, implementation and monitoring through the Community Development Office (CDO).

- AWSB carries out public health education in collaboration with the WSPs, MOH and other stakeholders.

- Under the International Development Agency (IDA) funded Nairobi Water Institutional Restructuring Project (NWIRP), which was
concluded on 31st December 2007, a lot of institutional strengthening and capacity building activities were undertaken within AWSB and also at Nairobi City Water and Sewerage Company Limited.


- The Board heavily relies on revenue from NCWSC, i.e. accounting for 80% of its total revenue.

- The Overall risk of AWSBs, in as far as the capacity to implement the WSTF projects is concerned, is considered very low. AWSB has adequate capacity to undertake WSS projects of any size.

4.2. Other Water Services Boards (WSBs)

The corporate governance structure and practices of the other six (6) WSBs are similar and in line with the guidelines issued by the Ministry of Water and Irrigation (MWI). Each of the Boards is governed by an eleven-member board of directors, inclusive of the Chief Executive Officer (CEO). The Boards have constituted appropriate board committees, including Audit Committees. Below the board of each WSB is a Core Management Team, led by a CEO. The Boards have also established appropriate functional departments which are staffed by suitably qualified and skilled personnel at all levels. In addition, the Boards have developed and put in place:

- Suitable five-year Strategic Plans;
- Suitable long term Asset Plans;
- Suitable policies and procedures manuals;
- Proper budgeting and budgetary control processes;
- Appropriate procurement systems in accordance with the Public Procurements and Disposal Act 2005 and the Regulations issued in 2006;
- Appropriate accounting and internal control systems, including internal audit functions;
- Performance contracting systems;
- The WARIS system, but some teething problems were noted.
• The Boards monitor the performance of the WSPs in their areas of jurisdiction, including the water and waste water quality assurance and control.

• The Boards involve the local communities in project design, implementation and monitoring through the Community Development Offices (CDOs).

• The Boards carry out public health education in collaboration with the WSPs in their areas of jurisdiction, MOH and other stakeholders.

• All the WSBs reviewed have carried out specific training and capacity building over the last two (2) years in areas such as corporate governance, general management, supervisory skills development, operations and maintenance (O&M) skills, culture change, customer care, performance management, among other relevant performance improvement programmes.

• The capacity building needs identified which are considered relevant to the WSTF projects include: Culture and Change Management; Proposal and Report Writing; Project Management; Participatory Monitoring and Evaluation; Procurement and Contracting Procedures; Finance for Non-Finance Managers; Performance Management; Investment Planning and Design; Effective Quality Monitoring; Effective Communication Skills. Health and Sanitation Management; HIV/AIDS and Gender Mainstreaming; Conflict Management; and Public Private Partnership WSS Concept.

• The financial base of these WSBs is weak, and hence the Boards rely on GOK funding and Donor grants. In addition, the WSBs do not have adequate laboratory facilities and equipments.

• The Overall risk of each of these WSBs, in as far as the capacity to implement the WSTF projects is concerned, is considered low. Each of the WSB has adequate capacity to undertake WSS projects of any size.

4.3 First Tier WSPs

The corporate governance structure and practices of the first tier of the WSPs reviewed namely Mombasa, Kisumu and Nakuru Water Companies, are similar and in line with the guidelines issued by the Ministry of Water and Irrigation (MWI). Each of the companies is governed by an eleven-member board of directors, inclusive of the Managing Director (MD). The WSPs have constituted appropriate board committees, including Audit Committees. Below the board of each WSP is a Core Management Team, led by an MD. The companies have also established appropriate functional departments which are staffed by suitably qualified and skilled personnel at all levels. In addition, the companies have developed and put in place:

- Suitable five-year Strategic Plans;
- Suitable policies and procedures manuals;
- Proper budgeting and budgetary control processes;
- Appropriate procurement systems in accordance with the Public Procurements and Disposal Act 2005 and the Regulations issued in 2006;
- Appropriate accounting and internal control systems, including internal audit functions;
- Performance contracting systems;
- The WARIS system, but some teething problems were noted.

- The water and wastewater infrastructures of these companies are old and dilapidated, and hence unaccounted for water (UfW) is currently quite high.
- The companies monitor the water and wastewater quality assurance and control.
- The companies involve the local communities in project design, implementation and monitoring through the Technical Departments.
- Each WSP has a well-established Customer Care unit.
- The WSPs carry out public health education in collaboration with the WSBs, MOH and other stakeholders.
- All the WSPs reviewed have carried out specific training and capacity building over the last two (2) years in areas such as corporate governance, general management, supervisory skills development, operations and maintenance (O&M) skills, culture change, customer care, performance management, among other relevant performance improvement programmes.
- The capacity building needs identified which are considered relevant to the WSTF projects include: Culture and Change Management; Proposal and Report Writing; Project Management, Monitoring and Evaluation; Procurement and Contracting Procedures; Cash Flow Management; Activity-based Costing; Finance for Non-Finance Managers; Performance Management; Asset Management; O&M Management; Quality Management; Communication and Customer Care; Health and Sanitation Management; and Conflict Management.
- The monitoring of the water and wastewater quality in these WSPs is currently being hampered by lack of adequate laboratory facilities and equipments.
- The financial base of each of these companies is weak, mainly due to dilapidated water and wastewater infrastructure, low water production and connections, high UfW and poor collection efficiency.
• The Overall risk of each of these WSPs, in as far as the capacity to implement the WSTF projects is concerned, is considered medium. Each of the WSP has adequate capacity to successfully undertake WSS projects.

4.4 Second Tier WSPs

The corporate governance structure and practices of the second tier of the WSPs reviewed namely Western, Embu, Garisa and Ruiru-Juja Water Companies, are similar and in line with the guidelines issued by the Ministry of Water and Irrigation (MWI). Each of the companies is governed by an eleven-member board of directors, inclusive of the Managing Director (MD). The WSPs have constituted appropriate board committees, including Audit Committees. Below the board of each WSP is a Core Management Team, led by an MD. The companies have also established appropriate functional departments which are currently not adequately staffed with qualified and skilled personnel, especially at the middle and low cadre levels. However, the companies have developed and put in place:

- Suitable five-year Strategic Plans;
- Suitable policies and procedures manuals;
- Proper budgeting and budgetary control processes;
- Appropriate procurement systems in accordance with the Public Procurements and Disposal Act 2005 and the Regulations issued in 2006;
- Performance contracting systems;
- The WARIS system, but some teething problems were noted.

• The WSPs do not have adequate accounting and internal control systems. Some of the WSPs do not have internal audit functions.

• The water and wastewater infrastructures of these companies are old and dilapidated, and hence unaccounted for water (UFW) is currently quite high.

• The companies do not have adequate capacity to monitor the water and waste water quality assurance and control.

• The companies have not developed a participatory community project approach.

• The WSPs do not have adequately established Customer Care units.

• The WSPs carry out public health education in collaboration with the WSBs, MOH and other stakeholders.

• All the WSPs reviewed have carried out specific training and capacity building over the last two (2) years, with the assistance of the WSBs, in
areas such as corporate governance, general management, supervisory skills development, operations and maintenance (O&M) skills, culture change, customer care, performance management, among other performance improvement skills.

- The capacity building needs identified which are considered relevant to the WSTF projects include: Culture and Change Management; Basic accounting and reporting; Activity-based Costing; Risk Management and Internal Controls; Proposal and Report Writing; Procurement Management; Project Management and Monitoring; Operations and Maintenance Management; Quality Management; Communication and Customer Care; Basic Hygiene Education; and Basic Computing Skills.

- The monitoring of the water and waste water quality in these WSPs is currently being hampered by lack of qualified staff, and inadequate laboratory facilities and equipments.

- The financial base of each of these companies is weak, due to dilapidated water facilities, low water production and connections, high UfW and poor collection efficiency.

- The Overall risk of each of these WSPs, in as far as the capacity to implement the WSTF projects is concerned, is considered high. Each of the WSP does not have adequate capacity to successfully undertake WSS projects. However, this risk can be eliminated by involving the WSBs in the implementation of the WSTF projects.
1 INTRODUCTION

1.1 Background

The German Technical Cooperation Agency (GTZ) together with Water Services Trust Fund (WSTF), have contracted a consortium comprising of the GFA Consulting Group GmbH, (GFA) and Fichtner Water & Transportation GmbH (ex Beller Consult GmbH), Freiburg and Wachira Irungu & Associates, Nairobi (WIA) to provide consulting services under the "Water Sector Reform Programme Kenya" (WSRP).

The WSTF and the Water Service Providers (WSPs) have grown tremendously since their inception following the enactment of the Water Act 2002 and have extended their programmes considerably in order to create significant impact on poverty reduction in the settlements of the urban poor.

Water Service Providers (WSPs), and with the support of the WSBs, have been earmarked as appropriate vehicles for implementing projects designed to install or improve water and sanitation services to low income urban areas, these projects being financed by GTZ through the WSTF. However, the current capacities of these organizations are quite limited in the context of resources.

In order for these pro-poor urban projects to be sustainable it is necessary that the WSPs and WSBs have the capacity to support the projects and to sustain the subsequent services. This implies the need for individual WSPs to have access to the necessary resources to operate as going concerns and that the Water Service Boards (WSBs) have the capacity to give the WSPs appropriate support.

There are currently 56 WSPs considered for project initiatives and there are 7 WSBs (now 8 WSBs). Most of the WSPs and WSBs are young and there is a perceived need for enhancing their operating capabilities through improving skills and making plans for other capacity deficiencies. These barriers to sustainability need to be identified and addressed. Initially a national approach to the subject is to be developed on the assumption that many of the issues and constraints will be common. In particular it is anticipated that skill shortages will be a national issue rather than localised and to this end one of the main outputs will be the development of a training concept and plan.

Other initiatives regarding capacity building are underway within the Water Sector. Of particular note are the Support Measures associated with the KfW financed developments in the Lake Victoria North Water Board area.

In undertaking the development of a national plan which potentially involve the vast majority of the country’s water sector, it will be necessary to identify other initiatives and to take into account their proposals, their scope and their stage of implementation.
1.2 Overall Objectives of the Review

The main objective of the assignment is to provide support to the Water Services Providers by identifying capacity building requirements necessary to safeguard the sustainability of water and sanitation services to low income urban areas. Specifically the consultancy assignment is expected to:

i) Identify capacity gaps within the WSPs and the WSBs, particularly identifying matters that are common across the sector;

ii) Develop a concept for addressing these deficiencies, particularly those that might threaten the sustainability of the WSTF funded project objectives;

iii) Prepare a capacity building programme plan designed to rectify the capacity gaps, particularly in regard to the development of the skill resource available to the WSPs and the WSBs;

iv) Make recommendations relating to non-skill related capacity deficiencies which might threaten the sustainability of the WSTF funded projects.

In addition, to maximise the benefits that can be derived, and in view of the compatibility with the activities of the assignment, the Consultants shall take the opportunity to collect some standing data regarding the WSPs and the WSBs.

The Consultants should recognise the fact that the exercise is being conducted in relation to the development of urban activities by the WSTF. To this end the degree of detail may vary for differing skill areas and management systems. For example, given that the Trust will be financing small projects, the capacity in relation to financial management systems should attract more detailed emphasis than for say personnel procedures.

It is also envisaged that in the training proposals, priority be given to subjects upon which the sustainability of the WSTF funded projects is more heavily dependent.

1.3 Approach and Methodology

The Consultants carried out the necessary project mobilisation activities, including the development of the information gathering tools, discussing the tools and agreeing on the same with WSTF. The Consultants applied two levels of information gathering as follows:

i) Collection of information by mail/e-mail from WSPs and WSBs in order to get comprehensive coverage. Information collected through this method is considered more restricted than through the second approach.

ii) Collection of information through field visits, inspections, observations and interviews with key personnel of the sampled WSPs and the seven (7) WSBs. This should cover the information gathered from WSPs and
WSBs through mail, but offers the opportunity to identify additional issues, understand the capacity needs in more depth and to consider the practicalities of proposed solutions.

Liaison with others in relation to other initiatives in the sector was considered necessary in this assignment. Also, liaison with WSTF personnel, especially those involved with urban projects was considered useful because of the information they need to enable them to assess risk levels and monitoring requirements when financing projects, is a core consideration in the design and execution of the assignment.
2 ATHI WATER SERVICES BOARD (AWSB)

2.1 Introduction

The Athi Water Services Board (AWSB) was established as a State Corporation under the Water Act 2002 vide gazette notice No. 1775 of 21st March 2003 and licensed on 5th April 2004 by the Water Services Regulatory Board (WASREB) to provide water and sanitation services as one of the newly created institutions in the reformed water sector in the Ministry of Water and Irrigation. AWSB is one of the seven (7) Water Service Boards within the country. AWSB covers the city of Nairobi and fourteen (14) neighbouring districts namely Oloitokitok, Kajiado, Kiambu East, Kiambu West, Mbooni, Nzaui, Yatta, Machakos, Makueni, Kibwezi, Kangundo, Mwala, Gatundu and Thika.

AWSB’s mandate is to ensure efficient and economical provision of water and sanitation services in its area of jurisdiction in line with the Water Act 2002.

2.2 Corporate Governance

2.2.1 Organisation Structure

AWSB has put in place an appropriate organizational structure, with the board of directors as the top decision making organ of the company. Below the board of directors is Chief Executive Officer (CEO). Three core Departments namely the Technical Services, the Financial Services and Legal and Administration Services, report to the CEO. In this structure, there is an independent Internal Audit Unit, which reports to the Audit and Risk Committee of the board. The Departments are further broken into Divisions covering the Board’s key operating functions. The Board’s current organization structure is designed to ensure that AWSB not only oversees the performance of Water Service Providers in the expansive area covering 15 districts; but also expanding and managing infrastructural facilities; and building capacities of water service providers and communities within the Board area.

AWSB’s management structure is in line with its 2008-2012 Strategic Plan. The organisation structure is based on functions namely: Technical Services, Corporate Planning, Finance and Administration, and Internal Audit Services.

2.2.2 Corporate Governance Practices

The Board’s corporate governance structure and practices are in line with the guidelines issued by the Ministry of Water and Irrigation (MWI). AWSB has eleven directors, inclusive of the Chief Executive Officer (CEO). The board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, general direction, coordination and overall management of the Board’s operations. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Board’s business by individually signing the Code of Ethics. In addition, all the
members of the board have undergone the corporate governance induction course.

The Board has constituted appropriate board committees namely, the Technical Committee, the Finance Committee, the staff and Welfare Committee and the Audit Committee. All the Board meetings are scheduled and are held on quarterly basis. The minutes of the board are prepared, with the CEO being the Secretary to the board.

On the other hand, the Board’s Management Team is led by the Chief executive Officer, supported the Chief Manager – Financial Services the Chief Manager – Technical Services, the Chief Manager – Legal and Administration Services and the Internal Auditor.

2.3 General Management

2.3.1 Human Resource Management

The Board has established and implemented appropriate Human Resources (HR) policy and management procedures. The Board’s Human Resources (HR) management function falls under the Legal and Administration Department. The HR and Administration Division, which is headed by a HR Manager, is responsible for developing sound human resources policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. AWSB has in place qualified and experienced staff, recruited through a competitive process, to implement the planned activities per the current Strategic Plan. The Board has developed and implemented its own in-house HR manual. All the senior management staffs have signed the staff code of conduct.

The HR Department is in the process of carrying out a Training Needs Assessment (TNA) internally.

2.3.2 HR Management System

The Board has implemented a comprehensive human resource management, monitoring and evaluation system as part of the FMIS system funded by SIDA/DANIDA. The Board’s payroll system “Per Pay” is fully integrated to Great Plains General Ledger system.

2.3.3 Quality Standards

The Board has already implemented ISO 9001:2000 procedures to improve its business processes.

2.3.4 Document Management System

The Board is currently implementing a document management system, namely the “Knowledge Tree” so as to improve its document management process, i.e. achieve a paperless office environment.
2.4 Financial Management

The Financial Services Department, which is currently headed by a fully qualified and experienced Accountant (CPA) is charged with ensuring sound financial management and administration services, which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting, human resources management, administrative, Information Communication Technology (ICT) and the procurement function. From our review, the staffs in both the Finance and Audit Departments are capable of managing the Board’s finance and internal audit functions efficiently and effectively.

2.4.1 Strategic Planning

The Board has put in place the following documents: The Board’s second Strategic Plan, since its inception, for the period 2008 to 2012 is now in the first year of implementation. The Board has developed an Investment plan for improvement of water and sewerage services in its area of jurisdiction up to the year 2020 estimated at Kshs 29 billion. Priority has been given to rehabilitation and extension of the existing infrastructure which is estimated to cost 3.5 billion in the next five years. Development partners have expressed interest to fund Kshs. 3.5 billion of this plan.

In addition, the Board is implementing the 2008/09 performance contract signed with the Ministry of Water and Irrigation. The performance contract is cascaded down to AWSB departments and departmental work plans are prepared and approved for implementation. The departmental work plans form the basis of performance planning for individual employees. This entails planning for performance (PfP) process whereby employees’ are involved in setting targets to be achieved in every quarter.

2.4.2 Budgeting and Budgetary Control

The Board’s has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 has already been presented and approved by the board and MWI. The budget is also in line with the Performance Contract for 2008/09 signed between the Board and the Government of Kenya (GOK), through MWI. The Board maintains the Vote Book through the Great Plains (GP) system and the same is used for the purpose of controlling expenditure. The Board is in the process of introducing commitment accounting in the GP (through LPOs, LSOs and Contracts). In addition, variance analysis is done on quarterly basis and action is taken on adverse variances.

2.5 Accounting System, Procedures and Reporting

The Board has developed and put in place an elaborate Financial Policies and Procedures Manual. In addition, the Board has implemented an integrated Financial Management Information System (FMIS), the Great Plains, funded by SIDA/DANIDA under the Kenya Water Sector Programme (KWSP). The Board, therefore, maintains proper books of account, through the Great Plains (GP), that facilitates timely preparation of accurate and reliable financial
statements and other reports required for management and decision making. All the modules are fully operational; these include the Cash Management, Receivables management, Payables management, Purchase Order Processing, Inventory Control, Fixed Assets Management, Project Accounting, Payroll, Budgets and General Ledger modules.

The Finance Department prepares monthly and quarterly management accounts which are presented to the Finance Committee of the board for deliberations before the same are tabled to the full board for approval and MWI. The latest management accounts are for the period ended 30th June 2008.

2.5.1 Procurement Function

The procurement section, which currently reports to the Chief Manager Financial Services, is established in accordance with the Public Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with the tender, procurement, evaluation and inspection, and acceptance committees, appointed by the CEO from user departmental and section heads, established under the same regulations.

The Board had developed and implemented its own Procurement manual and the same has been harmonised with the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006.

2.5.2 Financial Sustainability

AWSB relies on grants from the government, through the Ministry of Water and Irrigation, to fund its development expenditures. The Board also gets grants and loans from Development Partners for funding development projects. In addition, the Board gets service provision levies from the contracted WSPs in line with the Service Provision Agreements (SPAs) signed with the WSPs. Lease fees from Nairobi City Water and Sewerage Company (NCWSC) accounts for 80% of AWSB’s revenue. The risk of over-reliance on NCWSC is high.

The other WSPs are financially weak and struggling with unsustainable operations and hence unable to achieve full cost recovery.

2.5.3 The WARIS Reporting System

The Board through the Water Services Regulatory Board, (WASREB), is implementing the Water Regulatory Information System (WARIS). The Board’s ICT staffs are currently undergoing training on the updated Version 2 of the WARIS.
2.6 Auditing

2.6.1 Internal Audit Function

The Board has an established Internal Audit unit, which reports to the Audit Committee of the board. The audit function is responsible for the development and implementation of the Board’s policies and procedures with regard to internal controls, risk management, governance, systems of ensuring sound financial management and compliance with applicable laws and regulations, conducting regular routine audit checks, ad hoc and special investigations. The Internal Audit function also audits and monitors the performance of the WSPs within the board’s jurisdiction. The Board has developed a holistic risk register encompassing all the operations of the Board. In order to enhance risk management, the Board also periodically engages independent technical and financial auditors to review its operations.

2.6.2 External Audit

The Board’s accounts are audited by the Controller and Auditor General (CAG). The latest audited accounts are for the year ended 30th June 2007. The CAG issued an unqualified audit report on these accounts.

2.7 Technical Management

The Technical Services function is a key function in the Board with the responsibility of overseeing the planning, design, development and management of assets; providing continuing support to the WSPs within its jurisdiction; overseeing activities in the regions and managing schemes. This department is divided into three divisions namely: Asset development and Management, Services Planning, ICT Development and Management, Project Implementation and Project Monitoring and Evaluation.

The Technical Services Department is endowed with suitably qualified management and technical staff but there is need for regular refresher training in on-going operational methodologies and practices.

2.7.1 Technical Issues

The Board has not yet developed in-house Engineering Guidelines. Consequently, the Board uses the MWI guidelines and codes of practice for both water and sewerage works. The WSB has no arrangement for Industrial pollution control in place. It is necessary to establish an Industrial pollution control unit. No delegated works were identified. Outsourcing by contracting consultancy and construction services is applied for donor funded and WSB’s major works. There is need for constituting project implementation unit under the Technical services manager to monitor supervision of major works.

The Board has developed infrastructure GIS base maps for NCWSC showing the network layout of water and sewerage infrastructure. The GIS maps and the hydraulic network model are being used to inform the distribution and operation philosophy for Nairobi water services network.
NCWSC continuously undertook water quality testing in all its water production installation and at designated distribution points. Results indicate the company is providing consumers with good quality water for domestic consumption. Sewerage effluent from the waste water treatment works was also tested on regular basis. The effluent quality indicates that there is need for rehabilitation of the treatment plants to restore their design treatment standards.

AWSB carries out quarterly water quality monitoring for WSPs. Water samples were collected and analyzed for the following water schemes spread over 40 water sampling points in the following WSP areas: Kajiado, Oloolaiser, Kikuyu, Namanga, Machakos, Mavoko, Mwala, Kibauni, Wamunyu, Kathiani, Yatta, Kibwezi-Mtito Andei, Makindu, Wote, Mbumbuni Limuru, Kiambu, Ruiru-Juja, Githunguri, Gatanga, Kirimenu and Gatundu South. Results of the water quality survey reports indicate that within the Board area, water supplied to customers is safe for domestic use.

Monthly and quarterly monitoring evaluation reports are received from the WSPs regularly. The reports are reviewed by the M&E Officer who seeks clarifications from WSPs on any apparent operational parameter discrepancies.

2.7.2 Operations and Maintenance Issues

Leaks were attributed to vandalism and developments on open spaces where unmarked supply lines passes. Corrosion of aged GI pipes. Most of the leaks reported were attended to within 24 hours but no significant drop in UfW was noted as a result of the above stated poor condition of the transmissions lines. Proper mapping of existing pipeline system and replacement of aged pipeline sections is very critical to the improvement of its performance.

2.8 Project Management

2.8.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. Consequently, project management, monitoring and evaluation is done through Planning and Development Engineer.

2.8.2 Service Strategy to Low Income Areas

AWSB, in collaboration with WSP-Africa and NCWSC, has developed a strategy for improving water and sanitation in the low income areas and informal settlements of Nairobi and other urban towns within its area of jurisdiction. The Board has also developed a Stakeholders' Communication Strategy to make it easy to focus on raising awareness about the reforms in the water sector; educating members of the public on the benefits of the decentralized service delivery; inviting stakeholders to participate in the reform planning process and on prudent water usage and sanitation. As the reforms are evolving processes, the Board will continue to effectively sensitize the Stakeholders in water sector reforms. The Board, through the WSPs, is now
focusing on the need to enhance accountability for water resource management through decentralized institutions, and the social and economic benefits of the new approach to service delivery.

