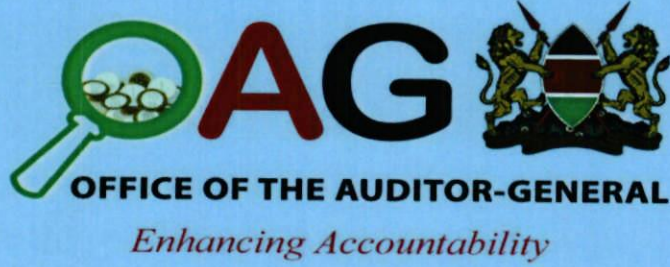


REPUBLIC OF KENYA

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# REPORT

OF

THE AUDITOR-GENERAL

ON

GITHUNGURI WATER AND SANITATION  
COMPANY LIMITED

FOR THE YEAR ENDED  
30 JUNE, 2019

PAPERS LAID	
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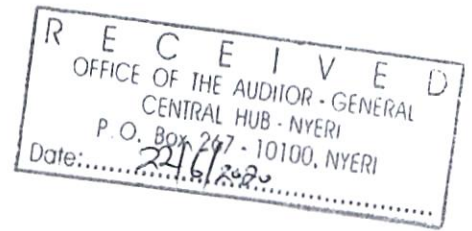


ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
GITHUNGURI WATER AND SANITATION CO. LTD



Within Githunguri Police compound, opp. Family Bank ,P.O Box 823 Githunguri C 16  
Kenya Tel:0700484034,E-Mail githunguriwater@yahoo.com

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# GITHUNGURI WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

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For the Financial year ended

**30th June 2019**

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
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FINANCIAL STATEMENTS FOR GITHUNGURI WATER AND SANITATION COMPANY  
LTD FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**COMPANY INFORMATION**

Githunguri Water and Sanitation Limited is a company formed by Athi Water Services Board and given the mandate of providing water and sanitation services within Githunguri District/Sub -County and lower part of Lari District/Sub-County. The County Government of Kiambu is the shareholder of the Company following the amendments of the articles and Memos of association in the year 2013.The Company is incorporated in Kenya and is domiciled in the republic of Kenya.

**BOARD OF DIRECTORS**

The Board of Directors who held office during the year ended 30<sup>th</sup> June 2019 comprised of the following:

1. Chairman:Prof.Bernard Njoroge,
2. Mr. James Muriuki ,
3. Eng.Andrew Muigai,
4. Mr.Samuel Gatama,
5. Mrs. Emma Ng'ang'a,
6. Prof.Stephen Njuguna,
7. Bishop Solomon Waweru,
8. Mr. Mutie

**CORPORATE SECRETARY**

Sammy Keengwe  
P.O. Box 55457  
City Square 00200  
Nairobi, Kenya

**REGISTERED OFFICE**

Githunguri Water & Sanitation Company Ltd

Githunguri Town Next to Police Station  
P.O.Box 823 - 00216,  
Githunguri

**AUDITORS**

Auditor General  
Kenya National Audit Office  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

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**BANKERS**

Kenya Commercial Bank Githunguri  
Equity Bank Githunguri  
K.Unity Bank Kagwe  
Githunguri Dairy Sacco

**PRINCIPAL LEGAL ADVISERS**

1. *The Attorney General*  
*State Law Office*  
*Harambee Avenue*  
*P.O. Box 40112*  
*City Square 00200*  
*Nairobi, Kenya*
2. *Mrs. Josephine Muritu*  
*Company Secretary*  
*Kiambu County Water & Sewerage Co. Ltd*

**THE BOARD OF DIRECTORS**

	<p><b>Name:</b> Mr.John Mwivithi Mutie <b>Position:</b> Director <b>Date of appointment:</b> 1<sup>st</sup> March 2019 <b>Qualification:</b> LLB (UoN); CPS(K) <b>Work Experience:</b> Worked with the defunct local authority as Town Clerk/County Clerk in various local authorities. Served as County Assembly Clerk/ Secretary to County Assembly of Kiambu. Currently on secondment to County Executive as Chief Office Department of Water, Environment, Energy and Natural Resources. Also assignment Department of Administration and Public Service as the Acting Chief Officer</p>
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ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
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**THE BOARD OF DIRECTORS**



**Mr.Solomon W.Waweru**  
Retired Public Officer, Bishop of  
A Church- Representative of NGOs

Chairman: Prof.Bernard Njoroge,  
Eng.Andrew Muigai,  
Mr.Samuel Gatama,  
Mrs. Emma Ng'ang'a,  
Prof.Stephen Njuguna,



**Name:** Mr. James Gitau Muriuki  
**Position:** Director  
**Date of appointment:** June 6, 2014  
**Area of Training:** Bachelor of Science in Chemistry/Biochemistry;  
Msc. Environmental Health Engineering  
**Sector:** Representative of Water Consumers  
**Work Experience:** Ministry of Water and  
Irrigation, Technical Consultant on Water and Waste water Treatment  
and Quality Analysis; Environmental Audits, Environmental Impact  
Assessments (EIA).

ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
GITHUNGURI WATER AND SANITATION CO. LTD



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**MANAGEMENT TEAM**



Mr. Joseph Mwangi Wanjohi  
**Managing Director**  
BSc. Civil Engineering JKUAT



CPADaniel Karangatha Muiruri  
**Finance Manager**  
CPA, B.COM Finance (U.o.N)



Winnie Kwamboka MBA Human  
**Human Resources Manager**  
MBA Human Resources (U.o.N),  
Degree in education (U.o.N),  
Higher Diploma in  
HRM (Collage of HRM)



Duncan Nderi Kirigo  
**Technical Manager**  
B. Project planning and  
Management U.o.N



# ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19 GITHUNGURI WATER AND SANITATION CO. LTD



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Kenya Tel:0700484034,E-Mail githunguriwater@yahoo.com

## CHAIRMAN'S STATEMENT

### Board's composition and activities

The board that existed during 2017/2018 was dissolved in January 2018 after serving for two quarters in the financial year 2017/ 2018 following the amendment of the Kiambu County legislation on water affairs which paved way for the formation of Kiambu County Water and Sewerage Company a merger of all water utilities in Kiambu County Githunguri included. Within this period, the Board was constituted with the Department of Water, Energy, Environment and Natural resources fully represented by the Chief Officer Water, Environment and Natural Resources representing the major stake holder the County Government of Kiambu.

The Kiambu County Water and Sewerage Company has the following as Board members  
Chairman: Prof. Bernard Njoroge, Directors are: Mr. James Muriuki , Eng. Andrew Muigai, Mr. Samuel Gatama, Mrs. Emma Ng'ang'a, Prof. Stephen Njuguna, Bishop Solomon Waweru and Eng. John Muhia.

### Corporate Governance

The board that existed during 2017/2018 was dissolved in January 2018 by a Board Resolution following the amendment of the Kiambu County legislation on water affairs which paved way for the formation of Kiambu County Water and Sewerage Company (KCWSC) a merger of all water utilities in Kiambu County Githunguri included. This was spearheaded by the Kiambu County Governor ostensibly to provide for economies of scale in management of water affairs, create a pool resource for water sector financing which would improve coverage and water services provision besides attracting donor financing ie World Bank, ADB among others. The main challenge is the process of full dissolution which may take some time. The Kiambu County Water and Sewerage Company Board has been overseeing the operations of the company since then. During the Financial Year under review, a member of Management staff Mr. Duncan Nderi who was the Technical Manager resigned in February 2019.

### Community involvement

The company continues to associate itself with the community by participating in various activities aimed at giving back to the community.

In this financial year we managed to take control of two community water projects i.e. Gitombo and Miguta with assistance from the county Government of Kiambu. Though Miguta is yet to be fully transferred to the company we are currently serving part of the community and we expect to take full control of the project in the second quarter of the financial year 2018/ 2019. Continuous engagement of the community is key for a smooth transition. During the year under review, the company participated in tree planting activities in liaison with local primary schools, secondary schools and the River Users Associations where about three thousand trees were planted within schools and catchment areas.

# ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19

## GITHUNGURI WATER AND SANITATION CO. LTD



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Kenya Tel:0700484034,E-Mail githunguriwater@yahoo.com

### Financial and operational Performance

#### a) Sales versus Expenditure for the year

Sales for the 12 months period ended 30<sup>th</sup> June 2019 was Kshs.52,653,210 /= compared to Kshs. 42,941,655/= for the twelve months period ended 30<sup>th</sup> June 2018. This represents a 22.62% growth. During the financial year the Non-revenue water still remained a challenge, most of it being attributable to commercial losses caused by over registering Nairobi water bulk meters and the old and dilapidated network. During the financial year the company made losses of Ksh.8, 459,691/= .The sales increased by a significant margin while expenditure remained relatively high. The high expenditure was as a result of the following factors:

- i) The cost of bulk water purchases remained relatively high at Kshs.21, 857,668/= the actual bills from Nairobi Water Company after adjustment. It's imperative to note that bulk water purchases was not factored in our tariff as approved by WASREB in 2014 as it was expected that we would have developed alternative sources hence our inability to pay Nairobi Water and thus the high losses incurred.
- ii) The cost of electricity slightly decreased from Kshs 7,412,718/= to Kshs.6, 439,051/=
- iii) WARMA abstraction charges were Kshs 726,583 compared to last year at Kshs 542,688. The current balance stands at 3,972,908

#### b) Over reliance on Nairobi Water Bulk Water Purchases

The Company continues to rely heavily on bulk water purchases from Nairobi Water. The water comes with heavy commercial losses which we have to reflect in our books hence the high NRW as shown above. If we were to have our own sources as required of us by the Water services Regulator WASREB, then we would be able to break even and meet other financial obligations which remain a challenge.

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**MANAGING DIRECTORS REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

At the end of the financial year 2018/2019 focus was mainly pursuing budgeted gravity water systems development. These included:

- ❖ Completion of Komothai Water Supply
- ❖ Completion of Mukuyu weir to serve Githunguri Town and the environs
- ❖ County Integrated Development Projects

With increased coverage from gravity water sources, then the organization would be able to meet its obligations to both the customers and other key players at a much lower cost hence progressively move towards sustainability.

In this financial year a number of achievements can be noted. These include:

**a) Completion of Komothai Water Supply project**

Through assistance from Athi Water Works Development Agency (AWWDA) we were able to fast track the rehabilitation and upgrading of the pipeline within Komothai Water Supply with an aim of increasing water supply to the lower areas of Komothai, increasing efficiency within the Kagwe and Nyanduma areas and improving on the quality of Water supplied. At the close of the fiscal year, rehabilitation was complete and the defects liability period almost complete with two DLP inspections already done and only one remaining.

With the completion of Komothai Water Supply and the subsequent Hand over that was actualized in August, 2018, it is expected that more than 2000 consumers will be brought back on board and about 500 new ones connected hence an anticipated increase in revenue collection. However, the fact that no reconnection budget was provided in the project budget required the company to go an extra mile and internally finance for Master Meters and Consumer meters installation besides service lines interconnections and extensions. This has been realized to a great extent.

Besides two number boreholes namely Kitatina and Thuita are currently being used as standby boreholes and Thuita off take is likely to be decommissioned thus reducing power consumption and reliance on Nairobi water surces.

**b) Improvement of Matimbei Weir**

With the support of the Board (AWSB), Matimbei weir located in Kiriita Forest was successfully improved and we are now serving Matimbei, Kagaa and Kamburu from this source. However, this dam weir requires to be desilted mechanically to increase storage capacity.

**c) Mukuyu Weir Construction**

By the closure of the financial year 2018/2019 construction of the weir had been completed. The weir is expected to inject 4000m<sup>3</sup>/day to a proposed Water Treatment Plant so as to augment water supply for Githunguri urban. Currently, Githunguri relies on Borehole sources. The gravity source and treatment works once complete will help in decommissioning of about three Nairobi off takes hence reduce over reliance on outsourced water from Nairobi off takes. Feasibility study for the Water Treatment

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Construction has been completed and we are now awaiting the donors concept to proceed once Danida Government clears the way It is expected that the implementation works will start by the beginning of 2020.

### Current challenges

- The company relies partially on pumping systems and outsourced waters from Nairobi Water
- The Water infrastructure is dilapidated due to age and as a result, supply in some areas is unreliable
- The borehole sources lack official borehole abstraction permits hence higher water use charges(at Ksh1 instead of Ksh 0.50).Efforts to get documents from the defunct Ministry offices have been futile since there are no records kept or some boreholes did not have records at all.
- Very high cost of producing water mainly due to bulk water purchases from Nairobi Water.
- Limited financial resources to fund rehabilitation and expansion of water services infrastructure.
- The many community water projects if all managed under the company would enhance better services across our area of supply ensure fair application of standards/tariffs and better manage the limited water resources.
- Debt collection remained a challenge. We have since engaged a credit reference bureau in the second quarter of the financial year 2017/2018 to assist in recovery of the debts. The main challenges being faced in debt collection are: Tracing of debtors some of whom have died or are no longer residents of the area, Obsolete entities like community water projects that have since died or no longer exists despite having owed Giwasco,Political interference from MCAs who were elected on platform of water provision therefore pressurizing for shelving of old debts which might have resulted in water disconnection. Whereas the company views some of these debts as collectable, political declarations at public forums have posed a great challenge.
- Litigation as is the case of community water projects who went to court to seek for status quo and avoid being absorbed into Kiambu County Water and Sewerage Company.
- Non Renueue Water remains a challenge mainly attributed to destruction of pipes due to road works construction across the area of jurisdiction,Illegal tapplings by people purporting to be supplied from Community Water Projects especially in Komothai.We have however upscalled the metering campaign for our consumers,demarcated critical areas into DMAs,embarked on house to house surveillance and commenced GIS Mapping as some of the strategies in NRW management.We hope to reduce NRW from the current 48% to 30% by the end of the current financial year.
- Expired tariffs,we are however working closely with WASREB for review of the same.

Signed for the company

A handwritten signature in black ink, appearing to be 'J.A. Mutie', is written over a horizontal dotted line.