The Board has successfully implemented a few WSS projects in the informal settlements of Nairobi in the recent past. The Board is currently implementing an ACP-EU funded WSS project in seven informal settlements, an AfDB funded secondary and tertiary water infrastructure in Kibera slum area, the Kenya Italy Debt for Development Initiative (KIDDI) funded WSS project in Korogocho informal settlement and the UNICEF funded WSS initiative for schools situated or adjacent to informal settlements of Nairobi.

2.8.3 Community Involvement in WSS Projects

The Board has been using participatory process in responding to Performance Contract requirements with respect to periurban, informal settlements and rural community WSS services delivery infrastructure. To facilitate this, the Board has established a forum in which Stakeholders meet and discuss issues relating to water and sanitation and learn from each other's experiences. Community participation in project planning and implementation is ensured through use of a Community Development Officer (CDO) who sensitises the community and organizes stake holders meetings as and when necessary. The technical services manager organises project meetings in conjunction with the relevant consultants for major projects. Progress reports are submitted to the Board.

The Board endeavoured to involve the beneficiaries in the planning, selection of suitable sites and operation and maintenance of their water facilities. All the community projects implemented went through the project cycles process where beneficiaries were involved in decision-making.

The Board had a capacity building program for community managed water facilities which includes visits to well performing water community groups including training them on basic accounting, book keeping, operations and maintenance and corporate governance.

2.8.4 Public Health Education

The Board conducts hygiene Sanitation awareness in low-income groups in collaboration with other key stakeholders in and out of government like MOH, MOLG, CBOs and NGOs. Simple methodologies are being enhanced in conjunction with Public Health Officers (PHOs). The Board has put more emphasis on public education on health problems associated with untreated and polluted water.

2.9 Identified Capacity Building Needs

Under the International Development Agency (IDA) funded Nairobi Water Institutional Restructuring Project (NWIRP), which was concluded on 31st December 2007, a lot of institutional strengthening and capacity building activities were undertaken within AWSB and also at Nairobi City Water and Sewerage Company Limited. Consequently, in terms of institutional framework
and capacity building, AWSB had a head-start over all the other WSBs in the country.

However, interview and discussions with key staff identified the following further capacity building needs that are considered relevant to WSTF sponsored projects:

- Proposal and Report Writing;
- Project Management;
- Donor Project Accounting;
- Procurement and Contracting Procedures;
- Finance for Non-Finance Managers;
- Performance Management;
- Investment Planning and Design;
- Best Practices in Quality Monitoring;
- Community Development and Management;
- Participatory Monitoring and Evaluation;
- Health and Sanitation Management;
- HIV/AIDS and Gender Mainstreaming;
- Training of Trainers (TOT);
- Conflict Management;
- Public Private Partnership WSS Concept.

2.10 Physical Resources

On 12th August 2005 vide Legal Notice No.101 (Plan of Transfer of Water Services Rules, 2005) the Board was handed over the water and sewerage infrastructure developed over the years by MWI and the Nation Water Conservation and Pipeline Corporation. The Asset Valuation for Ex-GoK and Ex-NWCPC Schemes in AWSB's area of jurisdiction was carried out in 2007.

2.11 Identified Non-skill Capacity Gaps

Through interview and discussions with key staff, the Consultants identified the following non-skill capacity gaps within the Board:

i) Inadequate transport facilities (vehicles, motor bikes, etc);
ii) Lack of adequate well equipped laboratories and trained personnel at WSP level;
iii) Inadequate sewerage systems. There are only five sewerage systems in the Board’s area of jurisdiction.

2.12 Water Sector Institutional Issues

We noted that although the responsibility for developing WSS assets and infrastructure in the Board's area of operation lies with AWSB some of the funds for development of water facilities are sent by MWI to the District Water Offices to implement projects in rural areas. There is a conflict of roles, with possible duplication of effort, and non-prioritization of scarce resources. This is bound to impact negatively on the performance of AWSB's mandate. MWI need to reconsider its approach towards the development of water and sewerage infrastructure and empower AWSB to achieve its mandate.
3 COAST WATER SERVICES BOARD (CWSB)

3.1 Introduction

The Coast Water Services Board (CWSB) was established as a State Corporation in February 2004 under the Water Act 2002, as one of the newly created institutions in the reformed water sector in the Ministry of Water and Irrigation. CWSB is one of the seven (7) Water Service Boards within the country. CWSB covers 7 administrative districts, spread over an area of 83,040 square kilometres, all of which are in Coast Province. The administrative Districts covered by CWSB are: Kwale, Mombasa, Kilifi, Taita Taveta, Malindi, Lamu, and Tana River. CWSB headquarters is based in Mombasa City. According to the 1999 national census, the region had a population of 2.6 million people.

3.2 Corporate Governance

3.2.1 Organisation Structure

CWSB has put in place an appropriate organization structure which presupposes that CWSB not only oversees the performance of Water Service Providers in the expansive area covering 7 districts; but also expanding and managing infrastructural facilities; and building capacities of water service providers and communities within the Board area. As a water service provider of the last resort, CWSB at present directly manages water abstraction and production facilities, including Mzima Springs, Baricho, Marere Pipeline and Tiwi Boreholes.

CWSB’s management structure is in line with the 2005-2010 Strategic Plan, but has a procurement function reporting directly to the CEO. The organisation structure is based on functions namely: Technical Services, Corporate Planning and Business Development, Finance and Administration, Audit and Legal services.

3.2.2 Corporate Governance Practices

The Board’s corporate governance structure and practices are in line with the guidelines issued by the Ministry of Water and Irrigation (MWI). CWSB has eleven directors, including the Chief Executive Officer (CEO). The board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, general direction, coordination and overall management of the Board’s operations. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Board’s business by individually signing the Code of Ethics. In addition, all the members of the board have undergone the corporate governance induction course.

The Board has constituted appropriate board committees namely, the Finance and Administration Committee, the Technical Services Committee, the Audit and Risk Committee. All the Board meetings are scheduled and are held on
quarterly basis. The minutes of the board are prepared by the Corporation Secretary.
On the other hand, the Board’s Management Team is led by the Chief executive Officer, supported the Manager, Finance and Administration, and the Chief Manager – Technical Services, the Chief Manager – Corporate Planning and the Internal Auditor.

3.3 General Management

3.3.1 Human Resource Management

The Board’s Human Resources (HR) management function falls under the Finance and Administration Department. The HR and Administration Division, which is headed by a HR Manager, is responsible for developing sound human resources policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. CWSB has in place qualified and experienced staff, recruited through a competitive process, to implement the planned activities per the current Strategic Plan. The Board has adopted, customised and implemented the manual on Terms and Conditions of Service for Employees of Water Services Boards prepared by the Ministry of Water and Irrigation. A code of conduct document for the management staff has also been put in place.

A Training Needs Assessment (TNA) was carried out by an external consultant in 2007 but has not yet been implemented. A capacity building plan for 2008/09 has not been put in place.

3.3.2 HR Management System

The Board is in the process of implementing a comprehensive human resource and a monitoring and evaluation system as part of the FMIS system.

3.4 Financial Management

The Finance and Administration Department, which is headed by a qualified accountant, is charged with the over-all financial probity of the Board which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting, human resources management, administrative, Information Communication Technology (ICT) and the procurement function.

3.4.1 Strategic Planning

The Board has put in place the following documents: a five-year Strategic Plan, a Business Plan, and an Investment Plan for period to 2020 in line with the Sector Investment Plan (SIP). The Strategic Plan for the period 2005 to 2010 is now in the third year of implementation. In addition, the Board has signed and is implementing the 2008/09 performance contract signed with the Ministry of Water and Irrigation.
3.4.2 Budgeting and Budgetary Control

The Board’s has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 was presented to the board and MWI and duly approved. The budget is also in line with the Performance Contract for 2008/09 signed between the Board and MWI. A Vote Book is maintained. Variance analysis is done on quarterly basis and appropriate action and follow-up is made on adverse variances.

3.4.3 Accounting System, Procedures and Reporting

The Board has put in place an elaborate Financial Policies and Procedures Manual. In addition, the Board has implemented an integrated Financial Management Information System (FMIS), the Great Plains, funded by SIDA/DANIDA under the Kenya Water Sector Programme (KWSP). The Board also uses Excel spreadsheet parallel to the Great Plains accounting system. However, the Board intends to phase out the manual interventions with effect from 1st July 2008.

The Finance Department prepares quarterly management accounts which are presented to the Finance Committee of the board for deliberations before the same are tabled to the full board for approval.

3.4.4 Procurement

The procurement section, which currently reports to the Finance and Administration Manager, is established in accordance with the Public Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with tender, procurement, evaluation and inspection, and acceptance committees, drawn from user departments, established under the same regulations.

The Board’s procurement procedures and regulations manual is currently in draft form. The manual has been harmonised with the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006.

3.4.5 Financial Sustainability

CWSB relies on grants from the government, through the Ministry of Water and Irrigation, to fund its development and recurrent expenditures. The Board also gets grants and loans from Development Partners for funding development projects. In addition, the Board gets service provision levies from the contracted WSPs in line with the Service Provision Agreements (SPAs) signed with the WSPs. However, the WSPs do not have adequate resources to effectively repair and maintain the already dilapidated water and sewerage facilities in their areas of operation. Majority of the WSPs are therefore not able to pay the lease fees and water bills to CWSB. This has an adverse effect on the financial stability and sustainability of CWSB.
3.5 Auditing

3.5.1 Internal Audit Function

The Board has an established Internal Audit unit, which reports to the Audit and Risk Committee of the board. The audit function is responsible for the development and implementation of the Board’s policies and procedures with regard to internal controls, risk management, governance, systems of ensuring sound financial management and compliance with applicable laws and regulations, conducting regular routine audit checks, ad hoc and special investigations. The Internal Audit function also audits and monitors the performance of the WSPs within the board’s jurisdiction. The Board has developed and is currently implementing a risk management policy and procedures.

3.5.2 External Audit

The Board’s accounts are audited by the Controller and Auditor General (CAG). The latest audited accounts are for the year ended 30th June 2007. The CAG’s audit report on these accounts was qualified due to the fact that the Board had not incorporated therein the assets inherited from the Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation (NWCPC).

3.6 Technical Management

The Technical Services function is a key function in the Board with the responsibility of overseeing the planning, design, development and management of assets; providing continuing support to the WSPs; overseeing activities in the regions and managing schemes. Schemes management arises where a service provider has not been identified or where provision of services cannot be feasibly commercialized, or where the existing WSP fails to adequately run the service. The Technical Department is headed by a non-registered Engineer, although he is duly qualified for registration.

3.6.1 Technical Issues

The Board has not developed in-house Engineering Guidelines. However, the Board use the MWI guidelines and codes of practice for both water and sewerage works. The Board has no arrangements for Industrial pollution control in place. It is necessary to establish an Industrial pollution control unit. No delegated works were identified. Outsourcing by contracting consultancy and construction services is used for donor funded and the Boards major works. There is need for constituting project implementation unit under the Technical Services Manager to monitor supervision of major works.

Both the CWSB and MOWASCO carry out regular independent quality assurance. The Board as a bulk supplier monitors the water quality at production points and outlets into the WSPs supply. The WSPs carries out regular sampling in the distribution systems within their distribution systems. However monitoring against SPA requirements has not taken root in CWSB.
Monthly reports are regularly done. WSPs quarterly reports are also received but irregularly. No reference is made to SPA targets in these quarterly reports. Monitoring and reporting is done as a routine but no serious follow up actions were noted.

3.6.2 Operations & Maintenance Issues

With regard to the Operations and Maintenance of the systems, environmental standards generally not being met due to the prevailing condition of the physical assets and none or inadequate availability of suitable water and effluent quality testing equipment.

Leaks were attributed to vandalism and developments on open spaces where unmarked supply lines passes and corrosion of aged GI pipes. Most of the leaks reported were attended to within 24 hours but no significant drop in UfW was noted as a result of the above stated poor condition of the transmissions lines. Proper mapping of existing pipeline system and replacement of aged pipeline sections is very critical to the improvement of its performance. Arising from reduced flows, water is irregularly supplied through a rationing program.

3.7 Project Management

3.7.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. Consequently, project management, monitoring and evaluation is done through the Planning and Development Engineer. Interview with the concerned officer indicated inadequate experience in handling projects. There are two unregistered Engineers (but duly qualified for registration). There is need for recruitment of a Registered Engineer for the Board to facilitate proper project management.

3.7.2 Service Strategy to Low Income Areas

The Board has developed a strategy for improving water and sanitation in the low income areas and informal settlements of Mombasa city and other urban towns within its area of jurisdiction. The Board has also developed a Stakeholders' Communication Strategy to make it easy to focus on raising awareness about the reforms in the water sector; educating members of the public on the benefits of the decentralized service delivery; inviting stakeholders to participate in the reform planning process and on prudent water usage and sanitation.

3.7.3 Community Involvement

The Board has been using participatory process in responding to Performance Contract requirements with respect to peri-urban, informal settlements and rural community WSS services delivery infrastructure. To facilitate this, the Board has established a forum in which Stakeholders meet and discuss issues relating to water and sanitation and learn from each other's experiences.
Community participation in project planning and implementation is ensured through use of a Community Development Officer (CDO) who sensitises the community and organizes stake holders meetings as and when necessary. The Technical Services Manager organises project meetings in conjunction with the relevant consultants for major projects. Progress reports are submitted to the Board.

3.7.4 Public health education

The Board conducts hygiene Sanitation awareness in low-income groups in collaboration with other key stakeholders in and out of government like MOH, MOLG, CBOs and NGOs. Simple methodologies are being enhanced in conjunction with Public Health Officers (PHOs). The Board has put more emphasis on public education on health problems associated with untreated and polluted water.

3.8 Identified Capacity Building Needs

From the interviews and discussions held with key staff, the Consultants identified the following capacity building needs that are considered relevant to WSTF sponsored projects:

- Culture and Change Management;
- Proposal and Report Writing;
- Project Management;
- Participatory Monitoring and Evaluation;
- Procurement and Contracting Procedures;
- Finance for Non-Finance Managers;
- Performance Management;
- Investment Planning and Design;
- Effective Quality Monitoring;
- Effective Communication Skills;
- Health and Sanitation Management;
- HIV/AIDS and Gender Mainstreaming;
- Conflict Management;
- Conflict Management;
- Public Private Partnership WSS Concept.

3.9 Physical Resources

The Board has also established and equipped its offices; including putting in place computer networking and a comprehensive FMIS system.

3.10 Identified Non-skill Capacity Gaps

Through interview and discussions with key staff, the Consultants identified the following non-skill capacity gaps within the Board:

i) Inadequate transport facilities (vehicles, motor bikes, etc.);
ii) CDO’s office currently understaffed (only 2 staff who also deals with the rural projects).
3.11 Water Sector Institutional Issues

We noted that although the responsibility for developing WSS assets and infrastructure in the Board’s area of operation lies with CWSB, some of the funds for development of water facilities are sent by MWI to the District Water Offices to implement projects in rural areas. There is a conflict of roles, with possible duplication of effort, and non-prioritization of scarce resources. This is bound to impact negatively on the performance of CWSB’s mandate. MWI need to reconsider its approach towards the development of water and sewerage infrastructure and empower CWSB to effectively achieve its mandate.
4.1 Introduction

The Lake Victoria Water Services Board (LVWSWB) was established as a State Corporation under the Water Act 2002 vide gazette notice No. 1714 of 12th March 2004, as one of the newly created institutions in the reformed water sector in the Ministry of Water and Irrigation. LVWSWB is one of the seven (7) Water Service Boards within the country. LVWSWB covers twenty eight (28) administrative districts, spread over an area of 21,720 square kilometres, located in Nyanza and Rift Valley Provinces. The administrative Districts covered by LVWSB are: Kisumu West, Kisumu East, Siaya, Bondo, Rarieda, Nyando, Rachuonyo, Homa Bay, Suba, Migori, Rongo, Kisii Central, Nyamira, South Kisii, Masaba, Gucha, Borabu, Masaba, Manga, Gucha South, Transmara, Kuria East, Kuria West, Bomet, Buret, Sotik, Kipkelion, Kericho and Nandi South. The population in the region in 2007 was approximately 7.38 million (1999 census projected at an annual growth rate of 3%) with about 31% residing in urban areas. The Board has established and contracted nine (9) urban Water Service Providers (WSPs) and thirty four (34) WSPs.

LVWSWB’s mandate is to ensure efficient and economical provision of water and sanitation services in its area of jurisdiction in line with the Water Act 2002.

4.2 Corporate Governance

4.2.1 Organisation Structure

LVWSWB has put in place an appropriate organizational structure, with the board of directors as the top decision making organ of the Board. Below the board of directors is Chief Executive Officer (CEO). Three core Departments namely the Technical Services, the Finance and Administration, and Corporate Planning report to the CEO. In this structure, there is an independent Internal Audit Unit, which reports to the Audit and Risk Committee of the board. The Departments are further broken into Divisions covering the Board’s key operating functions. The Board’s current organization structure is designed to ensure that LVWSWB not only oversees the performance of Water Service Providers in the expansive area covering 28 districts; but also expanding and managing infrastructural facilities; and building capacities of water service providers and communities within the Board area.

LVWSWB’s management structure is in line with the 2005-2010 Revised Strategic Plan. The organisation structure is based on functions namely: Technical Services, Corporate Planning, Finance and Administration, and Internal Audit Services.
4.2.2 Corporate Governance Practices

The Board’s corporate governance structure and practices are in line with the guidelines issued by the Ministry of Water and Irrigation (MWI). LVSWSB has eleven directors, including the Chief Executive Officer (CEO). The board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, general direction, coordination and overall management of the Board’s operations. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Board’s business by individually signing the Code of Ethics. In addition, all the members of the board have undergone the corporate governance induction course.

The Board has constituted appropriate board committees namely, the Finance and Administration Committee, the Environment, Development and Social Responsibility Committee, the Audit and Risk Committee. All the Board meetings are scheduled and are held on quarterly basis. The minutes of the board are prepared by the Human Resources Manager, although the Managing Director is the Secretary to the board.

On the other hand, the Board’s Management Team is led by the Chief executive Officer, supported the Chief Manager – Finance and Administration and the Chief Manager – Technical Services, the Chief Manager – Corporate Planning and the Internal Auditor.

4.3 General Management

4.3.1 Human Resource Management

The Board’s Human Resources (HR) management function falls under the Finance and Administration Department. The HR and Administration Division, which is headed by a HR Manager, is responsible for developing sound human resources policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. LVSWSB has in place qualified and experienced staff, recruited through a competitive process, to implement the planned activities per the current Strategic Plan. The Board has adopted, customised and implemented the manual on Terms and Conditions of Service for Employees of Water Services Boards prepared by the Ministry of Water and Irrigation. A code of conduct document for the management staff has also been put in place.

HR has carried out a Training Needs Assessment (TNA) internally. However, the board is considering consulting an external HR expert to review the Board’s training needs. However, a capacity building plan for 2008/09 has not been put in place and thus no budget provision.

4.3.2 HR Management System

The Board is in the process of implementing a comprehensive human resource and a monitoring and evaluation system as part of the FMIS system.
4.4 Financial Management

The Finance and Administration Department, which is currently headed by a qualified Chief Manager Finance and Administration, is charged with ensuring sound financial management and administration services, which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting, human resources management, administrative, Information Communication Technology (ICT) and the procurement function. From our review, the staffs in both the Finance and Audit Departments are capable of managing the Board’s finance and internal audit control functions efficiently and effectively.

4.4.1 Strategic Planning

The Board has put in place the following documents: a five-year Strategic Plan, a Business Plan, and is currently in the process of developing an Investment Plan in line with the Sector Investment Plan (SIP). The Strategic Plan for the period July 2005 to June 2010 (revised in April 2008), is now in the fourth year of implementation. In addition, the Board signs and implements annual performance contract with the Ministry of Water and Irrigation.

4.4.2 Budgeting and Budgetary Control

The Board’s has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 was presented to the board and duly approved. The budget is also in line with the Performance Contract for 2008/09 signed between the Board and the Government of Kenya (GOK). A vote Book is not maintained as the accounts are fully computerized. However, variance analysis is done on quarterly basis to compare the budget and the actual expenditures.

4.4.3 Accounting System, Procedures & Reporting

The Board has put in place an elaborate Financial Policies and Procedures Manual. In addition, the Board has implemented an integrated Financial Management Information System (FMIS), the Great Plains, funded by SIDA/DANIDA under the Kenya Water Sector Programme (KWSP). However, this is currently not being fully utilised as all the data was lost after the computers and server were stolen during the post-election violence in January 2008. The finance department is currently using Quickbooks as a temporary measure, to allow the recovery and up-dating of the data for the main software, Great Plains. No back-ups had been maintained before the post election violence.

The Finance Department prepares quarterly management accounts which are presented to the Finance Committee of the board for deliberations before the same are tabled to the full board for approval. However, the reports for the third quarter ending 31st March 2008 were delayed due to loss of data after the post election violence burglary.
4.4.4 Procurement Function

The procurement section, which currently reports to the Finance Administration Manager, is established in accordance with the Public Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with the tender, procurement, evaluation and inspection, and acceptance committees, appointed by the CEO from user departmental and section heads, established under the same regulations.

The Board currently uses the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006. The process of engaging a Consultant to customise the Act and Regulation into an in-house Procurement Manual is underway.

4.4.5 Financial Sustainability

LVWSWB relies on grants from the government, through the Ministry of Water and Irrigation, to fund its development and recurrent expenditures. The Board also gets grants and loans from Development Partners for funding development projects. In addition, the Board gets service provision levies from the contracted WSPs in line with the Service Provision Agreements (SPAs) signed with the WSPs. However, the income from the WSPs is currently very low as only Kisumu Water and Sanitation Company (KIWASCO) and Kericho Water and Sanitation Company (KEWASCO) are able to pay. The other WSPs are financially weak and struggling with unsustainable operations, and even unable to fully pay their power bills, chemicals and full staff salary and operations and maintenance O & M) costs.

4.4.6 The WARIS Reporting System

The Board through the Water Services Regulatory Board, (WASREB), is implementing the Water Regulatory Information System (WARIS). Training on an updated WARIS is still on and thus full implementation not possible until adequate training has been done.

However, the system developed partial data exportation problem in the second year which has been rectified recently by WASREB. The Board’s ICT staffs are currently undergoing training on updated version of the WARIS.

4.5 Auditing

4.5.1 Internal Audit Function

The Board has an established Internal Audit unit, which reports to the Audit Committee of the board. The audit function is responsible for the development and implementation of the Board’s policies and procedures with regard to internal controls, risk management, governance, systems of ensuring sound financial management and compliance with applicable laws and regulations, conducting regular routine audit checks, adhoc and special investigations. The Internal Audit function also audits and monitors the performance of the WSPs.
within the board’s jurisdiction. The Board has developed and is currently implementing risk management policy and procedures.

4.5.2 External Audit

The Board’s accounts are audited by the Controller and Auditor General (CAG). The latest audited accounts are for the year ended 30th June 2007. The CAG’s audit report on these accounts was qualified due to the fact that the Board had not incorporated therein the assets inherited from the Ministry of Water and Irrigation. The directors have also not signed the Balance Sheet.

4.6 Technical Management

The Technical Services function is a key function in the Board with the responsibility of overseeing the planning, design, development and management of assets; providing continuing support to the WSPs within its jurisdiction; overseeing activities in the regions and managing schemes. This department is divided into three divisions namely: Asset development and Management, Water Service Providers Urban and Water Services Providers Rural. Schemes management arises where a service provider has not been identified or where provision of services cannot be feasibly commercialized, or where the existing WSP fails to adequately run the service.

The Technical Services Department is endowed with suitably qualified management and technical staff but there is need for regular refresher training in on-going operational methodology transformation.

4.6.1 Technical Issues

The Board has not yet developed in-house Engineering Guidelines. Consequently, the Board uses the MWI guidelines and codes of practice for both water and sewerage works. The WSB has no arrangement for Industrial pollution control in place. It is necessary to establish an Industrial pollution control unit. No delegated works were identified. Outsourcing by contracting consultancy and construction services is applied for donor funded and WSB’s major works. There is need for constituting project implementation unit under the Technical services manager to monitor supervision of major works.