**Managing Director**

# ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19 GITHUNGURI WATER AND SANITATION CO. LTD



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## **CORPORATE GOVERNANCE STATEMENT**

The Company has all along the financial year observed good corporate governance principles.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

During the year under review, the company contributed in buying of trees for planting in our catchment areas as a corporate social responsibility

## **DIRECTORS' REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019**

The directors submit their report together with the audited financial statements for the financial year ended 30<sup>th</sup> June 2019 which discloses the state of affairs of the company.

## **PRINCIPAL ACTIVITIES**

The principal activity of the company is that of offering Water and Sanitation Services to the residents of Githunguri District/Sub county and lower part of Lari District/sub County.

Githunguri Water and Sanitation Company (GIWASCO) is a water service provider operating under a service provision agreement granted by Athi Water Services Board (AWSB) to provide water and sanitation services in Githunguri Sub county and lower part of Lari Sub-County. The company was incorporated on 24th April 2007 and started operating on 1<sup>st</sup> October 2007 after constitution of the board of directors. The company took over the assets formerly operated and initiated by the ministry of water and irrigation at Githunguri town and Komothai rural water supply located in Gatamaiyu location of Lari district.

The company's area of service covers about 244 square kilometers across seven wards, five wards in Githunguri sub-county namely Komothai, Ngewa, Githunguri, Ikinu and Githiga. Two wards in Lari Sub-County namely Kamburu and Nyanduma wards. Within these wards, we have areas currently not served with water but are incorporated in the development plans of both the National and County Governments for consideration for expansion of water services into those areas. We also have about 7 community water projects also offering water services within this area but the community water projects are yet to register with Giwasco.

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**RESULTS AND DIVIDEND**

The company made a loss of Kshs. 8, 459,691

The directors do not recommend the payment of a dividend for the year.

**DIRECTORS**

The directors who held office during the year and to the date of this report are as listed on *Page 2*.

**AUDITORS**

The Auditor General have been appointed auditor of the company as per the provisions of Section 29 of the Exchequer and Audit Act, Cap 412 and sections 14 and 15 of the Public Audit Act 2003.

Signed for the board

Secretary

ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
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**STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019**

The companies act require the Directors to prepare financial statements in respect of Githunguri Water and Sanitation Company, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year. The Directors are also required to ensure that Githunguri Water keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of Githunguri Water's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Githunguri Water (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Githunguri Water and Sanitation Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Githunguri Water and Sanitation Company financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2019, and financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Githunguri Water and Sanitation Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that Githunguri Water and Sanitation Company will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The *entity's* financial statements were approved by the Board on \_\_\_\_\_ 2019 and signed on its behalf by:

.....  
**Managing Director**

.....  
**Board Chairman**

.....  
**Chief Officer**

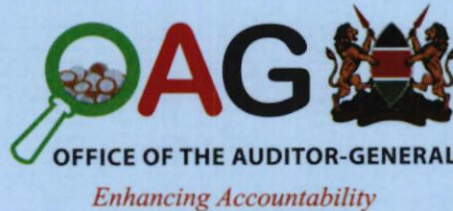
Date ..... 27/09/2019

Date .....

Date .....

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON GITHUNGURI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Githunguri Water and Sanitation Company Limited set out on pages 13 to 35, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Githunguri Water and Sanitation Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015, and the Public Finance Management Act 2012.

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

##### **1.0 Failure to Disclose Material Uncertainty in Relation to Going Concern**

During the year under review, the Company reported a loss of Kshs.8,459,690 (2017/2018: Kshs.15,627,266) resulting to further depletion of its accumulated revenue reserves from negative Kshs.73,062,269 as at 30 June, 2018 to negative Kshs.82,932,108 as at 30 June, 2019. The current liabilities of Kshs.125,406,149 exceeds the current assets balance of Kshs.44,094,025 resulting to a negative working capital of Kshs.81,312,124 as at 30 June, 2019. Although the financial statements have been prepared on a going concern basis, this precarious financial position which casts significant doubt on the ability of the Company to continue offering service to the public has not been disclosed.



## **2.0 Inaccuracies in Trade Debtors and other Receivables**

The statement of financial position and as disclosed in Note 9 to the financial statements reflects trade debtors and other receivables gross balances of Kshs.57,024,959 as at 30 June, 2019. However, debtors ledger and ageing analysis reflects a total of Kshs.72,021,520, resulting in an unexplained and unreconciled difference of Kshs.14,996,561.

Under the circumstances, the accuracy and completeness of trade debtors and other receivables gross balances of Kshs.57,024,959 as at 30 June, 2019 could not be confirmed.

## **3.0 Unsupported Board Expenses**

The statement of profit or loss and other comprehensive income and as disclosed in Note 4 to the financial statements reflects administrative and other expenses amount of Kshs.27,089,882. Included in this amount is Board's expenses of Kshs.200,000 which was not supported with board minutes and signed attendance register.

Consequently, the validity of the Board expenses of Kshs.200,000 for the year ended 30 June, 2019 could not be confirmed.