LVWSWB monitor the quality assurance process of the water supply within the WSPs in its area of operation, through regular water sampling tests.

Monthly and quarterly monitoring evaluation reports are received from the WSPs regularly. The reports are reviewed by the M&E Officer who seeks clarifications from WSPs on any apparent operational parameter iscrepancies.

4.6.2 Operations & Maintenance Issues

Leaks were attributed to vandalism and developments on open spaces where unmarked supply lines passes, Corrosion of aged GI pipes. Most of the leaks reported were attended to within 24 hours but no significant drop in UFW was noted as a result of the above stated poor condition of the transmissions lines. Proper mapping of existing pipeline system and replacement of aged pipeline
sections is very critical to the improvement of its performance. Arising from reduced flows, water is irregularly supplied through a rationing program.

4.7 Project Management

4.7.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. Consequently, project management, monitoring and evaluation is done through Planning and Development Engineer. Interview with the concerned officer indicated inadequate experience in handling projects. There are two unregistered (but registrable) Engineers. There is need for recruitment of a Registered Engineer for the Board to facilitate proper project management.

4.7.2 Service Strategy to Low Income Areas

The Water infrastructure in the informal settlements consists mainly of distribution mains, service lines and water kiosks. The Board is in the process of mapping the peri-urban areas and the informal settlements of the population, service levels and infrastructure situation with a view to establishing how services can be improved.

The Board has developed a Stakeholders' Communication Strategy to make it easy to focus on raising awareness about the reforms in the water sector; educating members of the public on the benefits of the decentralized service delivery; inviting stakeholders to participate in the reform planning process and on prudent water usage and sanitation. As the reforms are evolving processes, the Board will continue to effectively sensitize the Stakeholders in water sector reforms. The Board, through the WSPs, is now focusing on the need to enhance accountability for water resource management through decentralized institutions, and the social and economic benefits of the new approach to service delivery.

4.7.3 Community Involvement in WSS Projects

The Board has been using participatory process in responding to Performance Contract requirements with respect to peri-urban, informal settlements and rural community WSS services delivery infrastructure. To facilitate this, the Board has established a forum in which Stakeholders meet and discuss issues relating to water and sanitation and learn from each other's experiences. Community participation in project planning and implementation is ensured through use of a Community Development Officer (CDO) who sensitises the community and organizes stake holders meetings as and when necessary. The technical services manager organises project meetings in conjunction with the relevant consultants for major projects. Progress reports are submitted to the Board.
4.7.4 Public health education

The Board conducts Hygiene Sanitation awareness in low-income groups in collaboration with other key stakeholders in and out of government like MOH, MOLG, CBOs and NGOs. Simple methodologies are being enhanced in conjunction with Public Health Officers (PHOs). The Board has put more emphasis on public education on health problems associated with untreated and polluted water.

4.8 Identified Training Needs

During the 2007/08 financial year, LVWSWB undertook several training and capacity building programmes, through internal funding and support from GTZ, in areas such as corporate governance, strategic planning and policy formulation for the board of directors and senior management staff; performance management, procurement procedures and financial management for the senior staff; customer care, basic computer skills, rapid result initiative (RRI), HIV/AIDS guidance and counseling for the middle and low cadre staff; and water demand management, GIS, CAD and GPS computer-based systems for the technical staff.

However, from interviews and discussions with key staff, the Consultants identified the following further capacity building needs that are considered relevant to WSTF sponsored projects:

- Proposal and Report Writing;
- Project Management;
- Donor Project Accounting;
- Procurement and Contracting Procedures;
- Finance for Non-Finance Managers;
- Performance Management;
- Asset Management and Investment Planning;
- Best Practices in Quality Monitoring;
- Community Development and Management;
- Participatory Monitoring and Evaluation;
- Health and Sanitation Management;
- HIV/AIDS and Gender Mainstreaming;
- Training of Trainers (TOT);
- Conflict Management;
- Public Private Partnership WSS Concept.

4.9 Physical Resources

In July 2005 the Board was handed over the water and sewerage infrastructure developed over the years by MWI. The state of this infrastructure is however poor and in most cases only serve 20 – 40% of the target consumers. Due to the old age of water facilities, Unaccounted for water (UfW) averages 60% and most water meters and valves require replacement.

By the end of December 2007, the Board had also established and equipped its offices; including putting in place a comprehensive FMIS system. The riots and skirmishes that followed the disputed Presidential elections in December
2007 resulted in offices being vandalized and partly burnt with all the equipment, furniture stolen or damaged and all the vehicles burnt. The estimated cost arising from all this stands at Kshs.130 million.

The Board, as a result, is faced with the challenge of not only refurbishing and equipping its offices but also of procuring new vehicles and improving security. The Board will continue to build the capacity of its Board members, Management and staff to cope with emerging challenges.

4.10 Identified Non-skill Capacity Gaps

Through interview and discussions with key staff, the Consultants identified the following non-skill capacity gaps within the Board:

- Inadequate transport facilities (vehicles, motor bikes, etc);
- Lack of adequate well equipped laboratories and trained personnel at WSP level;
- Inadequate sewerage systems. There are only five sewerage systems in the Board’s area of jurisdiction.

4.11 Water Sector Institutional Issues

We noted that although the responsibility for developing WSS assets and infrastructure in the Board’s area of operation lies with LVSWSB. Some of the funds for development of water facilities are sent by MWI to the District Water Offices to implement projects in rural areas. There is a conflict of roles, with possible duplication of effort, and non-prioritization of scarce resources. This is bound to impact negatively on the performance of LVSWSB’s mandate. MWI need to reconsider its approach towards the development of water and sewerage infrastructure and empower LVSWSB to achieve its mandate.
5 LAKE VICTORIA NORTH WATER SERVICES BOARD (LVNWSB)

5.1 Introduction

The Lake Victoria North Water Services Board (LVNWSB) was established as a State Corporation under the Water Act 2002 vide gazette notice No. 1717 of 12th March 2004 and licensed on 5th April 2004 by the Water Services Regulatory Board (WASREB), as one of the newly created institutions in the reformed water sector in the Ministry of Water and Irrigation. LVNWSB is one of the seven (7) Water Service Boards within the country. LVNWSB covers twenty three (23) administrative districts, spread over an area of 15,356 square kilometres, located in Western and Rift Valley Provinces. The administrative Districts covered by LVNWSB are: Kakamega North, Kakamega South, Kakamega East, and Kakamega West, Vihiga, Emuhaya, Hamisi, Lugari, Butere, Mumias, Bungoma North, Bungoma South, Bungoma East, Bungoma West, Busia, Bunyala, Samia, Teso, Mt. Elgon and Uasin Gishu, Nandi North, Marakwet and TransNzoia Districts. The population in the region in 2007 was approximately 6.1 million (1999 census projected at an annual growth rate of 3%). Only about 47% (2.9 million) of the population are served by water within the Boards area of jurisdiction.

LVNWSB’s mandate is to ensure efficient and sustainable provision of water and sanitation services in its area of jurisdiction in line with the Water Act 2002.

5.2 Corporate Governance

5.2.1 Organisation Structure

LVNWSB has put in place an appropriate organizational structure, with the board of directors as the top decision making organ of the Board. Below the board of directors is Chief Executive Officer (CEO). Three core Departments namely the Technical Services, the Finance and Administration, and Corporate Planning report to the CEO. In this structure, there is an independent Internal Audit Unit, which reports to the Audit and Risk Committee of the board. The Departments are further broken into Divisions covering the Board’s key operating functions. The Board’s current organization structure is designed to ensure that LVNWSB not only oversees the performance of Water Service Providers in the expansive area covering 23 districts; but also expanding and managing infrastructural facilities; and building capacities of water service providers and communities within the Board area.

LVNWSB’s management structure is in line with the 2005-2015 Strategic Plan. The organisation structure is based on functions namely: Technical Services, Corporate Planning, Finance and Administration, and Internal Audit Services.
5.2.2 Corporate Governance Practices

The Board’s corporate governance structure and practices are in line with the guidelines issued by the Ministry of Water and Irrigation (MWI). LVNWSB has eleven directors, including the Chief Executive Officer (CEO). The board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, general direction, coordination and overall management of the Board’s operations. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Board’s business by individually signing the Code of Ethics. In addition, all the members of the board have undergone the corporate governance induction course.

The Board has constituted appropriate board committees namely, the Finance and Administration Committee, the Environment, Development and Social Responsibility Committee, the Audit and Risk Committee. All the Board meetings are scheduled and are held on quarterly basis. The minutes of the board are prepared by the Human Resources Manager, although the Managing Director is the Secretary to the board.

On the other hand, the Board’s Management Team is led by the Chief executive Officer, supported by the Chief Manager – Finance and Administration and the Chief Manager – Technical Services, the Chief Manager – Corporate Planning and the Internal Auditor.

5.3 General Management

5.3.1 Human Resource Management

The Board’s Human Resources (HR) management function falls under the Finance and Administration Department. The HR and Administration Division, which is headed by a HR Manager, is responsible for developing sound human resources policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. LVNWSB has in place qualified and experienced staff, recruited through a competitive process, to implement the planned activities per the current Strategic Plan. The Board has adopted, customised and implemented the manual on Terms and Conditions of Service for Employees of Water Services Boards prepared by the Ministry of Water and Irrigation. A code of conduct document for the management staff has also been put in place.

The HR Department carried out a Training Needs Assessment (TNA) internally in the 2006/07 financial year. The board is considering consulting an external HR expert to review the Board’s training needs. A capacity building plan for 2008/09 has not been put in place and thus no budget provision has been made.

5.3.2 HR Management System

The Board is in the process of implementing a comprehensive human resource and a monitoring and evaluation system as part of the FMIS system.
5.4 Financial Management

The Finance and Administration Department, which is currently headed by a fully qualified Accountant (CPA) and B.Com holder, is charged with ensuring sound financial management and administration services, which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting, human resources management, administrative and the procurement function. From our review, the staffs in both the Finance and Audit Departments are qualified and capable of managing the Board’s finance and internal audit functions efficiently and effectively.

5.4.1 Strategic Planning

The Board has put in place the following documents: a ten-year Strategic Plan, a Business Plan, and is currently in the process of developing an Investment Plan in line with the Sector Investment Plan (SIP). The Strategic Plan for the period 2005 to 2015 is now in the fourth year of implementation. In addition, the Board has signed and is implementing the 2008/09 performance contract signed with the Ministry of Water and Irrigation.

5.4.2 Budgeting and Budgetary Control

The Board’s has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 was presented to the board and MWI and duly approved. The budget is also in line with the Performance Contract for 2008/09 signed between the Board and MWI. A vote Book is not maintained. However, variance analysis is done on quarterly basis and appropriate action and follow-up is made on adverse variances.

5.4.3 Accounting System, Procedures and Reporting

The Board has put in place an elaborate Financial Policies and Procedures Manual. In addition, the Board has implemented an integrated Financial Management Information System (FMIS), the Great Plains, funded by SIDA/DANIDA under the Kenya Water Sector Programme (KWSP). The company also uses Excel spreadsheet parallel to the Great Plains accounting system.

The Finance Department prepares quarterly management accounts which are presented to the Finance Committee of the board for deliberations before the same are tabled to the full board for approval.

5.4.4 Procurement Function

The procurement section, which currently reports to the Finance Administration Manager, is established in accordance with the Public Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with the tender, procurement, evaluation and inspection, and
acceptance committees, appointed by the CEO from user departmental and section heads, established under the same regulations.

The Board currently uses the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006.

5.4.5 Financial Sustainability

LVNWSB relies on grants from the government, through the Ministry of Water and Irrigation, to fund its development and recurrent expenditures. The Board also gets grants and loans from Development Partners for funding development projects. In addition, the Board gets service provision levies from the contracted WSPs in line with the Service Provision Agreements (SPAs) signed with the WSPs. However, the WSPs do not have adequate resources to effectively repair and maintain the already dilapidated water and sewerage facilities in their areas of operation. Majority of the WSPs are therefore not able to pay the lease fees and water bills to LVNWSB. This has an adverse effect on the financial stability and sustainability of LVNWSB.

5.4.6 The WARIS Reporting System

The Board through the Water Services Regulatory Board, (WASREB), is implementing the Water Regulatory Information System (WARIS). However, the system developed partial data exportation problem in the second year which has been rectified recently by WASREB. The Board’s ICT staffs are currently undergoing training on updated version of the WARIS.

5.5 Auditing

5.5.1 Internal Audit Function

The Board has an established Internal Audit unit, which reports to the Audit Committee of the board. The audit function is responsible for the development and implementation of the Board’s policies and procedures with regard to internal controls, risk management, governance, systems of ensuring sound financial management and compliance with applicable laws and regulations, conducting regular routine audit checks, adhoc and special investigations. The Internal Audit function also audits and monitors the performance of the WSPs within the board’s jurisdiction. The Board has developed and is currently implementing a risk management policy and procedures.

5.5.2 External Audit

The Board’s accounts are audited by the Controller and Auditor General (CAG). The latest audited accounts are for the year ended 30th June 2007. The CAG’s audit report on these accounts was qualified due to the fact that the Board had not incorporated therein the assets inherited from the Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation (NWCPC).
5.6 Technical Management

The Technical Services function is a key function in the Board with the responsibility of overseeing the planning, design, development and management of assets; providing continuing support to the WSPs within its jurisdiction; overseeing activities in the regions and managing schemes. This department is divided into four divisions namely: Asset development, WSPs Management, Community Development and Information Technology.

The Technical Services Department is endowed with suitably qualified management and technical staff but there is need for regular refresher training in on-going operational methodology transformation.

5.6.1 Technical Issues

The Board has not yet developed in-house Engineering Guidelines. Consequently, the Board uses the MWI guidelines and codes of practice for both water and sewerage works.

LVNWSB does not have adequate and sufficient laboratory equipment for testing water and sewerage samples. This results in non-implementation of effective water quality assurance activities. This is also hampered by the fact that the WSPs do not have adequate laboratories and IT equipment to enable them compile information on the quality of water and submit reports to LVNWSB. LVNWSB and the WSPs should invest in adequate laboratory and IT equipment that will enable them test water and sewerage samples and generate reports.

An asset register has been set-up in respect of facilities within the locations covered under Phase I &II of Nzoia Cluster Development. Adequate description of assets, their condition, geographical location and current valuation provided. Proposal for establishing asset registers for the remainder Board’s areas of jurisdiction is being considered.

Monthly and quarterly monitoring evaluation reports are received from some of the WSPs regularly. The reports are reviewed by the M&E Officer who seeks clarifications from WSPs on any apparent operational parameter discrepancies.

5.6.2 Operations and Maintenance Issues

With regard to the Operations and Maintenance of the systems, environmental standards generally not being met due to the prevailing condition of the physical assets and none or inadequate availability of suitable water and effluent quality testing assets.
5.7 Project Management

5.7.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. Consequently, project management, monitoring and evaluation is done through Planning and Development Engineer.

5.7.2 Service Strategy to Low Income Areas

The Board has developed a Stakeholders’ Communication Strategy to make it easy to focus on raising awareness about the reforms in the water sector; educating members of the public on the benefits of the decentralized service delivery; inviting stakeholders to participate in the reform planning process and on prudent water usage and sanitation. As the reforms are evolving processes, the Board will continue to effectively sensitize the Stakeholders in water sector reforms. The Board, through the WSPs, is now focusing on the need to enhance accountability for water resource management through decentralized institutions, and the social and economic benefits of the new approach to service delivery.

5.7.3 Community Involvement in WSS Projects

The Board has been using participatory process in responding to Performance Contract requirements with respect to peri-urban, informal settlements and rural community WSS services delivery infrastructure. To facilitate this, the Board has established a forum in which Stakeholders meet and discuss issues relating to water and sanitation and learn from each other’s experiences. Community participation in project planning and implementation is ensured through use of a Community Development Officer (CDO) who sensitises the community and organizes stake holders meetings as and when necessary. The technical services manager organises project meetings in conjunction with the relevant consultants for major projects. Progress reports are submitted to the Board.

The community participatory process is already being applied to address project planning and implementation in respect of services infrastructure for rural communities. Regular progress meetings in respect of Nzoia Cluster Project are being held and reports made and submitted to the Client in good time.

5.7.4 Public Health Education

The Board conducts hygiene sanitation awareness in low-income groups in collaboration with other key stakeholders in and out of government like MOH, MOLG, CBOs and NGOs. Simple methodologies are being enhanced in conjunction with Public Health Officers (PHOs). The Board has put more emphasis on public education on health problems associated with untreated and polluted water.
5.8 Identified Training Needs

LVNWSB conducted several training programmes for its Board and staff on the basis of Training Needs Assessment (TNA) carried out in 2006/07 in such areas as corporate governance, strategic management, effective communication, and the application of GIS system involving four (4) technical staff.

However, from interviews and discussions held with key staff, the Consultants identified the following training needs that are considered relevant to WSTF sponsored projects:

- Proposal and Report Writing;
- Project Management;
- Donor Project Accounting;
- Procurement and Contracting Procedures;
- Finance for Non-Finance Managers;
- Performance Management;
- Asset Management and Investment Planning;
- Best Practices in Quality Monitoring;
- Community Development and Management;
- Participatory Monitoring and Evaluation;
- Health and Sanitation Management;
- HIV/AIDS and Gender Mainstreaming;
- Training of Trainers (TOT);
- Conflict Management;
- Public Private Partnership WSS Concept.

5.9 Physical Resources

The Board has also established and equipped its offices; including putting in place computer networking and a comprehensive FMIS system.

5.10 Identified Non-skill Capacity Gaps

Through interview and discussions with key staff, the Consultants identified the following non-skill capacity gaps within the Board:

- The board does not have a server room in place although a server has been purchased.
- There is a shortfall of eleven (11) computers in the board. Due to this shortfall, staff are forced to share computers.
- The board is using a pirated Windows 2003 software. Needs facilitation on the license.
- The budget for training as per the 2008/09 budget is Kshs.2,000,000. This is inadequate as several training forums are required. The finance staff need facilitation on ICPAK organised seminars.
5.11 Water Sector Institutional Issues

We noted that although the responsibility for developing WSS assets and infrastructure in the Board's area of operation lies with LVNWSB. Some of the funds for development of water facilities are sent by MWI to the District Water Offices to implement projects in rural areas. There is a conflict of roles, with possible duplication of effort, and non-prioritization of scarce resources. This is bound to impact negatively on the performance of LVNWSB's mandate. MWI need to reconsider its approach towards the development of water and sewerage infrastructure and empower LVNWSB to achieve its mandate.
6 RIFT VALLEY WATER SERVICES BOARD (RVWSB)

6.1 Introduction

The Rift Valley Water Services Board (RVWSB) was established as a State Corporation under the Water Act 2002 vide gazette notice No. 1715 of 12th March 2004 and is duly licensed to provide water and sanitation services by the Water Services Regulatory Board (WASREB), as one of the newly created institutions in the reformed water sector in the Ministry of Water and Irrigation. RVWSB is one of the seven (7) Water Service Boards within the country. RVWSB covers sixteen (16) administrative districts, spread over an area of 124,192 square kilometres, located in Rift Valley Province of the country. The administrative Districts covered by RVWSB are: Turkana North, Turkana South, North Pokot, West Pokot, East Pokot, Baringo, Koibatek, Keiyo, Nakuru North, Molo, Nakuru, Naivasha, Narok North, Narok South, Nyandarua North and Nyandarua South Districts. The population in the region in 2007 was approximately 4.3 million (1999 census projected at an annual growth rate of 3%). Only about 48% of the urban population and 30% of rural population have access to water supply in the Boards area of jurisdiction.

RVWSB’s mandate is to ensure efficient and economical provision of water and sanitation services in its area of jurisdiction in line with the Water Act 2002.

6.2 Corporate Governance

6.2.1 Organisation Structure

RVWSB has put in place an appropriate organizational structure, which comprises a board made up of ten members representing various stakeholders including the Director of Water, Nakuru and Naivasha Municipal Councils, Narok County Council, Kenya Association of Manufacturers, Kenya National Chamber of Commerce and Industry and the World Wide Fund for Nature (WWF). Below the board of directors is the Chief Executive Officer (CEO). Three core Departments namely the Technical Services, the Finance and Administration and Water Service Providers report to the CEO. In this structure, there is an independent Internal Audit Unit, which reports to the Audit Committee of the board. The Departments are further broken into Divisions covering the Board’s key operating functions. The Board’s current organization structure is designed to ensure that RVWSB not only oversees the performance of Water Service Providers in the expansive area covering 16 districts; but also expanding and managing infrastructural facilities and building capacities of water service providers and communities within the Board area.

RVWSB’s management structure is in line with the 2005-2015 Strategic Plan and Business Plan for the period 2006 to 2011. The organisation structure is based on functions namely: Technical Services, Finance and Administration, Water Service Providers, and Internal Audit Services.
6.2.2 Corporate Governance Practices

The Board’s corporate governance structure and practices are in line with the guidelines issued by the Ministry of Water and Irrigation (MWI). RVWSB has eleven directors, inclusive of the Chief Executive Officer (CEO). The board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, risk management, general direction, coordination and overall management of the Board’s operations. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Board’s business by individually signing the Code of Ethics. In addition, all the members of the board have undergone the corporate governance induction course.

The Board has constituted appropriate board committees namely, the Finance and General Purpose Committee, the Technical Committee, the Audit Committee and the Procurement Committee. All the Board meetings are scheduled and are held on quarterly basis. Minutes of the board are properly recorded and maintained.

On the other hand, the Management Team is led by the Chief executive Officer, supported by three (3) senior staff namely the Finance and Administration Manager, the Technical Services Manager and Water Service Providers Manager, all recruited through a competitive process and five (5) middle level staff deployed from the Ministry of Water and Irrigation and from Nation Water Conservation and Pipeline Corporation (NWCPC). The present staff complement of 38 is not adequate to enable the Board fulfil its mandate, and would require to employ an additional seven (7) staff.

6.3 General Management

6.3.1 Human Resource Management

The Board has established and implemented appropriate Human Resources (HR) policy and management procedures. The Board’s HR management function falls under the Finance and Administration Department. The HR and Administration Division, which is headed by a HR and Administration Officer, is responsible for developing sound human resource policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. RVWSB has in place qualified and experienced staff, mainly seconded from MWI, to implement the planned activities per the current Strategic Plan. The Board has adopted, customised and implemented the manual on Terms and Conditions of Service for Employees of Water Services Boards prepared by the Ministry of Water and Irrigation. The senior management staff have signed the staff code of conduct.

A Training Needs Assessment (TNA) for the Board was carried out by PriceWaterhouseCoopers (PWC) in 2007, but the same is yet to be implemented.
6.3.2 **HR Management System**

The Board’s payroll is computerized. The Board is currently in the process of implementing a comprehensive human resource and a monitoring and evaluation system as part of the FMIS system funded by SIDA/DANIDA.

6.4 **Financial Management**

The Finance and Administration Department is charged with ensuring sound financial management and administration services, which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting, human resources management, administration, Information Communication Technology (ICT) and the procurement function. The department is currently headed by an experienced and qualified Finance and Administration Manager (a CPA (K)).

6.4.1 **Strategic Planning**

The Board has put in place the following documents: ten-year Strategic Plan and five-year Business Plan, and is currently in the process of developing an Investment Plan in line with the Sector Investment Plan (SIP). The Strategic and Business Plans are currently being implemented. In addition, the Board is implementing the 2008/09 performance contract signed with the Ministry of Water and Irrigation.

6.4.2 **Budgeting and Budgetary Control**

The Board’s has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 has already been presented and approved by the board and MWI. The budget is also in line with the Performance Contract for 2008/09 signed between the Board and the Government of Kenya (GOK), through MWI. The Board maintains the Vote Book through the Great Plains system. However, the same has some teething problems that are currently being addressed. In addition, variance analysis is done on quarterly basis and action is taken on adverse variances.

6.4.3 **Accounting System, Procedures & Reporting**

The Board has developed and implemented an elaborate Financial Policies and Procedures Manual, issued in March 2008 as part of RVWSB’s preparation for ISO certification. In addition, the Board has been implementing an integrated Financial Management Information System (FMIS), the Great Plains since 2007, though funding of SIDA/DANIDA under the Kenya Water Sector Programme (KWSP). The Board, therefore, maintains proper books of account that facilitates timely preparation of accurate and reliable financial statements and other management reports required for decision making.

The Finance Department prepares monthly and quarterly management accounts which are presented to the Finance and General Purpose Committee of the board for deliberations before the same are tabled to the full
board for approval. The latest management accounts are for the period ended 30th June 2008.

6.4.4 Procurement Function

The procurement section, which currently reports to the Finance Administration Manager, is established in accordance with the Public Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with the tender, procurement, evaluation and inspection, and acceptance committees, appointed by the CEO from user departmental and section heads, established under the same regulations.

The Board has adopted and customised the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006.

6.4.5 Financial Viability

RVWSB relies on grants from the government, through the Ministry of Water and Irrigation, to fund its development and recurrent expenditures. The Board also gets grants and loans from Development Partners for funding development projects. In addition, the Board gets service provision levies from the contracted WSPs in line with the Service Provision Agreements (SPAs) signed with the WSPs. However, the income from the WSPs is currently very low and irregular and hence not able to sustain the Board. The low income levels are attributable to the poor state of the existing water and sanitation infrastructure, leading to high unaccounted for water (UFW), low connections and sub-optimal access to quality water. Only Nakuru Water and Sanitation Services Company (NAWASSCO) and Naivasha Water and Sanitation Company (NAWASCO) are able to pay the lease fees. The other WSPs are financially weak and struggling with unsustainable operations, and even unable to fully pay their power bills, chemicals and full staff salary and operations and maintenance (O & M) costs.

6.4.6 The WARIS Reporting System

The Board through the Water Services Regulatory Board, (WASREB), is implementing the Water Regulatory Information System (WARIS). Training on an updated WARIS is still on and thus full implementation not possible until adequate training has been done.

However, the system developed partial data exportation problem in the second year which has been rectified recently by WASREB. The Board’s ICT staffs are currently undergoing training on the updated version of the WARIS.

6.5 Auditing

6.5.1 Internal Audit Function

The Board has an established Internal Audit unit, which reports to the Audit Committee of the board. The Internal Auditor’s position is currently vacant and the Finance and Administration Manager is overseeing the functions of the
internal audit. The audit function is however responsible for the development and implementation of the Board’s policies and procedures with regard to internal controls, risk management, governance, systems of ensuring sound financial management and compliance with applicable laws and regulations, conducting regular routine audit checks, ad hoc and special investigations. The Internal Audit function also audits and monitors the performance of the WSPs within the board’s jurisdiction. The Board has, however, not yet developed a risk management policy and risk management process.

6.5.2 External Audit

The Board’s accounts are audited by the Controller and Auditor General (CAG). The latest audited accounts are for the year ended 30th June 2007. The CAG’s audit report on these accounts was qualified due to the fact that the Board had not incorporated therein the assets inherited from the Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation. The assets have not yet been valued and hence the same have not been recorded in the Board’s fixed assets register (FAR).

6.6 Technical Management

The Technical Services function is a key function in the Board with the responsibility of overseeing the planning, design, development and management of assets; providing continuing support to the WSPs within its jurisdiction; overseeing activities in the regions and managing schemes. This department is divided into three divisions namely: Asset Development, Community Development and Ground Water. Schemes management arises where a service provider has not been identified or where provision of services cannot be feasibly commercialized, or where the existing WSP fails to adequately run the service.

The Technical Services Department has got suitably qualified management and technical staff but there is need for regular refresher training in on-going operational methodology transformation.

6.6.1 Technical Issues

The Board has not yet developed in-house Engineering Guidelines. Consequently, the Board uses the MWI guidelines and codes of practice for both water and sewerage works. The Board has not put in place arrangement for industrial pollution control. It is necessary to establish an industrial pollution control unit. Outsourcing by contracting consultancy and construction services is applied for donor funded and WSB’s major works. There is need for constituting project implementation unit under the Technical Services Manager to monitor supervision of major works.

The Board’s Water Service Providers’ Department monitors the quality assurance process of the water supply within the WSPs in its area of operation, through regular water sampling tests.

Monthly and quarterly monitoring evaluation reports are received from the WSPs. The reports are reviewed by the M&E Officer who seeks clarifications from WSPs on any apparent operational parameter discrepancies.
6.6.2 Operations & Maintenance Issues

The common characteristic of the existing water supply and sanitation infrastructure in the Board’s area of operation is their dilapidated state, which results in high O & M costs. In addition, only Nakuru and Naivasha towns, and Kabarnet District Hospital have sewerage infrastructure. Proper mapping of existing pipeline systems and replacement of aged pipelines is very critical to the improvement of the performance of the infrastructure.

6.7 Project Management

6.7.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. Consequently, project management, monitoring and evaluation is done through Planning and Development Engineer. Interview with the concerned officer indicated inadequate experience in handling projects. The senior technical staff are professionally qualified but, although registable, none of them is registered with the Engineers Registration Board (ERB).

6.7.2 Service Strategy to Low Income Areas

The Board has not yet developed a Strategy for the provision of water and sanitation services to the low income areas and informal settlements.

6.7.3 Community Involvement in WSS Projects

The Board has been using a participatory process in responding to Performance Contract requirements with respect to peri-urban, informal settlements and rural community WSS services delivery. To facilitate this, the Board has established a forum in which Stakeholders meet and discuss issues relating to water and sanitation and learn from each other's experiences. Community participation in project planning and implementation is ensured through use of a Community Development Officer (CDO) who sensitises the community and organizes stake holders meetings as and when necessary. The technical services manager organises project meetings in conjunction with the relevant consultants for major projects. Progress reports are submitted to the Board.

6.7.4 Public health education

The Board conducts Hygiene Sanitation awareness in low-income groups in collaboration with other key stakeholders in and out of government like MOH, MOLG, CBOs and NGOs. Simple methodologies are being enhanced in conjunction with Public Health Officers (PHOs). The Board has put more emphasis on public education on health problems associated with untreated and polluted water.
6.8 Identified Capacity Building Needs

RVWSB is currently implementing the African Development Bank (AfDB) and GOK funded Rift Valley water and Sanitation Project (RVWSP). Capacity building for RVWSB and the WSPs in the Board’s area of operation one of the key components of this project. Some capacity building activities were therefore undertaken within the board in the 2007/08 financial year.

However, interviews and discussions with key staff identified the following capacity building needs that are considered relevant to WSTF sponsored projects:

- Proposal and Report Writing;
- Project Management;
- Donor Project Accounting;
- Procurement and Contracting Procedures;
- Finance for Non-Finance Managers;
- Performance Management;
- Asset Management and Investment Planning;
- Best Practices in Quality Monitoring;
- Community Development and Management;
- Participatory Monitoring and Evaluation;
- Health and Sanitation Management;
- HIV/AIDS and Gender Mainstreaming;
- Training of Trainers (TOT);
- Conflict Management;
- Public Private Partnership WSS Concept.

6.9 Physical Resources

On 12th August 2005 vide Legal Notice No.101 (Plan of Transfer of Water Services Rules, 2005) the Board was handed over the water and sewerage infrastructure developed over the years by MWI and the Nation Water Conservation and Pipeline Corporation. The state of this infrastructure is however poor and currently is only able to supply water to about 48% of the urban population and 32% of the rural population in the Board’s area of jurisdiction. Due to the old age of water infrastructure, poor maintenance, illegal connections, un-metered connections (flat-rate billing) and poor management systems, the Unaccounted for water (UFW) is currently estimated at 89%.

The Board has also established and equipped its offices; including putting in place computer networking and a comprehensive FMIS system.
7 TANA WATER SERVICES BOARD (TWSB)

7.1 Introduction

The Tana Water Services Board (TWSB) was established as a State Corporation under the Water Act 2002 vide gazette notice No. 1715 of 12th March 2004 and is duly licensed to provide water and sanitation services by the Water Services Regulatory Board (WASREB), as one of the newly created institutions in the reformed water sector in the Ministry of Water and Irrigation. TWSB is one of the seven (7) Water Service Boards within the country. TWSB covers thirteen (13) administrative districts, spread over an area of 49,473 square kilometres, located in Central and Easter Provinces of the country. The administrative Districts covered by TWSB are: Embu, Mbeere, Maragua, Kirinyaga, Kitui, Meru Central, Meru North, Meru South, Muranga, Mwingi, Nyandarua, Nyeri and Tharaka. The population in the region in 2007 was approximately 5.2 million (1999 census projected at an annual growth rate of 3%). Only about 51% (2.6 million) of the population are served by water within the Boards area of jurisdiction.

Two of the districts, Kitui and Mwingi with a coverage of 20,402 Km² and 10,030 Km² respectively, have already been curved out and included in the recently created Tana-Athi Water Services Board.

TWSB’s mandate is to ensure efficient and sustainable provision of water and sanitation services in its area of jurisdiction in line with the Water Act 2002.

7.2 Corporate Governance

7.2.1 Organisation Structure

TWSB has put in place an appropriate organizational structure, which consists of a board of directors appointed by the Minister for Water and Irrigation from a range of stakeholders interests and professional backgrounds. Below the board of directors is the Chief Executive Officer (CEO). Three core Departments namely the Technical Services, the Finance and Administration, and PR, Corporate Planning and strategy report to the CEO. In this structure, there is an independent Internal Audit Unit, which reports to the Audit and Risk Committee of the board. The Departments are further broken into Divisions covering the Board’s key operating functions. The Board is also in the process of establishing regional offices in Nyeri, Embu and Meru Towns, to be headed by Regional Managers. The Board’s current organization structure is designed to ensure that TWSB not only oversees the performance of Water Service Providers in the expansive area covering 13 districts; but also expanding and managing infrastructural facilities; and building capacities of water service providers and communities within the Board area.

TWSB’s management structure is in line with the 2005-2015 Revised Strategic Plan. The organisation structure is based on functions namely: Technical Services, PR, Corporate Planning and Strategy, Finance and Administration, and Internal Audit Services.
7.2.2 Corporate Governance Practices

The Board’s corporate governance structure and practices are in line with the guidelines issued by the Ministry of Water and Irrigation (MWI). TWSB has eleven directors, including the Chief Executive Officer (CEO). The board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, general direction, coordination and overall management of the Board’s operations. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Board’s business by individually signing the Code of Ethics. In addition, all the members of the board have undergone the corporate governance induction course.

The Board has constituted appropriate board committees namely, the Finance and Administration Committee, the Environment, Technical services Committee, the Audit and Risk Committee. All the Board meetings are scheduled and are held on quarterly basis. Minutes of the board are properly recorded and maintained.

On the other hand, the Management Team is led by the Chief executive Officer, supported the Finance and Administration Manager and the Technical Services Manager, the PR, Corporate Planning, Strategy Manager, and the Internal Auditor.

7.3 General Management

7.3.1 Human Resource Management

The Board has established and implemented appropriate Human Resources (HR) policy and management procedures. The Board’s HR management function falls under the Finance and Administration Department. The HR and Administration Division, which is headed by a HR and Administration Officer, is responsible for developing sound human resource policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. TWSB has in place qualified and experienced staff, mainly seconded from MWI, to implement the planned activities per the current Strategic Plan. The Board has been using the manual on Terms and Conditions of Service for Employees of Water Services Boards prepared by the Ministry of Water and Irrigation. The Board has however developed its own in-house Human Resource Policy and Procedures manual which is currently in draft form. The senior management staff have signed the staff code of conduct.

The Board has carried out a Training Needs Assessment (TNA) internally.

7.3.2 HR Management System

The Board’s payroll is computerized. The Board is currently in the process of implementing a comprehensive human resource and a monitoring and evaluation system as part of the FMIS system funded by SIDA/DANIDA.
7.4 **Financial Management**

The Finance and Administration Department is charged with ensuring sound financial management and administration services, which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting, human resources management, administrative, Information Communication Technology (ICT) and the procurement function. The department is currently being headed by the Internal Auditor in an acting capacity following the recent departure of the Finance and Administration Manager.

7.4.1 **Strategic Planning**

The Board has put in place the following documents: ten-year Strategic and Business Plans, and is currently in the process of developing an Investment Plan in line with the Sector Investment Plan (SIP). The Strategic Plan for the period July 2005 to June 2015, is currently being reviewed. In addition, the Board is implementing the 2008/09 performance contract signed with the Ministry of Water and Irrigation.

7.4.2 **Budgeting and Budgetary Control**

The Board’s has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 has already been presented and approved by the board and MWI. The budget is also in line with the Performance Contract for 2008/09 signed between the Board and the Government of Kenya (GOK), through MWI. A vote Book is maintained via an Excel spreadsheet and is used for the purpose of controlling expenditure. In addition, variance analysis is done on quarterly basis and action is taken on adverse variances.

7.4.3 **Accounting System, Procedures & Reporting**

The Board has put in place an elaborate Financial Policies and Procedures Manual. In addition, the Board has implemented an integrated Financial Management Information System (FMIS), the Great Plains, funded by SIDA/DANIDA under the Kenya Water Sector Programme (KWSP).

The Finance Department prepares quarterly management accounts which are presented to the Finance Committee of the board for deliberations before the same are tabled to the full board for approval. The latest management accounts are for the period ended 30th June 2008.

7.4.4 **Procurement Function**

The procurement section, which currently reports to the Finance Administration Manager, is established in accordance with the Public Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with the tender, procurement, evaluation and inspection, and
acceptance committees, appointed by the CEO from user departmental and section heads, established under the same regulations.

The Board has adopted and customised the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006.

7.4.5 Financial Viability

TWSB relies on grants from the government, through the Ministry of Water and Irrigation, to fund its development and recurrent expenditures. The Board also gets grants and loans from Development Partners for funding development projects. In addition, the Board gets service provision levies from the contracted WSPs in line with the Service Provision Agreements (SPAs) signed with the WSPs. However, the income from the WSPs is currently very low due to the poor state of the existing water and sanitation infrastructure, leading to high unaccounted for water (UFW), low connections and sub-optimal access to quality water. Only Nyeri Water and Sewerage Company (NYEWASCO), Meru Water and Sanitation Services (MEWASS) and Embu Water and Sanitation Company (EWASCO) are able to pay the lease fees. The other WSPs are financially weak and struggling with unsustainable operations, and even unable to achieve full cost recovery.

7.4.6 The WARIS Reporting System

The Board through the Water Services Regulatory Board, (WASREB), is implementing the Water Regulatory Information System (WARIS). However, the system developed partial data exportation problem in the second year which has been rectified recently by WASREB. The Board's ICT staffs are currently undergoing training on the updated version of the WARIS.

7.5 Auditing

7.5.1 Internal Audit Function

The Board has an established Internal Audit unit, which reports to the Audit Committee of the board. The Internal Auditor’s position is currently vacant since the previous holder is now acting as the Finance and Administration Manager. The audit function is however responsible for the development and implementation of the Board’s policies and procedures with regard to internal controls, risk management, governance, systems of ensuring sound financial management and compliance with applicable laws and regulations, conducting regular routine audit checks, ad hoc and special investigations. The Internal Audit function also audits and monitors the performance of the WSPs within the board’s jurisdiction. The Board has developed and incorporated risk a management policy and an appropriate risk management process in the revised business plan.

7.5.2 External Audit

The Board’s accounts are audited by the Controller and Auditor General (CAG). The latest audited accounts are for the year ended 30th June 2007. The CAG’s audit report on these accounts was qualified due to the fact that
the Board had not incorporated therein the assets inherited from the Ministry of Water and Irrigation and the National Water Conversation and Pipeline Corporation (NWCPC).

7.6 Technical Management

The Technical Services function is a key function in the Board with the responsibility of overseeing the planning, design, development and management of assets; providing continuing support to the WSPs within its jurisdiction; overseeing activities in the regions and managing schemes. This department is divided into three divisions namely: Asset development and Management, Water Service Providers Urban and Water Services Providers Rural. Schemes management arises where a service provider has not been identified or where provision of services cannot be feasibly commercialized, or where the existing WSP fails to adequately run the service.

The Technical Services Department is endowed with suitably qualified management and technical staff but there is need for regular refresher training in on-going operational methodology transformation.

7.6.1 Technical Issues

The Board has not yet developed in-house Engineering Guidelines. Consequently, the Board uses the MWI guidelines and codes of practice for both water and sewerage works. The Board has not put in place arrangement for Industrial pollution control in place. It is necessary to establish an Industrial pollution control unit. Outsourcing by contracting consultancy and construction services is applied for donor funded and WSB’s major works. There is need for constituting project implementation unit under the Technical Services Manager to monitor supervision of major works.

TWSB monitors the quality assurance process of the water supply within the WSPs in its area of operation, through regular water sampling tests.

Monthly and quarterly monitoring evaluation reports are received from the WSPs, often irregularly. The reports are reviewed by the M&E Officer who seeks clarifications from WSPs on any apparent operational parameter discrepancies.

7.6.2 Operations & Maintenance Issues

The common characteristic of the existing water supply and sanitation infrastructure in the Board’s area of operation is their dilapidated state, which results in high O & M costs. In addition, only five (5) of the towns operate sewerage infrastructure. Proper mapping of existing pipeline systems and replacement of aged pipelines is very critical to the improvement of the performance of the infrastructure.
7.7 Project Management

7.7.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. Consequently, project management, monitoring and evaluation is done through Planning and Development Engineer. Interview with the concerned officer indicated inadequate experience in handling projects. The senior technical staff are professionally qualified but, although registrable, none of them is registered with the Engineers Registration Board (ERB).

7.7.2 Service Strategy to Low Income Areas

The Board has not yet developed a Strategy for the provision of water and sanitation services to the low income areas and informal settlements.

7.7.3 Community Involvement in WSS Projects

The Board has been using a participatory process in responding to Performance Contract requirements with respect to peri-urban, informal settlements and rural community WSS services delivery. To facilitate this, the Board has established a forum in which Stakeholders meet and discuss issues relating to water and sanitation and learn from each other's experiences. Community participation in project planning and implementation is ensured through use of a Community Development Officer (CDO) who sensitises the community and organizes stake holders meetings as and when necessary. The technical services manager organises project meetings in conjunction with the relevant consultants for major projects. Progress reports are submitted to the Board.

7.7.4 Public health education

The Board conducts Hygiene Sanitation awareness in low-income groups in collaboration with other key stakeholders in and out of government like MOH, MOLG, CBOs and NGOs. Simple methodologies are being enhanced in conjunction with Public Health Officers (PHOs). The Board has put more emphasis on public education on health problems associated with untreated and polluted water.

7.8 Identified Capacity Building Needs

From the interviews and discussions held with key staff, the Consultants identified the following capacity building needs that are considered relevant to WSTF sponsored projects:

- Proposal and Report Writing;
- Project Management;
- Donor Project Accounting;
- Procurement and Contracting Procedures;
- Finance for Non-Finance Managers;
- Performance Management;
- Asset Management and Investment Planning;
- Best Practices in Quality Monitoring;
- Community Development and Management;
- Participatory Monitoring and Evaluation;
- Health and Sanitation Management;
- HIV/AIDS and Gender Mainstreaming;
- Training of Trainers (TOT);
- Conflict Management;
- Public Private Partnership WSS Concept.

7.9 Physical Resources

The Board has also established and equipped its offices; including putting in place computer networking and a comprehensive FMIS system.

7.10 Water Sector Institutional Issues

We noted that although the responsibility for developing WSS assets and infrastructure in the Board's area of operation lies with TWSB. Some of the funds for development of water facilities are sent by MWI to the District Water Offices to implement projects in rural areas. There is a conflict of roles, with possible duplication of effort, and non-prioritization of scarce resources. This is bound to impact negatively on the performance of TWSB's mandate. MWI need to reconsider its approach towards the development of water and sewerage infrastructure and empower TWSB to achieve its mandate.
8 NORTHERN WATER SERVICES BOARD (NWSB)

8.1 Introduction

The Northern Water Services Board (NWSB) was established as a State Corporation under the Water Act 2002 vide gazette notice dated 12th March 2004 and is duly licensed to provide water and sanitation services by the Water Services Regulatory Board (WASREB), as one of the newly created institutions in the reformed water sector in the Ministry of Water and Irrigation. NWSB is one of the seven (7) Water Service Boards within the country. NWSB covers twenty (24) administrative districts, spread over an area of 244,860 square kilometres, located in North Eastern and Rift Valley Provinces of the country. The administrative Districts covered by NWSB are: Garissa, Fafi, Ijara, Lagdera, Isiolo, Garbatulla Laikipia east, Laikipia west, Laikipia north, Mandera east, Mandera central, Mandera west, Marsabit, laisamis, Charbi, Moyale, Sololo, Samburu west, Samburu east, Samburu north, Wajir South, Wajir east, Wajir west and Wajir North Districts. The population in the region in 2007 was approximately 2.0 million (1999 census projected at an annual growth rate of 3%). NWSB’s Head Office is situated at Maji House building in Garissa town, with a sub-regional office in Isiolo Town.

So far NWSB has contracted only seven urban water services providers namely Nyahururu, Isiolo, Nanyuki, Garissa, Moyale, Mandera and Maralal water companies.

NWSB’s mandate is to ensure efficient and economical provision of water and sanitation services in its area of jurisdiction in line with the Water Act 2002.

8.2 Corporate Governance

8.2.1 Organisation Structure

NWSB has put in place an appropriate organizational structure, which comprises a board of ten members representing various stakeholders and interest groups. Two core Departments namely the Technical Services and the Finance and Administration report to the CEO. In this structure, there is an independent Internal Audit Unit, which reports to the Finance and Audit Committee of the board. The Departments are further broken into Divisions covering the Board’s key operating functions. The Board’s current organization structure is designed to ensure that NWSB not only oversees the performance of Water Service Providers in the expansive area covering 24 districts; but also expanding and managing infrastructural facilities and building capacities of water service providers and communities within the Board area.

NWSB’s management structure is in line with the 2005-2011 Strategic Plan. The organisation structure is based on functions namely: Technical Services and Finance and Administration, and Internal Audit Services.
8.2.2 Corporate Governance Practices

The Board’s corporate governance structure and practices are in line with the guidelines issued by the Ministry of Water and Irrigation (MWI). NWSB has eleven directors, inclusive of the Chief Executive Officer (CEO). The board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, risk management, general direction, coordination and overall management of the Board’s operations. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Board’s business by individually signing the Code of Ethics. In addition, all the members of the board have undergone the corporate governance induction course.

The Board has constituted appropriate board committees namely, the Finance and Audit Committee and the Technical Committee. Board meetings are scheduled and are held on quarterly basis. Minutes of the board are properly recorded and maintained.

On the other hand, the Management Team is led by the Chief executive Officer, supported by two (2) senior staff namely the Finance and Administration Manager and the Technical Services Manager.

8.3 General Management

8.3.1 Human Resource Management

The Board has established and implemented appropriate Human Resources (HR) policy and management procedures. The Board’s HR management function falls under the Finance and Administration Department. The HR and Administration Division, which is headed by a HR and Administration Officer, is responsible for developing sound human resource policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. NWSB has in place qualified and experienced staff, mainly seconded from MWI, to implement the planned activities per the current Strategic Plan. The Board has adopted, customised and implemented the manual on Terms and Conditions of Service for Employees of Water Services Boards prepared by the Ministry of Water and Irrigation. The senior management staff have signed the staff code of conduct.

A Training Needs Assessment (TNA) for the Board has not been carried out.