## **4.0 Inaccuracies in the Statement of Comparison of Budget and Actual Amount**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects total expenditure budget of Kshs.73,073,000. However, the Company's Board had approved an expenditure budget of Kshs.1,128,164,000 resulting to an unexplained and unreconciled variance of Kshs.1,055,091,000. Further, the statement of comparison of budget and actual amounts reflects a variance of Kshs.19,601,790 between the budgeted water sales of Kshs.76,255,000 and the realized amount of Kshs.52,653,210 instead of the correct variance of Kshs.23,601,790.

Consequently, the accuracy and completeness of the statement of comparison of budget and actual amounts for the year ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Githunguri Water and Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **Other Matter**

### **Budgetary Control and Performance**

During the financial year 2018/2019 the Company realized a total income of Kshs.54,878,410 against a revenue budget of Kshs.79,000,000, resulting in an under-collection of Kshs.24,121,590 or 31% of the budgeted revenue which was not explained or justified. Further, according to the approved budget, the Company had allocated an amount of Kshs.1,049,300,000 for implementation of various capital projects during the year under review. However, no project had commenced as at the time of the audit in March, 2020. No explanation was provided for the failure to implement the projects during the year ended 30 June, 2019. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness, Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Non-Revenue Water**

During the financial year 2018/2019, the company produced a total of 1,536,421 cubic meters of water out of which 610,088 cubic meters was billed to customers. The balance of 92,333 cubic meters or approximately 60.2% of the total volume of water produced represents non-revenue water which is 35.2% over and above the allowable limit of 25% set by Water Services Regulatory Board Guidelines. The non-revenue water of 60.2% may have resulted in a loss of sales estimated at Kshs.79,641,288.

The significant level of non-revenue water is an indication of inefficiencies and ineffectiveness in the management of water resources which has negatively impacted on the Company's ability to sustain services in the long run.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with books of account; and
- (iv) In my opinion, the information given in the report of the directors on page 10 and 11 is consistent with the financial statements.

### Responsibilities of Directors and those Charged with Governance

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for maintaining effective

internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Company or to cease operations.

The Directors are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, the Directors are also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the

Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

29 December, 2021

ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
GITHUNGURI WATER AND SANITATION CO. LTD




Within Githunguri Police compound, opp. Family Bank ,P.O Box 823 Githunguri 00216  
Kenya Tel:0700484034,E-Mail githunguriwater@yahoo.com

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

		2018/2019	2017/2018
	Notes	KSHS	KSHS
<b>Sales &amp; Other Incomes</b>	3	<b><u>55,611,376</u></b>	<b><u>45,610,067</u></b>
<b>Less:</b>			
Administrative & Other Expenses	4	27,089,882	25,236,871
Operational Expenses	5	<u>36,981,185</u>	<u>36,000,462</u>
<b>Total expenses</b>		<b><u>64,071,067</u></b>	<b><u>61,237,333</u></b>
<b>Operating profit/loss</b>		(8,459,690)	(15,627,266)
Corporate Tax	19	-	-
<b>Profit /Loss After tax</b>		<b><u>(8,459,691)</u></b>	<b><u>(15,627,266)</u></b>

The accounts on pages 13 to 17 were approved by the Board of Directors on .....

Managing Director..........Date.....27/09/2019

Board Chairman.....Date.....

Chief Officer WENR.....Date.....

ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
GITHUNGURI WATER AND SANITATION CO. LTD

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STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2019

ASSETS		2018/2019	2017/2018
	Notes	KSHS	KSHS
<b>NON- CURRENT ASSETS</b>			
Property, Plant & Equipment	7	19,701,107	15,718,971
<b>Total Non-current assets</b>		<b>19,701,107</b>	<b>15,718,971</b>
<b>CURRENT ASSETS</b>			
Inventories	8	1,239,034	3,596,376
Deposits	14	130,480	130,480
Trade Debtors and other receivables	9	36,978,790	26,136,749
Cash & Cash Equivalents	10	<u>5,745,721</u>	<u>6,492,260</u>
		<b>44,094,025</b>	<b>36,355,865</b>
<b>CURRENT LIABILITIES</b>			
Customer Deposits	16	7,621,739	6,338,298
Trade and other payables	11	117,051,949	95,241,881
Short term loan		-	770,913
Deferred income( current year)	24	<u>732,461</u>	<u>732,461</u>
		<b>125,406,149</b>	<b>103,083,553</b>
<b>NET CURRENT ASSETS/W.C</b>		<b>(81,312,124)</b>	<b>(66,727,688)</b>
<b>Net Assets</b>		<b>(61,611,017)</b>	<b>(51,008,717)</b>
<b>FINANCED BY:</b>			
Share Capital	13	40	40
Capital Reserves	12	11,509,082	11,509,082
Revaluation Reserve		-	-
Revenue Reserves		(82,932,108)	(73,062,269)
<b>Non-Current Liability</b>			
Deferred income	24	9,811,969	10,544,430
		<b>(61,611,017)</b>	<b>(51,008,717)</b>

Managing Director.....