8.3.2 HR Management System

The Board’s payroll is computerized. The Board is currently in the process of implementing a comprehensive human resource and a monitoring and evaluation system as part of the FMIS system funded by SIDA/DANIDA.

8.4 Financial Management

The Finance and Administration Department is charged with ensuring sound financial management and administration services, which includes budgeting...
and budgetary control, development of financial policies and procedures, financial accounting and reporting, human resources management, administrative, Information Communication Technology (ICT) and the procurement function. The department is currently headed by an experienced and qualified (CPA (K) Finance and Administration Manager.

8.4.1 Strategic Planning

The Board has put in place the following documents: five-year Strategic and Business Plans, and is currently in the process of developing an Investment Plan in line with the Sector Investment Plan (SIP). A mid-term review of the Business Plan for the period July 2005 to June 2011 was carried out by an external consultant in February 2008. In addition, the Board is implementing the 2008/09 performance contract signed with the Ministry of Water and Irrigation.

8.4.2 Budgeting and Budgetary Control

The Board’s has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 has already been presented and approved by the board and MWI. The budget is also in line with the Performance Contract for 2008/09 signed between the Board and the Government of Kenya (GOK), through MWI. The Board maintains a Vote Book, which is used for the purpose of controlling expenditure. In addition, variance analysis is done on quarterly basis and action is taken on adverse variances.

8.4.3 Accounting System, Procedures and Reporting

The Board has been implementing an integrated Financial Management Information System (FMIS), the Great Plains since 2007, though funding of SIDA/DANIDA under the Kenya Water Sector Programme (KWSP). The Board, therefore, maintains proper books of account able to facilitate timely preparation of accurate and reliable financial statements and other management reports.

The Finance Department prepares monthly and quarterly management accounts which are presented to the Finance and Audit Committee of the board for deliberations before the same are tabled to the full board for approval. The latest management accounts are for the period ended 31st March 2008.

8.4.4 Procurement Function

The procurement section, which currently reports to the Finance Administration Manager, is established in accordance with the Public Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with the tender, procurement, evaluation and inspection, and acceptance committees, appointed by the CEO from user departmental and section heads, established under the same regulations.
The Board has adopted and customised the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006.

8.4.5 Financial Viability

NWSB relies on grants from the government, through the Ministry of Water and Irrigation, to fund its development and recurrent expenditures. The Board also gets grants and loans from Development Partners for funding development projects. In addition, the Board gets service provision levies from the contracted WSPs and district based revenue. However, the income from the WSPs is currently very low and irregular and hence not able to sustain the Board. The low income levels are attributable to the poor state of the existing water and sanitation infrastructure, leading to high unaccounted for water (UFW), low connections, sub-optimal access to quality water and high electricity costs. Only Nanyuki Water and Sewarage Company (NAWASCO) and Nyahururu Water and Sewarage Company (NYAWASCO), Isiolo Water and Sewarage Company and Garissa Water and Sewarage Company (GAWASCO), out of the seven contracted WSPs, are able to pay the lease fees. The other WSPs are financially weak and struggling with unsustainable operations, and even unable to fully pay their power bills, chemicals and full staff salary and operations and maintenance (O & M) costs.

8.4.6 The WARIS Reporting System

The Board through the Water Services Regulatory Board, (WASREB), is implementing the Water Regulatory Information System (WARIS). However, the system developed partial data exportation problem in the second year which has been rectified recently by WASREB. The Board’s ICT staffs were undergoing training on the updated version of the WARIS during our field visit.

8.5 Auditing

8.5.1 Internal Audit Function

The Board has an established Internal Audit unit, which reports to the Audit Committee of the board. The audit function is responsible for the development and implementation of the Board’s policies and procedures with regard to internal controls, risk management, governance, systems of ensuring sound financial management and compliance with applicable laws and regulations, conducting regular routine audit checks, ad hoc and special investigations. The Internal Audit function also audits and monitors the performance of the WSPs within the board’s jurisdiction. However, the Board has not yet developed or even implemented a risk management policy and risk management process.

8.5.2 External Audit

The Board’s accounts are audited by the Controller and Auditor General (CAG). The latest audited accounts are for the year ended 30th June 2007. The CAG’s audit report on these accounts was qualified due to the fact that the Board had not incorporated therein the assets inherited from the Ministry.
of Water and Irrigation and the National Water Conservation and Pipeline Corporation. The assets have not yet been valued and hence the same have not been recorded in the Board’s fixed assets register (FAR).

8.6 Technical Management

The Technical Services function is a key function in the Board with the responsibility of overseeing the planning, design, development and management of assets, supervising and providing continuing support to the WSPs, district water coordinators, and managing the rural and urban water schemes where commercialization may not be effective or possible at the moment. This department is divided into three divisions namely: Asset Development, Community Development and Ground Water. Schemes management arises where a service provider has not been identified or where provision of services cannot be feasibly commercialized, or where the existing WSP fails to adequately run the service.

The Technical Services Department has got suitably qualified management and technical staff but there is need for regular refresher training in on-going operational methodology transformation.

8.6.1 Technical Issues

The Board has not yet developed in-house Engineering Guidelines. Consequently, the Board uses the MWI guidelines and codes of practice for both water and sewerage works. The Board has not put in place arrangement for industrial pollution control. It is necessary to establish an industrial pollution control unit. Outsourcing by contracting consultancy and construction services is applied for donor funded and WSB’s major works. There is need for constituting project implementation unit under the Technical Services Manager to monitor supervision of major works.

The Board’s Water Service Providers’ Department monitors the quality assurance process of the water supply within the WSPs in its area of operation, through review of reports from the WSPs and by carrying out regular water sampling tests.

Monthly and quarterly monitoring evaluation reports are received from the WSPs. The reports are reviewed by the M&E Officer who seeks clarifications from WSPs on any apparent operational parameter discrepancies.

8.6.2 Operations & Maintenance Issues

The common characteristic of the existing water supply and sanitation infrastructure in the Board’s area of operation is their dilapidated state, which results in high O & M costs. On the other hand, the water sources are mainly ground water. There are few water supplies having their sources in rivers namely Garissa, Isiolo, Nanyuki, Nyahururu, Masalani and Marmanet water supply. Surface water collected in pans is also an appreciable source of Water. It is used raw and sometimes with filtration from wells beside them. Sewerage Services are only available in Nanyuki, Nyahururu, and Isiolo and partially in Garissa. Other towns have on-site sanitation system.
The cost of maintaining water services is quite high. This is because almost all water schemes involve pumping of water. The majority are boreholes.

8.7 Project Management

8.7.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. Consequently, project management, monitoring and evaluation is done through Planning and Development Engineer. Interview with the concerned officer indicated inadequate experience in handling projects. The senior technical staff are professionally qualified but, although registable, none of them is registered with the Engineers Registration Board (ERB).

8.7.2 Service Strategy to Low Income Areas

The Board has not yet developed a Strategy for the provision of water and sanitation services to the low income areas and informal settlements.

8.7.3 Community Involvement in WSS Projects

The Board has been using a participatory process in responding to Performance Contract requirements with respect to periurban, informal settlements and rural community WSS services delivery. To facilitate this, the Board has established a forum in which Stakeholders meet and discuss issues relating to water and sanitation and learn from each other's experiences. Community participation in project planning and implementation is ensured through use of a Community Development Officer (CDO) who sensitises the community and organizes stake holders meetings as and when necessary. The technical services manager organises project meetings in conjunction with the relevant consultants for major projects. Progress reports are submitted to the Board.

8.7.4 Public health education

The Board conducts Hygiene Sanitation awareness in low-income groups in collaboration with other key stakeholders in and out of government like MOH, MOLG, CBOs and NGAs. Simple methodologies are being enhanced in conjunction with Public Health Officers (PHOs). The Board has put more emphasis on public education on health problems associated with untreated and polluted water.

8.8 Identified Capacity Building Needs

From the interviews and discussions held with key staff, the Consultants identified the following capacity building needs that are considered relevant to WSTF sponsored projects:

- Proposal and Report Writing;
- Project Management;
- Donor Project Accounting;
- Procurement and Contracting Procedures;
- Finance for Non-Finance Managers;
- Performance Management;
- Asset Management and Investment Planning;
- Best Practices in Quality Monitoring;
- Community Development and Management;
- Participatory Monitoring and Evaluation;
- Health and Sanitation Management;
- HIV/AIDS and Gender Mainstreaming;
- Training of Trainers (TOT);
- Conflict Management;
- Public Private Partnership WSS Concept.

8.9 Physical Resources

The Board has also established and equipped its offices; including putting in place computer networking and a comprehensive FMIS system.

8.10 Identified Non-skill Capacity Gaps

Through interview and discussions with key staff, the Consultants identified the following non-skill capacity gaps within the Board:

- Inadequate transport facilities (vehicles, motor bikes, etc);
- Lack of adequate well equipped laboratories and trained personnel;
- Inadequate sewerage systems.

8.11 Water Sector Institutional Issues

We noted that although the responsibility for developing WSS assets and infrastructure in the Board’s area of operation lies with NWSB. Some of the funds for development of water facilities are sent by MWI to the District Water Offices to implement projects at the district level. There is a conflict of roles, with possible duplication of effort, and non-prioritization of scarce resources. This is bound to impact negatively on the performance of NWSB’s mandate. MWI need to reconsider its approach towards the development of water and sewerage infrastructure and empower NWSB to achieve its mandate.
9 MOMBASA WATER AND SEWERAGE COMPANY (MOWASCO)

9.1 Introduction

The water sector has undergone fundamental changes since the enactment of the water Act 2002. The water Act 2002 provides the legal framework for the management and development of water services. It aims to address the weaknesses that face the water supply by separating policy functions from regulation and services delivery. It further separates service delivery functions into asset holding and investment (WSB function) and WSS provision (WSP function). Seven (7) Water Services Boards (WSBs) have been established and licensed by the water services regulatory board (WASREB) to be responsible for the provision of Water and Sewerage Services (WSS). The Act requires that WSBs contract agents, Water Service Providers (WSPs) to execute mandated services directly to the consumers. Mombasa Water and Sewerage Services Company Limited (MOWASCO) is one of the companies incorporated to provide water and sewerage services within the Coast Water Services Board (CWSB) area of jurisdiction.

The Municipal Council of Mombasa (MCM) formed the Mombasa Water and Sewerage Company (MOWASCO), under the Companies Act Cap 486, on 24th December 2003. The company is wholly owned by the Municipal Council of Mombasa. The company, which became operational in July 2005, was contracted by CWSB on 12th October 2005 to provide water and sewerage services within the Municipality of Mombasa. This contract is in the form of a Service Provision Agreement (SPA) that defines the relationship between the two parties. CWSB undertakes water production and supervisory role over the outputs of MOWASCO, while the MOWASCO has day-to-day responsibility to manage, operate and maintain water distribution and sewerage systems.

Mombasa District covers an area of 230km² with an approximate total population of 841,700 based on the 1999 population census, and currently stands at about 1 million people. The District, is served by four (4) distribution mains namely Mombasa Island (North and South), West Mainland, North Mainland and South Mainland.

However, only a population of 336,000, i.e. 45% of the total, has access to water services from MOWASCO. MOWASCO buys the water supply in “bulk” from CWSB at Kshs. 15 per m³.

Water demand in the area serviced by MOWASCO is currently estimated at 160,000 m³ per day. Therefore the existing shortfall is about 51,000 m³ per day.

Currently MOWASCO’s total water connections are approximately 55,000, and out of these about 34,000 connections are active. The average Unaccounted for Water (UfW) is currently estimated at 40%. MOWASCO currently services 3,040 sewerage connections, against a potential of 8,000 sewerage connections.
9.2 Corporate Governance

9.2.1 Organisation Structure

The Company had no board of directors between March 2007 and June 2008. From July 2008, MOWASCO has put in place an appropriate organizational structure, with the board of directors as the Company’s top policy formulation and decision making organ. The Company’s board comprises of eleven (11) recently appointed non-executive members and an executive Managing Director.

Below the board of directors is Managing Director (MD). Four core Departments namely Technical Services, Finance, Human Resources and Administration and Commercial Services, report to the MD. In this structure, there is an independent Internal Audit Unit, which reports to the Audit and Risk Committee of the board. The Departments are further broken into units covering the company’s key operating functions. The company’s current organization structure is designed to ensure that MOWASCO achieves the objectives set out in its current strategic plan and the targets agreed upon with CWSB as set out in the Service Provision Agreement (SPA).

MOWASCO’s management structure is in line with the 2006-2011 Strategic Plan.

9.2.2 Corporate Governance Practices

The Company’s corporate governance structure and practices are in line with the guidelines for Water Service Providers issued by the Ministry of Water and Irrigation (MWI). The board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, general direction, coordination, ensuring sustainable overall quality, cost-effective service delivery and cultivation and maintenance of a positive corporate image. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Company’s business by individually signing the Code of Ethics. The members of the board have not yet undergone the corporate governance induction course.

The Company has constituted appropriate board committees namely, the Technical Committee the Finance and Administration Committee and the Audit and Risk Committee which are entrusted with the governance and leadership of the Company. All the board meetings are scheduled and are held on quarterly basis.

On the other hand, the company’s Management Team is led by the MD, supported the Finance Manager, the HR and Administration Manager, the Technical Services Manager, the Ag. Commercial Manager and Internal Auditor.
9.3 General Management

9.3.1 Human Resource Management

The Company’s Human Resources (HR) management function falls under the HR and Administration Department and the same is headed by an Ag. HR and Administration Manager, is responsible for developing sound human resources policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. Apart from Commercial and HR and Administration positions, MOWASCO has in place qualified and experienced staff, recruited through a competitive process, to implement the planned activities per the current Strategic Plan. A man-power plan has not been developed. The company has developed and implemented appropriate human resource policies and management procedures, which are also properly document in the company’s HR policies and procedures manual. A code of conduct document for the management staff has also been put in place.

The company has not carried out a Training Needs Assessment (TNA) for 2008/09.

9.3.2 HR Management System

The Company’s human resource management, monitoring and evaluation is not computerised.

9.4 Financial Management

The Finance Department, which is currently headed by a qualified Accountant (CPA), is charged with ensuring sound financial management services, which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting and Information Communication Technology (ICT). From our review, the staffs in both the Finance and Audit Departments are capable of managing the Company’s finance and internal audit functions efficiently and effectively.

9.4.1 Strategic Planning

The Company has put in place and is currently implementing the Strategic and Business Plans for the period 2006 to 2011. The same is due for review by the new board of directors.

9.4.2 Budgeting and Budgetary Control

The Company has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 is in draft for awaiting the approval of the new board. A vote Book was not maintained in 2007/08, but one would be maintained in 2008/09. However, variance analysis is done on a monthly basis and remedial action is taken on adverse variances.
9.4.3 Billing System

The company has implemented the Maji Soft software for recording, processing, analysis and reporting customers’ billing and collection data. The systems are quite stable and reliable, according to the company commercial staff. However, there is deficiency in technical staffing level especially in the field of monitoring and reporting. Only one staff member, a statistician, is entrusted with preparation of quality assurance reports to the WSB. Although individual sections may submit accurate information to this officer, the quality of the outgoing data cannot be guaranteed.

9.4.4 Accounting System, Procedures and Reporting

The Company has put in place an appropriate Financial Policies and Procedures Manual (still in draft form). With effect from 1st July 2006, the company has been implementing the Solomon IV Accounting Software. The Solomon IV, which is quite versatile and easy to use, comprises of the General Ledger, Accounts Receivable, Accounts Payable, Order Processing, Purchasing, Inventory, Bill of Material, Cash Manager, Currency Manager, Payroll, Financial Statements (FRx) and Project Controller modules. The accounting system is capable of producing timely and reliable management reports if well managed.

The Finance Department prepares quarterly management accounts which are used for management decisions and reporting to MWI.

The Finance Department is fairly staffed and the staff are capable of discharging their accounting duties properly.

9.4.5 Procurement Function

The procurement function, which is currently a stand-alone department reporting to the Managing Director, is established in accordance with the Public Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with the tender, procurement, evaluation and inspection, and acceptance committees, appointed by the MD from user departmental and section heads, established under the same regulations.

The Company has developed and put in place a procurement manual, which has been harmonised to the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006.

9.4.6 Financial Sustainability

The condition of water supply and sewerage infrastructure in the company’s area of operation is in a very poor state. This results to high percentage of unaccounted for water of upto 50%, inadequate water supply leading to permanent water rationing and a high percentage 55% of the population not connected to the water supply. The sewer facilities are also in a deplorable state and currently only serves 3,040 connections against a potential of 8,000 connections. For the company to achieve financial stability and sustainability,
the water and sewerage infrastructure need to be rehabilitated and developed to acceptable standards and optimal coverage.

9.4.7 The WARIS Reporting System

The Company, through the Water Services Regulatory Board (WASREB), is implementing the Water Regulatory Information System (WARIS). However, the system developed partial data exportation problem in the second year which has been rectified recently by WASREB. The Company’s ICT staffs are currently undergoing training on the updated version of the WARIS.

9.5 Auditing

9.5.1 Internal Audit Function

The Company has an established Internal Audit unit headed by a qualified Accountant (recruited in early July 2008), who is assisted by two audit assistants. The internal audit function reports to the Audit Committee of the board. The internal audit function is responsible for the development and implementation of the Company’s policies and procedures with regard to internal controls, risk management, governance, systems of ensuring sound financial management and compliance with applicable laws and regulations, conducting regular routine audit checks, ad hoc and special investigations.

The company has not yet established a formal process of identifying, analyzing and assessing the risks that the company is exposed to in its business operations.

9.5.2 External Audit

The Company’s accounts are audited by the Controller and Auditor General (CAG) an Independent External Auditor. The CAG has not yet finalised the audit of the 2006/07 and 2006/07 books of account.

9.6 Technical Management

The Technical Services is a key function in the Company with the responsibility of overseeing the abstraction, treatment, transmission and distribution of water and the collection, transmission, treatment and disposal of sewerage to the prescribed service levels and quality standards, handling and disposal of sludge and screenings originating from such processes, installation of new water connections and the maintenance and repairs of WSS infrastructure.

The company uses its own laboratory for quality control and monitoring of the Water and Sanitation System. Available results indicate compliance of international standards in water supply. Scarcity of Sewerage data constrained making of informed comments on the same. Interview with technical staff however indicate a poorly performing system whose effluent might not meet international standards.
The Company is headed by a Registered Engineer. The Technical department is also headed by a Registered Engineer and most support staff are appropriately trained in relevant colleges.

9.6.1 Technical Issues

In general the quality of water supplied to consumers meets the appropriate standards. Residual Chlorine in the water delivered to various consumer points is for example checked on daily basis while other critical parameters are also regularly monitored on monthly basis. Regular Sampling for chemical and biological analysis is done. Daily residual chlorine in the distribution is monitored by the Chief Chemist to ensure continued disinfection of water. Available report for May 2008 indicate that 100% of water samples from various sites are of acceptable chemical quality and 84.6% are bacteriologically okay, safe for TIWI boreholes where pollution is indicated and is being addressed appropriately.

Monitoring and evaluation reports are prepared and sent to CWSB and MWI on a quarterly basis.

9.6.2 Operations and Maintenance Issues

There are efforts towards operating the systems in accordance with industry standards. However, aged transmission / distribution pipes, broken down sewerage Pumps and sewage treatment plants hinder proper operations.

The Company has established various causes of water losses including non working meters, illegal tapping, but lack of reliable bulk metering, inadequate zone metering constraints accurate reporting of UfW.

Sewer blockages were reportedly cleared within 24 hours. However sewage pump failure is a perpetual problem. Four (4) sewerage pumps were reported to be out of operation as at end of May 2008. Further Kizingo sewage Treatment Works has been out of operation for over 15 years. Exhauster service was also grounded after the only exhauster broke down. No influent or effluent quality was reported. In general Sewerage system is in a sorry state and need urgent attention to safeguard against environmental pollution.

9.7 Project Management

9.7.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. Consequently, project management, monitoring and evaluation is done through Technical Manager.

9.7.2 Service Strategy to Low Income Areas

The Water infrastructure in the informal settlements consists mainly of distribution mains, service lines and water kiosks. The Company is in the process of mapping the periurban areas and the informal settlements of the
population, service levels and infrastructure situation with a view to establishing how services can be improved.

The Company has developed a Stakeholders' Communication Strategy to make it easy to focus on raising awareness about the reforms in the water sector; educating members of the public on the benefits of the decentralized service delivery; inviting stakeholders to participate in the reform planning process and on prudent water usage and sanitation. As the reforms are evolving processes, the Company intends to continue to effectively sensitize the Stakeholders in water sector reforms.

9.7.3 Community Involvement in WSS Projects

The Company has been using participatory process in responding to Performance Contract requirements with respect to periurban, informal settlements and rural community WSS services delivery infrastructure. To facilitate this, the Company has established a forum in which Stakeholders meet and discuss issues relating to water and sanitation and learn from each other’s experiences. Community participation in project planning and implementation is ensured through use of the Technical Services Manager who sensitisises the community and organizes stake holders meetings as and when necessary. The technical services manager organises project meetings in conjunction with the relevant consultants for major projects. Progress reports are submitted to the CWSB.

9.7.4 Public Health Education

The Company conducts hygiene sanitation awareness in low-income groups in collaboration with other key stakeholders in and out of government like CWSB, MOH, MOLG, CBOs and NGOs. Simple methodologies are being enhanced in conjunction with Public Health Officers (PHOs). The Company has put more emphasis on public education on health problems associated with untreated and polluted water.

9.8 Identified Capacity Building Needs

From the interviews and discussions held with key staff, the Consultants identified the following capacity building needs that are considered relevant to WSTF sponsored projects:

- Culture and Change Management;
- Proposal and Report Writing;
- Project Management, Monitoring and Evaluation;
- Procurement and Contracting Procedures;
- Cash Flow Management;
- Activity-based Costing;
- Finance for Non-Finance Managers;
- Performance Management;
- Asset Management;
- O&M Management;
- Quality Management;
- Communication and Customer Care;
- Health and Sanitation Management;
- Conflict Management.

9.9 Physical Resources

The Company has established and equipped its offices; including putting in place a well equipped Local Area Network (WAN) system.

9.10 Identified Non-skill Capacity Gaps

Through interview and discussions with key staff, the Consultants identified the following non-skill capacity gaps within the company:

i) Inadequate transport facilities (vehicles, motor bikes, etc);
ii) Lack of adequate well equipped laboratories and trained personnel;
iii) Lack of mobile workshop and other necessary O&M tools.
10 KISUMU WATER AND SEWERAGE COMPANY (KIWASCO)

10.1 Introduction

The water sector has undergone fundamental changes since the enactment of the water Act 2002. The water Act 2002 provides the legal framework for the management and development of water services. It aims to address the weaknesses that face the water supply by separating policy functions from regulation and services delivery. It further separates service delivery functions into asset holding and investment (WSB function) and WSS provision (WSP function). Seven (7) Water Services Boards (WSBs) have been established and licensed by the water services regulatory board (WASREB) to be responsible for the provision of Water and Sewerage Services (WSS). The Act requires that WSBs contract agents, Water Service Providers (WSPs) to execute mandated services directly to the consumers. Kisumu Water and Sewerage Company Limited (KIWASCO) is one of the companies incorporated to provide water and sewerage services within Lake Victoria South Water Services Board (KIWASCO) area of jurisdiction. KIWASCO started operations in July 2003 as a limited company after the transformation of the Water and Sewerage Department of the Kisumu Municipal Council.

KIWASCO’s mandate is to effectively and efficiently provide adequate water to customers and to collect, treat and dispose sewerage in a safe and environment friendly manner in line with the Water Act 2002.

The area under the city is approximately 297 square kilometres divided into periurban and urban, accounting for 238 and 59 square kilometres respectively. The City’s population is estimated at 520,000 (based on a population base of 322,734 per the census of 1999) estimated to be growing at 3% annually. The population density is 828 per square kilometres. There are three major slums in the City namely Manyatta, Obunga and Nyalenda which have higher population density.