Date.....

Board Chairman.....

Date.....

Chief Officer WENR.....

Date.....



ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
GITHUNGURI WATER AND SANITATION CO. LTD



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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

PERIOD	Share Capital	Capital Reserve	Revaluation Reserve	Revenue Reserve	Total
<b>Notes</b>	<b>13</b>	<b>12</b>	<b>7</b>	<b>13</b>	
Balance as at 1/7/2016	40	11,509,082	614,875	-48,397,052	-36,273,0
Disposal of revalued asset			-614,875		-614,7
Prior year adjustments over stated receivables				-734,205	-734,2
Profit/Loss				-8,303,746	-8,303,7
Balance as at 30/06/2017	40	11,509,082		-57,435,003	-45,925,7
Profit/Loss				-15,627,266	-15,627,2
Balance 30/6/2018	40	11,509,082		-73,062,269	-61,553,0
Prior Year adjustment on Loss				-1,410,148	-1,410,1
Profit/Loss				-8,459,690	-8,459,6
Balance 30/6/2019	40	11,509,082		-82,932,108	71,422,8

Managing Director..... *JMA* Date..... *27/09/2019*

Board Chairman.....Date.....

Chief Officer WENR.....Date.....

ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
GITHUNGURI WATER AND SANITATION CO. LTD

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Kenya Tel:0700484034,E-Mail githunguriwater@yahoo.com



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

	Notes	2018/2019	2017/2018
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
Profit/ (loss) before tax		(8,459,691)	(15,627,266)
Adjustment for:			
Depreciation on property, plant and equipment	7	1,149,926	1,076,579
Adjustment of recivables			(734,205)
<b>Cash Generated from Operations</b>		<b>(7,309,765)</b>	<b>(14,550,687)</b>
<b>Changes In Working Capital</b>			
Increase in Decrease	8	(2,357,342)	(2,543,247)
Increase in Trade and other receivables	9	(10,842,041)	(3,859,235)
Increase in Trade and other payables	11	21,810,068	21,375,862
Increase in Customer Deposits	16	1,283,441	1,889,470
<b>Net cash from operating activities</b>		<b>2,584,361</b>	<b>2,312,163</b>
<b>Investing activities</b> Purchases of Assets			
Motor Bikes		(553,100)	0
UPS		(37,000)	(25,000)
Printer		(139,200)	0
3 Desktop Computers		(218,040)	0
Pump & Motor		(192,464)	(701,875)
Pipes and Meters		(3,844,600)	(998,660)
Mobile Phones		0	(3,000)
Paper Shredder		0	(27,200)
Githunguri Toilets		(114,035)	0
<b>Net cash flow from investing activities</b>		<b>(5,098,439)</b>	<b>(1,755,735)</b>
<b>Financing Activities</b>			
Deferred Grant Income		(732,461)	(732,461)
Short term Loan		0	770,913
Long term loan		3,000,000	
Payment of long term loan		(500,000)	
Cash flow from financing activities		<b>1,767,539</b>	<b>38,452</b>
<b>Net Cash flows</b>		<b>(746,539)</b>	<b>(594,880)</b>
<b>At start of the year</b>		<b>6,492,260</b>	<b>5,897,380</b>
<b>At the end of the year</b>		<b>5,745,721</b>	<b>6,492,260</b>

Managing Director..........Date..27/09/2019

Board Chairman.....Date.....

Chief Officer WENR.....Date.....

ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
GITHUNGURI WATER AND SANITATION CO. LTD



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Statement of Comparison of Budget and Actual for year ended 30<sup>th</sup> June 2019

Notes (20)	Budget 2018/19	Actual 2018/19	Variance	Variance (%)
<b>INCOME</b>				
Water Sales (a)	76,255,000	52,653,210	-19,601,790	-27%
New Connection fee	2,745,000	2,225,200	-519,800	-19%
Sub-Total	<b>79,000,000</b>	<b>54,878,410</b>	-20,121,590	
<b>EXPENSES</b>				
Administration Costs (b)	4,735,000	2,640,849	-2,094,151	-44%
Billing & IT costs (c)	510,000	524,912	14,912	3%
Finance costs (d)	600,000	530,895	-69,105	-12%
Transport Operating Expenses	2,186,000	2,445,906	259,906	12%
Staff Costs	23,590,000	20,150,020	-3,439,980	-15%
Board Expenses (g)	1,510,000	200,000	-1,310,000	-87%
Statutory Expenses(h)	4,260,000	4,272,343	12,343	0%
Maintenance of water (i)	6,857,970	5,319,966	-1,538,004	-22%
Borehole Services and Consumables (j)	1,376,030	422,764	-953,266	-69%
Chemicals & Water quality	1,980,000	260,750	-1,719,250	-87%
Electricity costs	7,800,000	6,439,051	-1,360,949	-17%
Bulk water purchases (l)	15,780,000	21,857,668	6,077,668	39%
Security Services	900,000	1,022,067	122,067	14%
General Expenses	988,000	300,580	-687,420	-70%
<b>Expenditure</b>	<b>73,073,000</b>	<b>66,387,771</b>		

Managing Director..........Date.....*27/09/2019*.....