At present only 19,000m3/day of water is delivered into the distribution system. It is estimated that 60% is consumed by domestic users. The maximum plant capacity is currently only 21,000m3 per day. This is below the estimated demand of 42,000m3/day in KIWASCO’s area of operation. The level of unaccounted for water (UfW) is currently at 68%.

10.2 Corporate Governance

10.2.1 Annual General Meeting (AGM)

According to the Memorandum and Articles of Association, the Annual General Meeting (AGM) is the supreme governance organ of the company. The members entitled to attend and vote at the AGM are: the Deputy Mayor, Chairmen of Council Standing Committees, the Mayor, the Town Clerk, the Treasurer and one other person chosen by the Council, i.e. representing the shareholders. In addition, there are six (6) non-voting Board members from
outside the Council and five (5) non-voting members representing the Consumer Organizations. The company held its last AGM on 21st April 2008.

**10.2.2 Organisation Structure**

KIWASCO has put in place an appropriate organizational structure, with the board of directors as the company’s top policy formulation and decision making organ. The company’s board comprises of eleven (11) members, three (3) from the Private Sector, four (4) representing Kisumu Municipal Council, three (3) representing the Government (i.e. finance, water, local government) and an executive Managing Director.

Below the board of directors is Managing Director (MD). Four core Departments namely Technical Services, Finance, Human Resources and Administration and Commercial Services, report to the MD. In this structure, there is an independent Internal Audit Unit, which reports to the Audit and Risk Committee of the board. The Departments are further broken into units covering the Company’s key operating functions. The company’s current organization structure is designed to ensure that KIWASCO achieves the objectives set out in its current strategic plan and the targets agreed upon with LVSWSB as set out in the Service Provision Agreement (SPA).

KIWASCO’s management structure is in line with the 2007-2011 Strategic Plan.

**10.2.3 Corporate Governance Practices**

The Company’s corporate governance structure and practices are in line with the guidelines for Water Service Providers issued by the Ministry of Water and Irrigation (MWI). The board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, general direction, coordination, ensuring sustainable overall quality, cost-effective service delivery and cultivation and maintenance of a positive corporate image. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Company’s business by individually signing the Code of Ethics. In addition, all the members of the board have undergone the corporate governance induction course.

The Board has constituted appropriate board committees namely, the Technical Committee, the Finance Committee, the Human Resource and Legal Committee, and the Audit and Risk Committee. The committees of the Board ensure that the Board effectively discharges its responsibility by spending more time into issues that require greater attention than would be possible during regular meetings. All the Board meetings are scheduled and are supposed to be held on quarterly basis. However, during the financial year 2007/08 the full Board met six (6) times.

On the other hand, the Company’s Corporate Management Team (CMT) is led by the Managing Director, supported the Finance Manager, the Technical Manager, the Commercial Manager, the Human Resources and Administration Manager and the Internal Auditor. In addition, the Procurement Unit, the Public Relations and Corporate Communications together with
Security and Investigations Unit provide support within the office of the Managing Director.

10.3 General Management

10.3.1 Human Resource Management

The Company’s Human Resources (HR) management function falls under the HR and Administration Department and the same is headed by a HR and Administration Manager, is responsible for developing sound human resources policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. KIWASCO has in place qualified and experienced staff, recruited through a competitive process, to implement the planned activities per the current Strategic Plan.

From our review we established that one of the key accomplishments of KIWASCO over the last two (2) has been the development of basic operational policies and procedures. Among the policies developed include: Human Resource, Training, Safety and Health, HIV/AIDS in the Workplace, Transport, Procurement, and Accounting. A Contingency Management and Recovery plan has also been developed. MIS policy and M&E policy are being finalized and will be implemented shortly. A customer charter is in place. In addition, a guide on corruption risk analysis covering all areas of operations including HR, and identifying specific corruption risks, detailing prevention strategies and activities, assigning responsibility and indicating timelines and outputs has been prepared. Eradicating corruption was one of the targets for the company in the 2007/08 financial year. A code of conduct document for the management staff has also been put in place. However, a formal training needs analysis (TNA) for 2008/09 has not yet been carried out, though there are specific needs which can be identified at individual and organizational level.

10.3.2 HR Management System

The Company expected to complete a Human resources Management System by the end of June 2008 in addition to developing and implementing a computerized Monitoring and Evaluation System. However, at the time of our field review, only the payroll was fully computerized and other aspects of HR were yet to be automated. A comprehensive computerization of the company’s human resource management function would improve efficiency in handling personnel issues.

10.4 Financial Management

The Finance Department, which is currently headed by a qualified Accountant (CPA), is charged with ensuring sound financial management services, which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting and Information Communication Technology (ICT). The Finance Manager supervises three (3) employees designated as Accounts Clerks and one (1) person designated as
a Cashier. None of these staff can effectively deputize for the Finance Manager and he has to do everything in the department.

From our review, the staffs in the Finance, Commercial Services and Audit Departments are capable of managing the Company’s finance and internal audit functions efficiently and effectively.

10.4.1 Strategic Planning

The Company has put in place and is currently implementing the Strategic and Business Plans for the period 2007 to 2011. In addition, the Company is implementing the performance contract for 2008/09 signed with LVSWSB.

10.4.2 Budgeting and Budgetary Control

The Company has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 was presented to the board and LVSWSB and duly approved. The budget is also in line with the Performance Contract for 2008/09 signed between the Company and LVSWSB. A vote Book is not maintained as the accounts are fully computerized. However, variance analysis is done on a monthly basis and remedial action is taken on adverse variances.

10.4.3 Billing System

The company has in place a bespoke software commonly known as ‘My Bill’, which was developed by an external consultant on inception of the company. The system has been upgraded several times by the consultants. Bills are produced after meter readings are keyed in. The software is operated at the point of sale (POS) by the cashiers. The cashiers collect the payment from customers and input the amount in the system. The system generates a unique receipt number which is then printed on the customer’s bill to evidence a payment.

The billing system is however not integrated to the Pastel Accounting System. Posting of the monthly billing summary figures to Pastel is done manually and no journal vouchers are prepared or maintained.

10.4.4 Accounting System, Procedures and Reporting

The Company has put in place an elaborate Financial Policies and Procedures Manual. The company uses Pastel software for the purpose of posting processing, and reporting of its accounting information. Adequate training on this system has been carried out and the finance staff are conversant with the system. The system is capable of producing timely and reliable management reports if well managed.

The Finance Department prepares quarterly management accounts which are presented to the Finance Committee of the board for deliberations before the same are tabled to the full board for approval.
The finance department is fairly staffed and the staff are capable of managing the department. However, further training is required in particular to the accounts clerks who have only minimal professional qualifications like KATC and CPA 1. One of the two cashiers has got only ‘O-Level’ qualifications.

### 10.4.5 Procurement Function

The procurement function, which is currently a stand-alone department reporting to the Managing Director, is established in accordance with the Public Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with the tender, procurement, evaluation and inspection, and acceptance committees, appointed by the CEO from user departmental and section heads, established under the same regulations.

The Company has developed and put in place an appropriate procurement manual. Procurement is done in accordance with the manual, which has been aligned with the Public Procurement and Disposal Act 2005 and the related regulations issued in 2006. A procurement plan for 2008/09 has been developed but procurement is largely based on availability of funds.

### 10.4.6 Financial Sustainability

The condition of water supply and sewerage infrastructure in the company’s area of operation is in a very poor state. This leads to high percentage of unaccounted for water of up to 70%, inadequate water supply leading to permanent water rationing and a high percentage of the population not connected to the water supply. For the company to achieve financial stability and sustainability, the water and sewerage infrastructure need to be rehabilitated and developed to acceptable standards and optimal coverage.

### 10.4.7 The WARIS Reporting System

The Company, through the Water Services Regulatory Board (WASREB), is implementing the Water Regulatory Information System (WARIS). However, the system developed partial data exportation problem in the second year which has been rectified recently by WASREB. The Company’s ICT staffs are currently undergoing training on the updated version of the WARIS.

### 10.5 Auditing

#### 10.5.1 Internal Audit Function

The Company has an established Internal Audit unit headed by a qualified Accountant (CPA) who is assisted by one audit assistant. The internal audit function reports to the Audit Committee of the board. The internal audit function is responsible for the development and implementation of the Company’s policies and procedures with regard to internal controls, risk management, governance, systems of ensuring sound financial management and compliance with applicable laws and regulations, conducting regular routine audit checks, ad hoc and special investigations. The Company has
developed and is currently implementing a risk management policy and procedures.

10.5.2 External Audit

The Company’s accounts are audited by an Independent External Auditor. The latest audited accounts are for the year ended 30th June 2007. The Auditors report on these accounts contained an “emphasis of the matter” due to some huge long outstanding receivables and payables inherited from the Municipal Council of Kisumu at the company’s inception.

10.6 Technical Management

The Technical Services is a key function in the Company with the responsibility of overseeing the abstraction, treatment, transmission and distribution of water and the collection, transmission, treatment and disposal of sewerage to the prescribed service levels and quality standards, handling and disposal of sludge and screenings originating from such processes, installation of new water connections and the maintenance and repairs of WSS infrastructure.

The Company has adequately qualified and skilled staff for effective delivery of its operational technical mandate. However, the senior technical staff indicated that there is a shortage of operational staff at the water and sewage treatment works as well as the sewerage collector system and the water distribution system.

10.6.1 Technical Issues

The company has put in place appropriate operating standards and systems, but lack of adequate operational tools render quality assurance bit wanting. Additionally, the work culture of employees inherited from different organizations, with variable conditions of service has inhibited optimal Good Industry Practice.

We observed that the company has developed inhouse water quality operating standards comparable to Kenya Bureau of Standards(KEBS) and, in some cases, more strict than that of KEBS. For example where the latter allows a fluoride upper limit of 1.5mg/l, KIWASCO’s upper limit is controlled to a maximum of 1mg/l. A similarly lower control limit was noted in the lead test where KEBS allows an upper limit of 0.05mg/l but KIWASCO uses 0.01 as their upper limit, which is equivalent to the WHO standards. It was also reported that the KEBS carry out independent quality checks within KIWASCO’s water distribution system. Generally, the quality of water supplied to consumers meets the appropriate standards. However, interviews with operation staff revealed that KIWASCO’s laboratories were inadequately equipped to facilitate quality assurance in accordance with the set quality standards.

The company has replaced water bulk supply meters but are not calibrated. Leak detection and identification of illegal connections is an on-going exercise.
On the other hand, effluent wastewater quality is considered of normal municipal characteristics with respect to BOD, COD and SS.

Monthly and quarterly monitoring evaluation reports are received from the WSPs regularly. The reports are reviewed by the M&E Officer who seeks clarifications from WSPs on any apparent operational parameter discrepancies.

### 10.6.2 Operations and Maintenance Issues

Routine operations reporting ensure adequate monitoring of the accuracy of numbers. While the integrity of the staff may not be perfect, the overriding cause of inaccurate numbers could be lack of full appreciation of the purpose for ensuring accuracy. Regular refresher courses on operations and reporting procedures are necessary, considering the impact of operations transformation on the human resources deployed.

Routine operation and maintenance activities are expeditiously carried out, upon receipt of the respective report. However, major breakdowns go unreported for extended periods adding to the volume of unaccounted for water.

### 10.7 Project Management

#### 10.7.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. Consequently, project management, monitoring and evaluation is done through Technical Manager. Interview with the concerned officer indicated inadequate experience in handling projects. There are two unregistered (who are registrable) Engineers. There is need for recruitment of a Registered Engineer for the Company to facilitate proper project management.

#### 10.7.2 Service Strategy to Low Income Areas

The Water infrastructure in the informal settlements consists mainly of distribution mains, service lines and water kiosks. The Company is in the process of mapping the periurban areas and the informal settlements of the population, service levels and infrastructure situation with a view to establishing how services can be improved.

The Company has developed a Stakeholders' Communication Strategy to make it easy to focus on raising awareness about the reforms in the water sector; educating members of the public on the benefits of the decentralized service delivery; inviting stakeholders to participate in the reform planning process and on prudent water usage and sanitation. As the reforms are evolving processes, the Company intends to continue to effectively sensitize the Stakeholders in water sector reforms.
The company is mainly centred on operation and maintenance of WSS services in areas of its jurisdiction while asset development is in the realm of the LVSWB.

A proposal for carrying out maintenance and rehabilitation works by the company always includes a budget on the basis of which funding for implementation is sourced.

10.7.3 Community Involvement in WSS Projects

The Company has been using participatory process in responding to Performance Contract requirements with respect to peri-urban, informal settlements and rural community WSS services delivery infrastructure. To facilitate this, the Company has established a forum in which Stakeholders meet and discuss issues relating to water and sanitation and learn from each other’s experiences. Community participation in project planning and implementation is ensured through use of the Technical Services Manager who sensitis the community and organizes stake holders meetings as and when necessary. The technical services manager organises project meetings in conjunction with the relevant consultants for major projects. Progress reports are submitted to the LVWSWB.

The company has already successfully implemented one (1) pilot WSS project in low income areas, i.e. the Delegated Management Model (DMM) in Nyalenda funded by the French Embassy.

10.7.4 Public Health Education

The Company conducts Hygiene Sanitation awareness in low-income groups in collaboration with other key stakeholders in and out of government like LVWSWB, MOH, MOLG, CBOs and NGOs. Simple methodologies are being enhanced in conjunction with Public Health Officers (PHOs). The Company has put more emphasis on public education on health problems associated with untreated and polluted water.

10.8 Identified Capacity Building Needs

KIWASCO has carried out specific staff trainings over the last two (2) years including in areas such as customer service, performance management, and operations and maintenance. However, key informants indicated that the semi-skilled and lower level staff do not show a lot of enthusiasm in training. Some of the capacity building needs relevant to WSTF sponsored projects that were identified during observations and discussions with management and staff include:

- Culture and Change Management;
- Proposal and Report Writing;
- Project Management, Monitoring and Evaluation;
- Procurement and Contracting Procedures;
- Cash Flow Management;
- Activity-based costing;
- Finance for Non-Finance Managers;
- Performance Management;
- Asset Management;
- O&M Management;
- Quality Management;
- Communication and Customer Care;
- Health and Sanitation Management;
- Conflict Management.

### 10.9 Physical Resources

The Company has established and equipped its offices; including putting in place an equipped Local Area Network System.

### 10.10 Identified Non-skill Capacity Gaps

Through interview and discussions with key staff, the Consultants identified the following non-skill capacity gaps within the company:

i) Inadequate transport facilities (vehicles, motor bikes, etc);

ii) Lack of adequate well equipped laboratories and trained personnel.
11 WESTERN WATER AND SEWERAGE COMPANY (WEWASCO)

11.1 Introduction

The water sector has undergone fundamental changes since the enactment of the water Act 2002. The water Act 2002 provides the legal framework for the management and development of water services. It aims to address the weaknesses that face the water supply by separating policy functions from regulation and services delivery. It further separates service delivery functions into asset holding and investment (WSB function) and WSS provision (WSP function). Seven (7) Water Services Boards (WSBs) have been established and licensed by the water services regulatory board (WASREB) to be responsible for the provision of Water and Sewerage Services (WSS). The Act requires that WSBs contract agents, Water Service Providers (WSPs) to execute mandated services directly to the consumers. Western Water and Sewerage Services Company Limited (WEWASCO) is one of the companies incorporated to provide water and sewerage services within Lake Victoria North Water Services Board (LVNWSB) area of jurisdiction. WEWASCO started operations on 2nd May 2006. WEWASCO’s headquarters is situated in Mumias town.

The company currently serves a total population of 471,400 and produces 2.2 million m3 of water per year. However, the water demand in the company’s area of operation is around 9 million m3 per year. The number of total connections is currently 6,369, of which 2,708 are metered (i.e 43%). Unaccounted for water (UfW) currently averages 60%.

WEWASCO’s mandate is to effectively and efficiently deliver water supply and sanitation services and to overall control and manage water and waste water facilities within the municipal councils of its service area.

11.2 Corporate Governance

11.2.1 Organisation Structure

WEWASCO has put in place an organizational structure (currently under review), with the board of directors as the company’s top policy formulation and decision making organ. The company’s board comprises of eleven (11) members, five (5) representing the Municipalities/Town Councils of Kakamega, Nambale and Busia, five (5) representing other stakeholders from non-governmental organizations, business community, institutions, women and religious groups, and an executive Managing Director who is also the Secretary to the board. The board is headed by a non-executive chairman.

Below the board of directors is the Managing Director (MD). Two core Departments namely Technical Services and Commercial Services, report to the MD. In this structure, there is an independent Internal Audit Unit, which reports to the Audit Committee of the board. The departments are further broken into Units and Schemes/Areas covering the company’s key operating functions. The company’s organization structure is currently being reviewed to ensure that WEWASCO achieves the objectives set out in its strategic plan.
and the targets agreed upon with LVNWSB as set out in the Service Provision Agreement (SPA).

11.2.2 Corporate Governance Practices

The Company's corporate governance structure and practices are in line with the guidelines for Water Service Providers issued by the Ministry of Water and Irrigation (MWI). The board of directors is responsible for policy formulation, general direction, coordination and overall management of the Company’s operations. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Company’s business by individually signing the Code of Ethics. In addition, all the members of the board have undergone the corporate governance induction course.

The Company has constituted three (3) board committees, namely the Executive Committee, the Establishment, Finance and Working Committee; and the Audit Committee, with well defined membership and functions. All the board meetings are scheduled and are held on quarterly basis. Minutes of the board meetings are maintained.

On the other hand, the Company's Management Team is led by the MD, supported by the Commercial Manager, the Technical Manager and Internal Auditor.

11.2.3 Statutory Records

A register of the directors’ meetings is maintained by the MD. The company has not yet held its first Annual General Meeting (AGM). In addition, no Annual Return has been filed with the Registrar of Companies since inception.

11.3 General Management

11.3.1 Human Resource Management

The Company’s Human Resources (HR) management function is headed by a HR Manager, is responsible for developing sound human resources policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. The company has developed and implemented appropriate human resource policies and management procedures, which are also properly document in the company’s HR policies and procedures manual.

Apart from the senior staffs who have been competitively recruited, the other staffs were inherited from the Kakamega and other Councils, MWI and the National Water Conservation and Pipeline Corporation.

The company has not carried out a Training Needs Assessment (TNA) for 2008/09. A manpower plan has also not been prepared. However, M/S RODECO, the consultants currently carrying out the Water and Sanitation Programme for the Nzoia Cluster, Phase II study, are in the process of assessing the company's skill gaps and training needs.
### 11.3.2 HR Management System

Apart from the payroll system, which is currently maintained by the Finance Department, the Company’s human resource management, monitoring and evaluation system is not computerised. The payroll system is however not integrated with the Financial Management Information System.

### 11.4 Financial Management

The Commercial Department is charged with ensuring sound financial management services, which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting, procurement and Information Communication Technology (ICT).

The Commercial/Finance Department is adequately staffed. The staffs are also adequately qualified. However, the staffs seem to be very demoralised due to what they perceive as poor remuneration. The Commercial Manager, who is also the head of finance, does not seem to be in full control of the department.

#### 11.4.1 Strategic Planning

The Company has put in place and is currently implementing three-year Strategic and Business Plans, and which are in the process of being reviewed and revised by M/S RODECO.

#### 11.4.2 Budgeting and Budgetary Control

The Company has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 is still in draft form. A Vote Book is not maintained. Variance analysis is done on a quarterly basis, although adequate explanations are not provided. Follow-up on the variances is also not done.

#### 11.4.3 Billing System

The company currently uses the “Water Flex” developed by a consultant locally for the company utilising Microsoft Access. The Commercial staff indicated that the system was stable and reliable, although there were some minor flaws in the system that required to be rectified by the Developer.

#### 11.4.4 Accounting System, Procedures & Reporting

An accounting manual has been developed by a consultant contracted by the company. However, the same has not yet been approved by the board for implementation.

A manual accounting system is in place. The Company has already procured an accounting software, Data Flex, for capturing its finance transactions. This has however not been put into use as adequate training has not been done. Consequently, the accounting records are incomplete as the manual system in...
place does not seem to capture all the necessary information. A General Ledger is not maintained. For both the general Journal Vouchers and billing adjustments, the entries are done manually and no records of the same are maintained. The filing system is also poor.

The Company uses the cash concept of accounting instead of the accrual concept. However, cash receipts are not banked intact as the same is more often than not used to make cash payments in the various Schemes. A proper cashbook is also not maintained. One Cashbook is used for two bank accounts making it almost impossible to prepare proper bank reconciliation statements. In addition, bank reconciliation statements are not prepared regularly. The latest bank reconciliation statement is for the month ended 30th June 2007.

The company maintains a Fixed Asset Register (FAR) but not properly detailed as it does not have details of the Supplier, location, serial number, among others.

Management Reports are not prepared on a timely basis. Moreover, the correctness of the reports cannot be ascertained as proper accounting records are not maintained. The reliability and completeness of the financial information generated is highly doubtful.

11.4.5 Procurement Function

The Company uses the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006.

The procurement function, which is currently a stand-alone department reporting to the Managing Director, is established in accordance with the Public Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with the tender, procurement, evaluation and inspection, and acceptance committees, appointed by the MD from user departmental and section heads, established under the same regulations. A procurement plan for 2008/09 has not yet been prepared. Minutes of the Tender and Procurement Committees are not maintained.

Some level of interference by the Managing Director was cited by some members of the Tender and Procurement Committees.

11.4.6 Financial Sustainability

The condition of water supply and sewerage infrastructure in the company’s area of operation is in a very poor state. Consequently, the percentage of unaccounted for water is high, i.e. currently estimated at 60%; inadequate water supply which is about 25% of the demand, a high percentage of the population (57%) not connected to the water supply, lack of adequate billing and accounting systems and low cost coverage, especially due to high electricity costs which currently take about 40% of the total expenditure. For the company to achieve financial stability and sustainability, the water and sewerage infrastructure need to be rehabilitated and developed to acceptable
standards and optimal coverage, in addition to sorting out the existing inadequate systems and operating procedures.

11.4.7 The WARIS Reporting System

The Company, through the Water Services Regulatory Board (WASREB), is implementing the Water Regulatory Information System (WARIS). The WARIS has not been fully implemented as the system developed some technical problems that are being addressed by WASREB. Several meetings have been held between the users and the suppliers of the system to address these issues.

11.5 Auditing

11.5.1 Internal Audit Function

The Company has an established Internal Audit unit headed by a qualified Accountant (CPA). The internal audit function reports to the Audit Committee of the board. The internal audit function is responsible for the development and implementation of the Company’s policies and procedures with regard to internal controls, risk management, governance, systems of ensuring sound financial management and compliance with applicable laws and regulations, conducting regular routine audit checks, adhoc and special investigations. The Company has not yet developed a risk management policy and overall risk management process.

Very little action, if any, is normally taken on the control and operational weaknesses highlighted in the internal audit reports.

11.5.2 External Audit

The Company’s accounts are audited by an Independent External Auditor, MutuaMakeni & Associates on behalf of the Controller & Auditor General (CAG). The latest audited accounts are for the year ended 30th June 2007. These accounts have been forwarded to the Controller and Auditor General for approval and issuance of the audit report.

11.6 Technical Management

The Technical Services is a key function in the Company with the responsibility of overseeing the abstraction, treatment, transmission and distribution of water and the collection, transmission, treatment and disposal of sewerage to the prescribed service levels and quality standards, handling and disposal of sludge and screenings originating from such processes, installation of new water connections and the maintenance and repairs of WSS infrastructure.

The Company has adequately qualified and skilled staff for effective delivery of its operational technical mandate. However, the senior technical staff indicated that there is a shortage of operational staff at the water and sewage treatment works as well as the water distribution and sewerage collector systems.
11.6.1 Technical Issues

The company has put in place appropriate operating standards and systems, but lack of adequate operational tools render quality assurance bit wanting. Additionally, the work culture of employees inherited from different organizations, namely MWI, NWCPC and the relevant Councils with variable conditions of service, has inhibited optimal service delivery and Good Industry Practice.