Board Chairman.....Date.....

Chief Officer WENR.....Date.....

ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
GITHUNGURI WATER AND SANITATION CO. LTD

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Kenya Tel:0700484034,E-Mail githunguriwater@yahoo.com



Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are as set out below:

**a) Statement of Compliance and Basis of preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity* and all values are rounded to the nearest Shilling

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**b) Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the *entity* and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

- i) **Revenue from the sale of water and services** is recognised in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the *entity* actually receives such grants.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Other income** is recognised as it accrues.

ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
GITHUNGURI WATER AND SANITATION CO. LTD



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Kenya Tel:0700484034,E-Mail githunguriwater@yahoo.com

**Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2019**

**c) Property plant and equipment**

Items of property plant and equipment are stated at the historical cost less accumulated depreciation and impairment

The treatment plant and any other assets apart from the ones specifically in the financial statements are owned by Athi Water Services Board.

The assets in the financial statements were bought by the company after its formation. Assets inherited are as stated in the Service Provision Agreement.

**d) Depreciation**

Depreciation is charged on a reducing balance basis over the estimated useful life of the assets  
Depreciation shall not be recognized in the year of purchase of an asset.

The annual rate of depreciation used is as follows

- Office Equipment 12.5%
- Furniture & Fittings 12.5%
- Computers and Accessories 33%
- Motor Vehicles 25%
- Building 2.5%
- Plant & Equipment 12.5%

**e) Impairment**

The carrying amount of the company's assets shall be reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount shall be estimated and an impairment loss recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

**f) Inventories**

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimate of the selling prices in the ordinary course of business, less the cost of completion and selling expenses.

**g) Trade receivables**

Debtors and other receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts.

**h) Currency**

The financial statements are presented in Kenya shillings.

**i) Trade and Other Payables**

Trade and other payables are stated at cost. Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the *entity* or not, less any payments made to the suppliers.

ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
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**Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2019**

**j) Taxation**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

**k) Provisions**

Provisions will be recognized when the company has present or constructive obligations as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount of the obligation can be made

**l) Cash and Cash Equivalents**

Cash and Cash equivalents comprise of cash at bank, in hand and short-term deposits with a maturity of 6 months or less.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and cash equivalents as defined above, net of outstanding bank overdrafts.

**m) Reserves**

Surplus / (deficits) from statement of comprehensive income are accumulated in the retained earnings account.

**n) Comparatives Figures**

Where necessary, comparative figures have been adjusted to conform to changes in Presentation in the current financial statement

**o) Retirement Benefits**

The Company and employees contribute to the National Social Security Fund, a statutory pension scheme. This is a defined contribution scheme registered under the National Social Security Act Furthermore the employees contribute 7.5% of staff basic pay towards a defined contribution pension scheme (Laptrust Umbrella Retirement Fund) and the company contributes 15% to the same scheme

**p) Prepayments and Deposits**

The Company shall maintain a schedule of all prepayments and deposits for goods and services made by the Company. On a monthly basis, a schedule should be prepared to reflect the prepayments and deposits. The schedules should be reconciled to the General Ledger.

ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
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Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2019

**q) Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2019

**2. Critical accounting estimates and Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances

i) Critical accounting estimates and assumptions

Property plant and equipment

Critical estimates are made in determining depreciation rates for property plant and equipment

The rate used are set out in note 1 (d) above

ii) Critical judgement in applying the entities accounting principles

In the process of applying the company's accounting policies the management has made judgements in determining

The classification of financial assets

Whether the assets are impaired

Revaluation of assets

**3. Sales & Other Incomes**

These include water sales, Sale of tender documents and miscellaneous incomes from reconnection fees and change of name.