In general the quality of water supplied to consumers meets the appropriate standards but the Company has only basic laboratory facilities at Kakamega, Mumias, Shitoli and Busia, which cannot test the bacteriological characteristics of water supplied. The Consultants were informed that sampling and testing is done for fulfilling WASREB, NEMA and WRMA requirements and tests carried out at other laboratories.

As far as reporting is concerned, the Company has adequate documentation but seemingly there exists constraints in addressing reported shortfalls in achieving targets due to the operation human resource factor and the state of the assets being operated.

11.6.2 Operations and Maintenance Issues

The Company uses the MWI Engineering Guidelines and Codes of Practice for design and system operations. The Asset Register and Management Plan are being developed under Nzoia Cluster Phase II Project, Accompanying Measures. Financial Plans for the respective Schemes have been put in place.

The WSP has replaced water bulk supply meters and currently has a stock of some 4000 meters to replace defective meters and meter new and flat rate consumers as appropriate. Leak detection and identification of illegal connections is an on-going exercise.

Influent wastewater quality is considered of normal municipal characteristics with respect to BOD, COD and SS. However, due to the existing capacity and physical technical condition of the wastewater treatment plant, effluent quality standards are not satisfactorily achieved.

Routine operations reporting ensure adequate monitoring of the accuracy of numbers. While the integrity of the staff may not be perfect, the overriding cause of inaccurate numbers could be lack of full appreciation of the purpose for ensuring accuracy. Lack of adequate transport result in extended response time adversely affecting the performance targets. However, concerted efforts are made to ensure compliance.

Reviewed adverse reports on sewerage works effluent test results do not seem to have been reported to MOH or NEMA and apparent action by the LVNWSB or the company’s managements was evident. Annual Reports are submitted but no confirmation of access by the public was provided.
11.7 Project Management

11.7.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. Consequently, project management, monitoring and evaluation is done through the Technical Manager. The Company has put in place an adequate monitoring and evaluation process for its mandated activities.

11.7.2 Service Strategy to Low Income Areas

The Company has not yet strategized on improving the WSS in the low income areas. In this regard M/S RODECO, the Consultant for the KfW funded Accompanying Measures, is developing the LVNWSB/WEWASCO strategy towards addressing service provision to the informal urban settlements.

On the other hand, any proposal for carrying out maintenance and rehabilitation works by the Company always includes a budget on the basis of which funding for implementation is sourced.

The company concentrates on operation and maintenance of WSS services in its area of jurisdiction while the duty of asset development is left to LVNWB.

11.7.3 Community Involvement in WSS Projects

The Company has not yet put in place a community participatory process but the same is being developed by M/s RODECO for implementation.

11.7.4 Public health education

The Company conducts Hygiene Sanitation awareness in low-income groups in collaboration with other key stakeholders in and out of government like LVNWSB, MOH, MOLG, CBOs and NGOs. Simple methodologies are being enhanced in conjunction with Public Health Officers (PHOs). The Company has put more emphasis on public education on health problems associated with untreated and polluted water.

11.8 Identified Capacity Building Needs

Training and capacity building, especially in areas such as corporate governance, general management and supervisory skills development, O&M skills, customer care and other performance improvement skills, are key components of the WSS Programme Nzoia Phase II – Accompanying Measures currently being implemented by M/s RODECO, through KfW funding. Consequently, it is need to corroborate with M/s RODECO in any proposed training programme to avoid duplication.
From the interviews and discussions held with key staff, the Consultants identified the following capacity building needs that are considered relevant to WSTF sponsored projects:

- Culture and Change Management;
- Basic accounting and reporting;
- Activity-based Costing;
- Risk Management and Internal Controls;
- Proposal and Report Writing;
- Procurement Management;
- Project Management and Monitoring;
- Operations and Maintenance Management;
- Quality Management;
- Communication and Customer Care;
- Basic Hygiene Education;
- Basic Computing Skills.

11.9 Physical Resources

The Company has established and equipped its offices and is in the process of putting in place a comprehensive FMIS system, through the KiW funding.

11.10 Identified Non-skill Capacity Gaps

Through interview and discussions with key staff, the Consultants identified the following non-skill capacity gaps within the company:

i) Inadequate transport facilities (vehicles, motor bikes, etc);
ii) Lack of adequate well equipped laboratories and trained personnel;
iii) A High proportion of installed meters are not in working condition.
12 NAKURU WATER AND SEWERAGE SERVICE COMPANY LIMITED (NAWASSCO)

12.1 Introduction

The water sector has undergone fundamental changes since the enactment of the water Act 2002. The water Act 2002 provides the legal framework for the management and development of water services. It aims to address the weaknesses that face the water supply by separating policy functions from regulation and services delivery. It further separates service delivery functions into asset holding and investment (WSB function) and WSS provision (WSP function). Seven (7) Water Services Boards (WSBs) have been established and licensed by the Water Services Regulatory Board (WASREB) to be responsible for the provision of Water and Sewerage Services (WSS). The Act requires that WSBs contract agents, Water Service Providers (WSPs) to execute mandated services directly to the consumers. Nakuru Water and Sewerage Services Company Limited (NAWASSCO) is one of the companies incorporated to provide water and sewerage services within Rift Valley Water Services Board (RVWSB) area of jurisdiction.

NAWASSCO was incorporated as a limited liability Company on 8th September 2003. The Company signed a Service Provision Agreement (SPA) with the Rift Valley Water Services Board on the 31st of May 2004 and assumed management of water services within the Municipal Council of Nakuru and its environs with effect from 1st June 2004.

The Company's mandate is to efficiently and effectively produce quality water for all consumers and set up distribution network that can deliver water and sewerage services to all deserving residents of Nakuru Municipality and its environs.

12.2 Corporate Governance

12.2.1 Organisation Structure

NAWASSCO has put in place an appropriate organizational structure, with the board of directors as the company's top policy formulation and decision making organ. The company's board comprises of eleven (11) non-executive members and the Managing Director. Below the board of directors is the Managing Director (MD). Four core Departments namely the Technical Services, the Finance, Human Resources and Administration, and Commercial Services report to the MD. In this structure, there is an independent Internal Audit Unit, which reports to the Audit and Risk Committee of the board. The Departments are further broken into units covering the Board's key operating functions. The Board's current organization structure is designed to ensure that NAWASSCO not only oversees the performance of Water Service Providers in the expansive area covering 28 districts; but also expanding and managing infrastructural facilities; and building capacities of water service providers and communities within the Board area.
NAWASSCO’s management structure is in line with the 2007-2012 Revised Strategic Plan (revised in May 2008). The organisation structure is based on functions namely: Technical Services, Commercial Services, Finance, Human Resources and Internal Audit Services.

12.2.2 Corporate Governance Practices

The Company’s corporate governance structure and practices are in line with the guidelines issued by the Ministry of Water and Irrigation (MWI). NAWASSCO’s board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, risk management, general direction, coordination, ensuring sustainable overall quality, cost-effective service delivery and cultivation and maintenance of a positive corporate image. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Company’s business by individually signing the Code of Ethics. In addition, all the members of the board have undergone the corporate governance induction course.

However, interferences by some board members (mainly Councillors) in the day-to-day running of the company were noted.

The Company has constituted appropriate board committees namely, the Finance and Commercial Services Committee, the Technical Services Committee and the Audit and Risk Committee, which are entrusted with the governance and leadership of the Company. All the board meetings are scheduled and are held on quarterly basis.

On the other hand, the Company’s Management Team is led by the MD, supported by the Finance Manager, the Commercial Services Manager, the Technical Services Manager, the HR Manager and the Internal Auditor.

12.3 General Management

12.3.1 Human Resource Management

The Company’s Human Resources (HR) management function falls under the HR Department. The HR and Administration Department, which is headed by a HR Manager, is responsible for developing sound human resources policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. NAWASSCO has employed qualified and experienced staff, recruited through a competitive process, to implement the planned activities per the current Strategic Plan. The Company has adopted, customised and implemented the manual on Terms and Conditions of Service for Employees of Water Services Providers prepared by the Ministry of Water and Irrigation. A consultant is currently developing the company’s HR policies and procedures manual, through ADB funding. A code of conduct document for the management staff has also been put in place.

The Company has also contracted a consultant who is currently developing a Training Needs Assessment (TNA).
12.3.2 HR Management System

The Company has not yet computerised its human resource management, reporting, monitoring and evaluation system.

12.4 Financial Management

The Finance Department, which is currently headed by a qualified Accountant (CPA), is charged with ensuring sound financial management and administration services, which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting, and Information Communication Technology (ICT). From our review, the staffs in the Finance, Commercial and Audit Departments are capable of properly managing the Company’s finance and internal audit functions.

12.4.1 Strategic Planning

The Company has put in place and is currently implementing the Revised Strategic and Business Plans for the period 2007 to 2012. In addition, the Company is implementing the performance contract for 2008/09 signed with RVWSB.

12.4.2 Budgeting and Budgetary Control

The Company has introduced and implemented a participatory budgeting and budgetary control process. However, due to internal politics, the Board has not met to approve the 2008/9 budget.

12.4.3 Billing System

The Company currently uses a computerised billing system. However, the billing system is not integrated to the Pastel accounting system.

12.4.4 Accounting System, Procedures & Reporting

The Company is in the process of developing an in-house Financial Policies and Procedures Manual, through funding from ADB. The Company uses Pastel software for the purpose of posting, processing and reporting its accounting information. A fixed assets register (FAR) is however not maintained. If properly managed, the accounting system is capable of producing timely and reliable financial management reports.

The Finance Department prepares monthly and quarterly management accounts. However there was no evidence that these accounts are ever presented to the Finance Committee of the board for deliberation, or even to the full board for approval.

12.4.5 Procurement Function

The procurement section, which currently reports to the MD, is established in accordance with the Public Procurements and Disposal Regulations, 2006.
section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with the tender, procurement, evaluation and inspection, and acceptance committees, appointed by the MD from user departmental and section heads, established under the same regulations.

The Company currently uses the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006.

RVWSB suspended the former MD and CM on suspicious of corruption in procurement and other malpractices. These managers were dismissed later and investigated by the Kenya Anti-Corruption Commission (KACC). During their absence (i.e. before RVWSB sent in an acting MD and CM,) the Board chair actually acted as the MD of the company.

12.4.6 Financial Sustainability

The condition of water supply and sewerage infrastructure in the company’s area of operation is in a very poor state. This leads to high percentage of unaccounted for water of up to 60%, inadequate water supply leading to permanent water rationing and a high percentage of the population not connected to the water supply. For the company to achieve financial stability and sustainability, the water and sewerage infrastructure need to be rehabilitated and developed to acceptable standards and optimal coverage.

12.4.7 The WARIS Reporting System

The Company through the Water Services Regulatory Board (WASREB) is implementing the Water Regulatory Information System (WARIS). However, the system developed partial data exportation problem in the second year which has been rectified recently by WASREB. The Company’s ICT staffs are currently undergoing training on updated version of the WARIS.

12.5 Auditing

12.5.1 Internal Audit Function

The Company has an established Internal Audit unit, which reports to the Audit Committee of the board. The Audit Committee did not hold any meeting in the period we reviewed. The Commercial Manager is currently also acting as the Internal Auditor, awaiting the recruitment of a new Internal Auditor. The internal audit function is responsible for the development and implementation of the Company’s policies and procedures with regard to internal controls, risk management, governance, systems of ensuring sound financial management and compliance with applicable laws and regulations, conducting regular routine audit checks, adhoc and special investigations. The Company has not yet developed a risk management policy and risk assessment and management process.

We, however, noted some overlap of the roles played by RVWSB’s internal auditor and that of the Company’s internal auditor. The Company’s internal auditor has prepared a work plan and reports for work already done but this has not been provided to the MD for action.
12.5.2 External Audit

The Company’s accounts are audited by an Independent External Auditor. The latest audited accounts are for the year ended 30th June 2007. The Auditor’s report on these accounts was qualified on the basis that assets inherited from Nakuru Municipal Council had not been valued and incorporated in the accounts.

12.6 Technical Management

The Technical Services is a key function in the Company with the responsibility of overseeing the abstraction, treatment, transmission and distribution of water and the collection, transmission, treatment and disposal of sewerage to the prescribed service levels and quality standards, handling and disposal of sludge and screenings originating from such processes, installation of new water connections and the maintenance and repairs of WSS infrastructure.

The Company has adequately qualified and skilled staff for effective delivery of its operational technical mandate. However, the staffs at the zonal level are not professionally qualified. In addition, the company has been experiencing high labour turnover of its senior staff.

12.6.1 Technical Issues

The company has put in place appropriate operating standards systems. The water supply treatment meets WHO, MWI and KEBS standards. However, samples taken within the distribution systems do not comply with the same standards. This is mainly due to several leaks and burst in the systems. The company has not yet obtained the NEMA license on discharge of treated waste water into surface waters.

Sampling and testing is not carried out as per international standards. However, the parameters tested are as per WHO and KEBS standards. The annual reports indicating that water quality data are not reported to relevant authorities and are not accessible to the public.

12.6.2 Operations & Maintenance Issues

Routine operation and maintenance activities are expeditiously carried out upon receipt of respective report. The company has put in place a unit dealing with UfW and leak detection and also installed zonal meters to assist in leak detection.

12.7 Project Management

12.7.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. Consequently, project management, monitoring and evaluation is
done through Technical Engineer. Interview with the concerned officer indicated inadequate experience in handling projects.

12.7.2 Service Strategy to Low Income Areas

The Water infrastructure in the informal settlements consists mainly of distribution mains, service lines and water kiosks. The Company is in the process of mapping the periurban areas and the informal settlements of the population, service levels and infrastructure situation with a view to establishing how services can be improved.

The Company has developed a Stakeholders' Communication Strategy to make it easy to focus on raising awareness about the reforms in the water sector; educating members of the public on the benefits of the decentralized service delivery; inviting stakeholders to participate in the reform planning process and on prudent water usage and sanitation. As the reforms are evolving processes, the Company intends to continue to effectively sensitize the Stakeholders in water sector reforms.

12.7.3 Community Involvement in WSS Projects

The Company has been using participatory process in responding to Performance Contract requirements with respect to periurban, informal settlements and rural community WSS services delivery infrastructure. To facilitate this, the Company has established a forum in which Stakeholders meet and discuss issues relating to water and sanitation and learn from each other's experiences. Community participation in project planning and implementation is ensured through use of a who sensitises the community and organizes stake holders meetings as and when necessary. The technical services manager organises project meetings in conjunction with the relevant consultants for major projects. Progress reports are submitted to the RVWSB.

12.7.4 Public Health education

The company has not put in place a suitable water, hygiene and sanitation awareness program. Consequently, the company relies on the Public Health Department of the Municipal Council.

12.8 Identified Capacity Building Needs

Through interview and discussions with key staff, the Consultants identified the following capacity building needs that are considered relevant to WSTF sponsored projects:

- Culture and Change Management;
- Proposal and Report Writing;
- Project Management, Monitoring and Evaluation;
- Procurement and Contracting Procedures;
- Cash Flow Management;
- Activity-based Costing;
- Finance for Non-Finance Managers;
• Performance Management;
• Asset Management;
• O&M Management;
• Quality Management;
• Communication and Customer Care;
• Health and Sanitation Management;
• Conflict Management.

12.9 Physical Resources

The Company has established and equipped its offices; including putting in place an equipped Local Area Net-work (WAN) system.

12.10 Identified Non-skill Capacity Gaps

Through interview and discussions with key staff, the Consultants identified the following non-skill capacity gaps within the Board:

  i) Inadequate transport facilities (vehicles, motor bikes, etc);
  ii) Lack of adequate well equipped laboratories and trained personnel;
  iii) Lack of repair kits;
  iv) Shortage of water meters.
13 EMBU WATER AND SANITATION COMPANY LIMITED (EWASCO)

13.1 Introduction

The water sector has undergone fundamental changes since the enactment of the water Act 2002. The water Act 2002 provides the legal framework for the management and development of water services. It aims to address the weaknesses that face the water supply by separating policy functions from regulation and services delivery. It further separates service delivery functions into asset holding and investment (WSB function) and WSS provision (WSP function). Seven (7) Water Services Boards (WSBs) have been established and licensed by the Water Services Regulatory Board (WASREB) to be responsible for the provision of Water and Sewerage Services (WSS). The Act requires that WSBs contract agents, Water Service Providers (WSPs) to execute mandated services directly to the consumers. Embu Water and Sanitation Company Limited (EWASCO) is one of the companies incorporated to provide water and sewerage services within Tana Water Services Board (TWSB) area of jurisdiction.

EWASCO was established by Embu Municipal Council under the Company's act 486 in year 2004. The Company became fully operational in July 2005 and is operating under an interim Water Services license as an agent of Tana Water Services Board. Its operations are limited to Embu Municipality and its environs.

EWASCO's mandate is to provide effective, efficient, affordable and sustainable water and sanitation services to Embu Municipality and its environs.

13.2 Corporate Governance

13.2.1 Organisation Structure

EWASCO has put in place an appropriate organizational structure, with the board of directors as the company's top policy formulation and decision making organ. The company's board comprises of eleven (11) members representing the various stakeholder groups, and an executive Managing Director. Below the board of directors is Managing Director (MD). Four core Departments namely Technical Services, Finance, Human Resources and Administration and Commercial Services, report to the MD. In this structure, there is an independent Internal Audit Unit, which reports to the Audit and Risk Committee of the board. The Departments are further broken into units covering the company's key operating functions. The company's current organization structure is designed to ensure that EWASCO achieves the objectives set out in its current strategic plan and the targets agreed upon in the Service Provision Agreement (SPA) with TWSB.

EWASCO's management structure is in line with the 2007-2011 Strategic Plan.
13.2.2 Corporate Governance Practices

The Company’s corporate governance structure and practices are in line with the guidelines for Water Service Providers issued by the Ministry of Water and Irrigation (MWI). The board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, general direction, coordination and overall management of the Company's operations. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Company's business by individually signing the Code of Ethics. In addition, all the members of the board have undergone the corporate governance induction course.

The Company has done away with board committees and all the company's business is dealt with by the full board. Board meetings are frequent.

On the other hand, the company's Management Team is led by the MD, supported by the Finance Manager, the HR and Administration Manager, the Technical Services Manager, the Commercial Services Manager and the Internal Auditor.

13.2.3 Statutory Records

Minutes of the board and members meetings are maintained. A register of board meetings is also kept. The company held its second Annual General Meeting (AGM) on 7th September 2007. The company's annual return for the period to 30th July 2007 has been filed with the Registrar of Companies.

13.3 General Management

13.3.1 Human Resource Management

The Company's Human Resources (HR) management function falls under the HR and Administration Department, headed by a HR and Administration Manager. HR is responsible for developing sound human resources policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. EWASCO has in place qualified and experienced staff, recruited through a competitive process, to implement the planned activities per the current Strategic Plan. The company has adopted and implemented the human resource policies and management procedures contained in the standard HR policies and procedures manual provided by TWSB. A code of conduct document for the management staff has also been put in place.

The company has not carried out a Training Needs Assessment (TNA) for 2008/09.

13.3.2 HR Management System

The Company has not computerised its human resource management, monitoring and evaluation system.
13.4 Financial Management

The Finance Department, which is currently headed by a qualified Accountant (CPA), is charged with ensuring sound financial management services, which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting and Information Communication Technology (ICT). From our review, the staffs in the Finance Department are capable of managing the Company’s finance functions properly.

13.4.1 Strategic Planning

The Company has put in place and is currently implementing the Strategic and Business Plans for the period 2007 to 2011. In addition, the Company is implementing the performance contract for 2008/09 signed with TWSB.

13.4.2 Budgeting and Budgetary Control

The Company has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 was presented to the board and TWSB and duly approved. The budget is also in line with the Performance Contract for 2008/09 signed between the Company and TWSB. A vote Book is maintained on Excel spreadsheet. Variance analysis is done on a monthly basis and remedial action is taken on adverse variances.

13.4.3 Billing System

The Company currently uses a computerised billing system, the “Water Flex”, developed and installed through the assistance of GTZ. In addition to the monthly water bills, customers are also advised about their bills via SMS.

13.4.4 Accounting System, Procedures & Reporting

The Company has adopted and is implementing the Financial Policies and Procedures Manual developed by TWSB for use by WSPs in its area of jurisdiction. The Company’s Accounting system is manual, although Excel spreadsheet is used for data processing some of the data and for preparing the trial balance and final accounts. The manual system is tedious and unsustainable.

The Finance Department prepares quarterly management accounts. However, there was no evidence that the accounts are presented to the board for approval.

13.4.5 Procurement Function

The procurement function, which is currently a stand-alone department reporting to the Managing Director, is established in accordance with the Public Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the
regulations. The Unit works with the tender, procurement, evaluation and inspection, and acceptance committees, appointed by the MD from user departmental and section heads, established under the same regulations.

The Company has adopted and put in place the procurement manual developed by TWSB, and which has been harmonised to the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006.

13.4.6 Financial Sustainability

The company’s current revenue base is low, mainly due to high unaccounted for water (UfW) which is estimated at 50%, unfavourable collection efficiency estimated at 70%, poor condition of water and sewerage infrastructure, low number of households connected to water supply, i.e. areas such as Muthatari, Gichegeri, Gatondo, Kimangaro and parts of Mbeere District are not covered. Consequently, the risk of not being able to sustain its operations is still considered high.

13.4.7 The WARIS Reporting System

The Company, through the Water Services Regulatory Board (WASREB), is implementing the Water Regulatory Information System (WARIS). However, the system developed partial data exportation problem in the second year which has been rectified recently by WASREB. The data entry process is in arrears. The Company's ICT staffs are currently undergoing training on the updated version of the WARIS.

13.5 Auditing

13.5.1 Internal Audit Function

The company’s internal audit function has been out-sourced to a local audit firm, M/s Njeru Nyaga & Company. The firm audits the company and prepares quarterly internal audit reports.

13.5.2 External Audit

The Company’s accounts are audited by an Independent External Auditor, M/s Roak Associates. The latest audited accounts are for the year ended 30th June 2007. The Auditor’s report on these accounts was qualified on the basis of lack of adequate information on some balance sheet items such as receivables, fixed assets and revaluation reserve.

13.6 Technical Management

The Technical Services is a key function in the Company with the responsibility of overseeing the abstraction, treatment, transmission and distribution of water and the collection, transmission, treatment and disposal of sewerage to the prescribed service levels and quality standards, handling and disposal of sludge and screenings originating from such processes, installation of new water connections and the maintenance and repairs of WSS infrastructure.
The Company has adequately qualified and skilled staff for effective delivery of its operational technical mandate. However, the MD is the only registered engineer.

13.6.1 Technical Issues

The company has adopted and put in place appropriate operating standards and systems contained in the technical and commercial operations manuals developed by TWSB.

Water samples are taken regularly within the distribution system and tested in licensed laboratories. In general the quality of water supplied to consumers meets the appropriate standards but the company has only basic laboratory facilities which cannot test the bacteriological characteristics of water supplied.

On the other hand, effluent wastewater quality is considered of normal municipal characteristics with respect to BOD, COD and SS.

The company currently prepares and submits monthly and quarterly reports to TWSB as per the SPA.

13.6.2 Operations and Maintenance Issues

Routine operation and maintenance activities are expeditiously carried out, upon receipt respective report. However, the targets set out in the SPA are not being met.

The Company has installed zonal meters to assist in detecting and managing UfW, which is currently estimated at 70%.

13.7 Project Management

13.7.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. Consequently, project management, monitoring and evaluation is done through Technical Manager. Interview with the concerned officer indicated inadequate experience in handling projects.

13.7.2 Service Strategy to Low Income Areas

The Water infrastructure in the informal settlements consists mainly of distribution mains, service lines and water kiosks. The Company is in the process of mapping the periurban areas and the informal settlements of the population, service levels and infrastructure situation with a view to establishing how services can be improved.

The Company has developed a Stakeholders' Communication Strategy to make it easy to focus on raising awareness about the reforms in the water sector; educating members of the public on the benefits of the decentralized
service delivery; inviting stakeholders to participate in the reform planning process and on prudent water usage and sanitation.

13.7.3 Community Involvement in WSS Projects

The Company has been using participatory process in responding to Performance Contract requirements with respect to peri-urban, informal settlements and rural community WSS services delivery infrastructure. To facilitate this, the Company has established a forum in which Stakeholders meet and discuss issues relating to water and sanitation and learn from each other's experiences. Community participation in project planning and implementation is ensured through use of the Technical Services Manager who sensitises the community and organizes stake holders meetings as and when necessary. The technical services manager organises project meetings in conjunction with the relevant consultants for major projects. Progress reports are submitted to the TWSB.

13.7.4 Public health education

The Company conducts Hygiene Sanitation awareness in low-income groups in collaboration with other key stakeholders in and out of government like TWSB, MOH, MOLG, CBOs and NGOs. Simple methodologies are being enhanced in conjunction with Public Health Officers (PHOs). The Company has put more emphasis on public education on health problems associated with untreated and polluted water.

13.8 Identified Capacity Building Needs

Through interview and discussions with key staff, the Consultants identified the following capacity building needs that are considered relevant to WSTF sponsored projects:

- Culture and Change Management;
- Basic accounting and reporting;
- Risk Management and Internal Controls;
- Proposal and Report Writing;
- Procurement Management;
- Activity-based Costing;
- Project Management and Monitoring;
- Operations and Maintenance Management;
- Quality Management;
- Communication and Customer Care;
- Basic Hygiene Education;
- Basic Computing Skills.

13.9 Physical Resources

The Company has established and equipped its offices; including putting in place an equipped Local Area Net-Work (LAN) system.
13.10 Identified Non-skill Capacity Gaps

Through interview and discussions with key staff, the Consultants identified the following non-skill capacity gaps within the company:

i) Inadequate transport facilities (vehicles, motor bikes, etc);
ii) Lack of adequate well equipped laboratories and trained personnel.
14 RUIRU-JUJA WATER AND SEWERAGE COMPANY LIMITED (RUJAWASCO)

14.1 Introduction

The water sector has undergone fundamental changes since the enactment of the water Act 2002. The water Act 2002 provides the legal framework for the management and development of water services. It aims to address the weaknesses that face the water supply by separating policy functions from regulation and services delivery. It further separates service delivery functions into asset holding and investment (WSB function) and WSS provision (WSP function). Seven (7) Water Services Boards (WSBs) have been established and licensed by the Water Services Regulatory Board (WASREB) to be responsible for the provision of Water and Sewerage Services (WSS). The Act requires that WSBs contract agents, Water Service Providers (WSPs) to execute mandated services directly to the consumers. Ruiru-Juja Water and Sewerage Company Limited (RUJAWASCO) is one of the companies incorporated to provide water and sewerage services within Athi Water Services Board (AWSB) area of jurisdiction.

RUJAWASCO was established under the Companies Act (CAP 486) on 13th March 2006. The Company became fully operational on 9th October 2006, following the signing of a Service Provision Agreement (SPA) with Athi Water Services Board. The total population in the company's area of jurisdiction is estimated at 191,400 (i.e. 150,710 per 1999 Census projected at a growth rate of 3% p.a.). The estimated present water demand is 11,000 m³ per day. The company's UfW currently averages 15%.

RUJAWASCO’s mandate is to provide effective, efficient, affordable and sustainable water and sanitation services to the residents of Ruiru Municipal Council and Thika County Council.

14.2 Corporate Governance

14.2.1 Organisation Structure

RUJAWASCO has put in place an appropriate organizational structure, with the board of directors as the company’s top policy formulation and decision making organ. The company’s board comprises of eleven (11) members, four (4) representing the local authorities and seven (7) representing the other stakeholder groups, and an executive Managing Director. Below the board of directors is Managing Director (MD). Four core Departments namely Technical Services, Human Resources, Finance and Commercial Services, report to the MD. The Departments are further broken into units covering the company’s key operating functions. The Company’s current organization structure is constrained by its financial capacity.
14.2.2 Corporate Governance Practices

The Company's corporate governance structure and practices are in line with the guidelines for Water Service Providers issued by the Ministry of Water and Irrigation (MWI). The board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, general direction, coordination and oversight over the Company's operations. The Board has constituted two committees, namely the Audit Committee and the Staff and Welfare Committee. The meetings of the Board and Board Committees are scheduled and held on a quarterly basis. The members of the board have not yet signed the Code of Ethics. However, all the members of the board have undergone the corporate governance induction course.

On the other hand, the company’s Management Team is led by the MD, supported by the Technical Services Manager and the Finance and Commercial Services Manager.

14.2.3 Statutory Records

A register of board meetings is maintained by the MD. The minutes of the board and board committee meetings are also maintained. However, the company has not filed any annual return to the Registrar of Companies since inception.

14.3 General Management

14.3.1 Risk Management

The Company has not yet developed a risk policy and risk management process.

14.3.2 Human Resource Management

The Company's Human Resources (HR) management function falls under the Finance and Commercial Department. HR is responsible for developing sound human resources policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. The company has adopted and is implementing the human resource policies and management procedures contained in the standard HR policies and procedures manual provided by AWSB. Majority of the company’s employees were taken-over from the NW CPC, GOK and the two councils, and most lack the required qualifications and skills. RUJAWASCO therefore does not have adequately qualified and experienced staff.

The company has not carried out a Training Needs Assessment (TNA) for 2008/09, and relies on the training programmes developed and facilitated or funded by AWSB.
14.3.3 HR Management System

The Company has not computerised its human resource management, monitoring and evaluation system.

14.4 Financial Management

The Finance function, which is currently headed by the Finance and Commercial Manager, is charged with ensuring sound financial management services, which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting, procurement and Information and Communication Technology (ICT). From our review, with a bit of capacity building, the Finance staff are capable of managing the Company’s finance functions properly.

14.4.1 Strategic Planning

The Company has put in place and is currently implementing a Transitional Business Plan for the period 2007 to 2009.

14.4.2 Budgeting and Budgetary Control

The Company has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 was presented to the board and AWSB and duly approved. A Vote Book is maintained on Excel spreadsheet. Variance analysis is done on a monthly basis and remedial action is taken on adverse variances.

14.4.3 Billing System

The Company does not have its own billing system, and hence has outsourced the billing functions to AWSB’s Central Billing Unit.

14.4.4 Accounting System, Procedures and Reporting

The Company has adopted and is implementing the Financial Policies and Procedures Manual developed by AWSB for use by WSPs in its area of jurisdiction. The Company’s accounting system is manual, although Excel spreadsheet is used for processing some of the data and for preparing the trial balance and final accounts. A fixed assets register (FAR) is not maintained.

The Accountant prepares quarterly management accounts, which are presented to the board during its quarterly meetings. AWSB also closely monitors the Company’s financial affairs.

14.4.5 Procurement Function

The procurement function is established in accordance with the Public Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with the tender, procurement, evaluation and inspection, and
acceptance committees, appointed by the MD from user departmental and section heads, established under the same regulations.

The Company has adopted and put in place the procurement manual developed by AWSB, and which has been harmonised to the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006.

14.4.6 Financial Sustainability

The company’s current revenue base is very low and unsustainable, inadequate water supply (currently sourced from bore-holes), mainly due to high electricity cost, unfavourable collection efficiency, lack of qualified personnel, weak controls and operating systems and procedures, poor condition of water infrastructure and the low number of households connected to water supply in the company’s area of operation.

14.4.7 The WARIS Reporting System

The Company has not yet commenced the implementation of the Water Regulatory Information System (WARIS), mainly due to lack of qualified staff.

14.5 Auditing

14.5.1 Internal Audit Function

The Company has not yet established an internal audit function due to financial constraints. However, AWSB’s Internal Auditor carries out periodical audits on the company’s operations.

14.5.2 External Audit

The Company’s books of account and financial statements are audited by an Independent External Auditor. The latest audited financial statements are for the 10 months period ended 30th June 2007. The Auditor’s report on these financial statements was unqualified.

14.6 Technical Management

The Technical Services is a key function in the Company with the responsibility of overseeing the abstraction, treatment, transmission and distribution of water and the collection, transmission, treatment and disposal of sewerage to the prescribed service levels and quality standards, handling and disposal of sludge and screenings originating from such processes, installation of new water connections and the maintenance and repairs of WSS infrastructure.

The Company has a shortage of qualified and skilled staff thereby impacting on effective delivery of its operational technical mandate. The company does not have a registered engineer.
14.6.1 Technical Issues

The company has not developed in-house Engineering Guidelines, and hence uses the MWI guidelines and codes of practice for water and sewerage works.

The company currently operates two bore-hole sourced water schemes named Ruiru and Juja supply schemes.

Due to lack of technically qualified staff and testing equipment, water sampling and testing is only carried out at the treatment works. Sampling within the distribution system is not yet carried out at all.

The company has no sewerage system in its area of operation and hence has not deemed it necessary to obtain the NEMA license for discharge of waste water.

The quarterly reports to AWSB per the SPA requirements are currently in arrears.

14.6.2 Operations and Maintenance Issues

According to the technical staff, routine operation and maintenance activities are expeditiously carried out, upon receipt of the respective report. However, the targets set out in the SPA are not being met.

14.7 Project Management

14.7.1 Project Management, Monitoring and Evaluation

Currently, Project Management is a function of the Technical Services Department. However, existing staff do not have the capacity to handle or supervise big projects, which are handled by AWSB.

14.7.2 Service Strategy to Low Income Areas

The Company has not developed a strategy for the provision of WSS services to the low income areas.

14.7.3 Community Involvement in WSS Projects

The Company has only implemented WSS projects in the rural areas, using the Community Project Cycle (CPC) process developed by WSTF. The company has not implemented any urban project in the low income areas.

14.7.4 Public Health Education

The Company does not conducts any hygiene sanitation awareness in low-income, and relies on AWSB to do so.
14.8 Identified Capacity Building Needs

The Consultants noted that during the 2007/08 financial year, AWSB carried out the following capacity building activities:

- Trained the managing directors of all WSPs in its area of jurisdiction at a workshop (Water Service Providers Performance Review) held in Mombasa from 10th to 13th April 2008. The areas covered during the Workshop included: Preparation and presentation of Performance Contract Reports, Compliance with Service Provision Agreement, Public Procurement and Disposal Review, Corporate Governance, Risk Management, ISO Certification, Operation Performance, HR operations, Financial Sustainability, Business Planning, Customer Service and Feedback, Dynamic Indicators, (Gender mainstreaming HIV and AIDS awareness, Environmental conservation, Corruption prevention, Work Health and Safety, Compliance with Statutory Requirements) and Framework for Performance Improvement for WSP plus Internal Audit Highlights Working Environment;

- Conducted an on the job follow-up training program on Transformative Leadership and Change Management for three (3) WSPs namely Ruiru-Juja, Oloosaiser, and Limuru. The final phase under the same Transformative Leadership Initiative was also conducted for Kikuju, Kiambu, Machakos and EPZA-Mavoko WSPs. The essence of the program was to ensure that the WSPs operations are based on commercial principles;

- Conducted follow-up on the job training on the implementation of procurement and disposal systems for Ruiru-Juja, Gatanga, Karimenu, Kiambu, Limuru, Machakos and Olkejuado, Makindu, Kibwezi-Mtito Andei, Wote, EMASU, Nol Turesh Bulk Water Supply, Githunguri and Oloitokitok WSPs. The essence of the training was to ensure that WSPs were operationalizing the systems in compliance with the Public Procurement and Disposal Act 2005 and the Regulations issued in 2006.

However, interviews and discussions with key staff identified the following further capacity building needs that are considered relevant to WSTF sponsored projects:

- Culture and Change Management;
- Basic accounting and reporting;
- Activity-based Costing;
- Risk Management and Internal Controls;
- Proposal and Report Writing;
- Procurement Management;
- Project Management and Monitoring;
- Operations and Maintenance Management;
- Quality Management;
- Communication and Customer Care;
- Basic Hygiene Education;
- Basic Computing Skills.
14.9 Physical Resources

The Company has established and equipped its offices.

14.10 Identified Non-skill Capacity Gaps

Through interview and discussions with key staff, the Consultants identified the following non-skill capacity gaps within the company:

i) Inadequate transport facilities (vehicles, motor bikes, etc);
ii) Lack of adequate well equipped laboratories and trained personnel.
15 GARISSA WATER AND SEWERAGE COMPANY (GAWASCO)

15.1 Introduction

The water sector has undergone fundamental changes since the enactment of the water Act 2002. The water Act 2002 provides the legal framework for the management and development of water services. It aims to address the weaknesses that face the water supply by separating policy functions from regulation and services delivery. It further separates service delivery functions into asset holding and investment (WSB function) and WSS provision (WSP function). Seven (7) Water Services Boards (WSBs) have been established and licensed by the Water Services Regulatory Board (WASREB) to be responsible for the provision of Water and Sewerage Services (WSS). The Act requires that WSBs contract agents, Water Service Providers (WSPs) to execute mandated services directly to the consumers. Garissa Water and Sewarage Company Limited (GAWASCO) is one of the companies incorporated to provide water and sewerage services within Northern Water Services Board (NWSB) area of jurisdiction.

GAWASCO was incorporated as a limited liability company under the Companies Act 486 on 6th July 2004. The Company became fully operational on 7th August 2006 on signing Services Provision Agreement (SPA) with the Northern Water Services Board. Its operations are limited to Garissa Municipality and its environs, whose population is currently estimated at 120,000 people. The Company’s water production capacity is 24,000 m³ per day, against a current demand of 10,000 m³ per day.

GAWASCO’s mandate is to provide effective, efficient, affordable and sustainable water and sanitation services to Garissa Municipality and its environs.

15.2 Corporate Governance

15.2.1 Organisation Structure

GAWASCO has put in place an appropriate organizational structure, with the board of directors as the company’s top policy formulation and decision making organ. The company’s board comprises of eleven (11) members representing the various stakeholder groups, and an executive Managing Director. Below the board of directors is Managing Director (MD). Two core Departments namely Technical Services and Finance and Commercial Services, report to the MD. The Departments are further broken into sections covering the company’s key operating functions. The company’s current organization structure, though limited by its financial capacity, is designed to ensure that GAWASCO achieves the objectives set out in its current strategic plan and the targets agreed upon in the Service Provision Agreement (SPA) signed with NWSB.
GAWASCO’s management structure is in line with the 2006-2011 Strategic Plan. However, some positions have not been filled due to financial constraints.

15.2.2 Corporate Governance Practices

The Company’s corporate governance structure and practices are in line with the guidelines for Water Service Providers issued by the Ministry of Water and Irrigation (MWI). The board of directors is headed by a non-executive Chairman. The board of directors is responsible for policy formulation, general direction, coordination and oversight over the company’s operations. All the members of the board have committed themselves to observing ethical behaviour and practices in all the Company’s business by individually signing the Code of Ethics. In addition, all the members of the board have undergone the corporate governance induction course.

The Company has constituted appropriate board committees namely, the Technical Committee, the Commercial and Finance Committee and the Audit Committee which are entrusted with the governance and leadership of the Company. All the board meetings are scheduled and are held on quarterly basis.

On the other hand, the company’s Management Team is led by the MD, supported by the Commercial and Finance Manager and the Technical Services Manager.

15.2.3 Statutory Records

Minutes of the board and members meetings are maintained by the Technical Services Manager. A register of board meeting is also kept. The company has not yet held its first Annual General Meeting (AGM). Consequently, the company has not filed any annual return with the Registrar of Companies, and hence risks being deregistered.

15.3 General Management

15.3.1 Human Resource Management

The Company’s Human Resources (HR) management function falls under the Commercial and Finance Department, and is headed by the newly recruited HR Officer. HR is responsible for developing sound human resources policies and management practices, procedures and providing efficient and effective human resource administration services to all the other user departments. The Company has adopted, customised and implemented the manual on Terms and Conditions of Service for Employees of Water Services Providers prepared by the Ministry of Water and Irrigation. A code of conduct document for the management staff has also been put in place.

The company has not carried out a Training Needs Assessment (TNA) for 2008/09.
15.3.2 **HR Management System**

The Company has not computerised its human resource management, monitoring and evaluation system.

15.4 **Financial Management**

The Finance function, which currently falls under the Commercial and Finance Department, is charged with ensuring sound financial management services, which includes budgeting and budgetary control, development of financial policies and procedures, financial accounting and reporting, procurement and Information Communication Technology (ICT). The Commercial and Finance Manager has a lot of experience. However, the Accountant is new and still undergoing induction.

15.4.1 **Strategic Planning**

The Company has put in place and is currently implementing the Strategic and Business Plans for the period 2006 to 2011. In addition, the Company is implementing the performance contract for 2008/09 signed with NWSB.

15.4.2 **Budgeting and Budgetary Control**

The Company has introduced and implemented a participatory budgeting and budgetary control process. The budget for the current financial year 2008/09 was presented to the board and NWSB and duly approved. The budget is also in line with the Performance Contract for 2008/09 signed between the Company and NWSB. A vote Book is maintained manually. Variance analysis is done on a monthly basis and remedial action is taken on adverse variances.

15.4.3 **Billing System**

The Company’s billing system is manual. However, NWSB has already contracted a Consultant to install and implement the “Water Flex” computerised billing system.

15.4.4 **Accounting System, Procedures and Reporting**

The Company’s Financial Policies and Procedures Manual is currently in draft form, awaiting the board’s approval. The company’s accounting system is manual. However, the newly hired Accountant has commenced the implementation of the Quick Books accounting software for the purpose of posting, processing, and reporting of the company’s accounting information.

The Finance Department prepares quarterly management accounts, which are presented to board during its quarterly meetings for review and approval.

15.4.5 **Procurement Function**

The procurement function, which currently reports to the Finance and Commercial Manager, is established in accordance with the Public
Procurements and Disposal Regulations, 2006 section 8(1) to carry out the procurement and related functions stipulated in section 8(3) of the regulations. The Unit works with the tender, procurement, evaluation and inspection, and acceptance committees, appointed by the MD from user departmental and section heads, established under the same regulations.

The Company has adopted and implemented the Public Procurements and Disposal Act, 2005 and the Regulations issued in 2006.

15.4.6 Financial Sustainability

The current revenue base is very low, mainly due to high unaccounted for water (UfW) which is estimated at 50%, unfavourable collection efficiency estimated at 70%, high cost of power and water chemicals, poor condition of sewerage infrastructure and the low number of households connected to water supply in the company area of jurisdiction.

15.4.7 The WARIS Reporting System

The Company, through the Water Services Regulatory Board (WASREB), is implementing the Water Regulatory Information System (WARIS). However, the system developed partial data exportation problem in the second year which has been rectified recently by WASREB. The Company’s ICT staffs are currently undergoing training on the updated version of the WARIS.

15.5 Auditing

15.5.1 Internal Audit Function

Due to financial limitations, the Company has not yet established an internal audit unit. The Company has also not developed a risk management policy and risk assessment and management process.

15.5.2 External Audit

The Company’s accounts are audited by the Controller and Auditor General (CAG). The latest audited accounts are for the year ended 30th June 2007. The Auditor’s report on these was unqualified.

15.6 Technical Management

The Technical Services is a key function in the Company with the responsibility of overseeing the abstraction, treatment, transmission and distribution of water and the collection, transmission, treatment and disposal of sewerage to the prescribed service levels and quality standards, handling and disposal of sludge and screenings originating from such processes, installation of new water connections and the maintenance and repairs of WSS infrastructure.

The Company is inadequately staffed, especially in the technical field, and hence capable of effective delivery of its operational technical mandate. The highest qualified personnel in the Technical Department a Higher Diploma
Holder and below him are two (2) Ordinary Diploma holders. However, any further expansion and rehabilitation would require additional staffing. The deficiency is more critical in the design, planning and operation of the sewerage system. It is therefore necessary for the Company to hire Registered Engineers to strengthen its capacity to manage and expand the sewerage system.

15.6.1 Technical Issues

There exists a quality assurance system for water supply in line with good industry practice. The water supply is regularly monitored by both the Company’s and NWSB’s quality assurance staff. Available test results indicate that water quality meet the prescribed standards.

Water treatment is properly operated although there seems to be a design problem at both intake and water treatment works which results in frequent high turbidity. Although the quality of water produced is good, the cost of treatment may be exaggerated by the presence of high turbidity. Sewage works are under-utilized and experience no effluent due to inadequate sewerage system.

On the other hand, waste water is never monitored due to lack of appropriate laboratory equipment and trained staff. Waste treatment is done through a stabilization pond which never discharges any effluent, partly due to inadequate /defective sewerage system. Thus not all waste water produced in Garissa urban centre is directed to the works. Mapping and rehabilitation of the sewerage system is critical to efficient collection of the waste water from the town for transmission and treatment.

The company does not strictly follow the SPA reporting format. The WSP however prepares and submits monthly and quarterly reports to the WSB on regular basis, but the same are not comprehensive enough.

15.6.2 Operations and Maintenance Issues

The Company has put in place a physical asset register, but there is no Geographical Information System or network model. The technical staff reported that leaks on the supply mains and distribution are repaired promptly after a report is received. Documentation on leak reporting and repairs was lacking. However, field staff reported a response within 24 hours of receiving report on minor leaks. Bursts on major pipelines are handled by the NWSB.

Reduction of transmission and distribution losses is addressed only through leak repairs. There is no clearly established leakage control system. There are, for example no zonal meters installed in the distribution system. It is currently difficulty to come up with a good estimate of UfW for this system. UfW is currently reported at 50%. The method of leak detection is passive. There is no indication of actions being taken to reduce or regularize illegal connections.
15.7 Project Management

15.7.1 Project Management, Monitoring and Evaluation

The Company lacks capacity to execute effective project management due to poor staffing levels, and levies on AWSB or outsourcing the services.

15.7.2 Service Strategy to Low Income Areas

There are no urban-like informal settlements in the Company's area of jurisdiction. However there exist Internally Displaced People (IDP) areas which are occupied by people displaced as a result of the Tana River flooding. Such areas will require a strategy to improve WSS. Currently no elaborate strategy has been put in place to tackle the problem.

The Company has developed a Stakeholders' Communication Strategy to make it easy to focus on raising awareness about the reforms in the water sector; educating members of the public on the benefits of the decentralized service delivery; inviting stakeholders to participate in the reform planning process and on prudent water usage and sanitation.

15.7.3 Community Involvement in WSS Projects

Project planning and implementation, including the involvement of the local community, is currently carried out by NWSB, through the Community Development Officer (CDO).

15.7.4 Public Health Education

The Company has a customer care office handling customer complaints and other public issues. However, this is considered inadequate.

15.8 Identified Capacity Building Needs

Through interview and discussions with key staff, the Consultants identified the following capacity building needs that are considered relevant to WSTF sponsored projects:

- Culture and Change Management;
- Basic accounting and reporting;
- Activity-based Costing;
- Risk Management and Internal Controls;
- Proposal and Report Writing;
- Procurement Management;
- Project Management and Monitoring;
- Operations and Maintenance Management;
- Quality Management;
- Communication and Customer Care;
- Basic Hygiene Education;
- Basic Computing Skills.
15.9 Physical Resources

The Company inherited the offices; and equipment previously used by the M/s Spencon (K) Limited, the contractors for the recently commissioned New Garissa Water Supply System.

15.10 Identified Non-skill Capacity Gaps

Through interview and discussions with key staff, the Consultants identified the following non-skill capacity gaps within the company:

- Computers – has got only six (6), which are inadequate;
- Laboratory not properly equipped (Water & Waste water testing equipment);
- Has no qualified chemist (intends to recruit a Chemist soon);
- Garissa town does not have an Exhauster.