	2018 / 2019	2017/2018
Sales & Other Incomes	Kshs.	Kshs.
Water Sales	52,653,210	42,941,655
Other Incomes Survey and Works	2,225,200	1,915,363
Interest Received	505	0
Other Miscellaneous Incomes	0	20,588
Grant (Note 17)		
Grant Income	732,461	732,461
<b>Total</b>	<b>55,611,376</b>	<b>45,610,067</b>

ANNUAL REPORTS FOR THE PERIOD ENDED 30/06/19  
GITHUNGURI WATER AND SANITATION CO. LTD



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<b>4. Administrative &amp; other expenses</b>	<b>2018 / 2019</b>	<b>2017/2018</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Lunches	319,410	235,225
Per-diem	964,687	632,707
Telephone	318,139	283,505
Email & postage	11,520	11,360
Stationery	112,945	24,330
WASPA subscription	55,000	55,000
FKE Subscription	-	60,000
Credit Reference Bureau	-	31,500
Staff Subscriptions	31,400	21,200
WRUA	3,000	-
Printing	144,245	149,315
Asset tagging	-	66,000
Newspaper	29,640	25,560
Computer Expenses	66,232	75,820
Internet Services	107,500	71,950
Logbook Transfer Charges	-	6,452
Office running expenses	133,075	139,553
Protective wearing	12,910	-
Billing costs	173,700	164,100
Software cost Sage Pastel	177,480	119,480
Audit fee	364,000	-
Other Consulting fees	-	75,400
Facilitation Expenses	153,315	17,550
Rent	72,000	39,000
Corporate social responsibility	-	30,000
Environmental Conservation	11,000	-
Travelling & Accommodation	36,080	17,670
Advertising & Promotions	-	39,337
Staff Uniforms	-	73,645
Staff IDs	12,000	-
Training Levy	22,450	47,350
Bank Charges	166,895	134,348



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<b>Board Expenses</b>		
Directors allowances	200,000	594,000
Board Expenses	-	42,530
PAYE Directors	-	244,245
<b>Staff Expenses</b>		
Salaries	15,262,653	15,146,709
Casual wages	1,406,400	805,025
NSSF	188,800	171,600
NHIF	388,350	381,200
Pension	2,212,927	1,802,626
Medical Insurance	-	727,348
Student allowance	455,240	350,510
<b>General expenses</b>		
Education & Training	307,000	49,500
Team Building and WASCO Games	300,580	-
Security	1,022,067	896,040
Sanitation services	26,843	56,843
Hospitality and Entertainment	72,910	38,990
Renovations	26,930	-
General items	-	2,650
Depreciation	1,149,926	1,076,579
Bad Debts Written Off	-	-
Provision for Bad Debts	570,634	203,118
<b>Total</b>	<b>27,089,882</b>	<b>25,236,870</b>
<b>5. Operational expenses</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Chemicals	260,750	-
Bulk water purchases	21,857,668	21,901,169
Electricity	6,439,051	7,412,719
AWSB Lease fee	1,845,603	2,108,552
Water levy-WASREB	1,700,157	450,181
Maintenance Water system	1,470,366	795,801
Borehole Services	230,100	590,120
Transport operations& Maintenance	799,380	595,060
Motor Vehicle and Motor Bikes Insurance	21,217	21,217

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WARMA Levy	726,583	542,688
Fuel Expenses	1,625,309	1,372,954
Water Testing	-	210,000
Calibration and meter testing	5,000	-
<b>Total</b>	<b>36,981,185</b>	<b>36,000,462</b>

7. NON CURRENT ASSETS

Property, plant and Equipment 2018/2019						
	Office Equipment	Computers and equipment	Furniture & Fittings	Motor vehicle	Plant & Equipment	Buildings
Cost as at 1/7/18	130,235	1,403,016	407,286	748,000	2,579,304	10,577,500
<b>ADDITIONS in 2018/2019</b>						
Printer		139,200		-		
Desktop Computers		218,040				
UPS		37,000				
BH Motor					192,464	
Pipes and Meters						
Githunguri Toilets						114,035
Motor Bikes				553,100		
<b>Total Additions 2018/2019</b>	-	<b>394,240</b>	-	<b>553,100</b>	<b>192,464</b>	<b>114,035</b>
<b>Total Noncurrent asset at cost.30/6/2019</b>	<b>130,235</b>	<b>1,797,256</b>	<b>407,286</b>	<b>1,301,100</b>	<b>2,771,768</b>	<b>10,691,535</b>
Dep *At the beginning of the year 1/7/18	87,319	1,269,433	240,910	241,750	1,111,492	1,199,750
Depreciation for the year	5,365	66,611	20,797	126,563	183,477	234,445
Accumulated Depreciation at the end of the year	92,684	1,336,044	261,707	368,313	1,294,969	1,434,200
<b>NBV 30/6/19</b>	<b>37,552</b>	<b>461,212</b>	<b>145,579</b>	<b>932,788</b>	<b>1,476,800</b>	<b>9,257,335</b>
<b>NBV 30/6/18</b>	<b>42,916</b>	<b>99,958</b>	<b>166,376</b>	<b>506,250</b>	<b>1,467,812</b>	<b>9,377,790</b>

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***Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2018***

<b>8. Inventories</b>	<b>2018 / 2019</b>	<b>2018 / 2019</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Stock as at 30 <sup>th</sup> June 2018 - Chemicals		0
R & M Items	1,229,234	3,569,576
Stationery	9,800	26,800
<b>Total</b>	<b><u>1,239,034</u></b>	<b><u>3,596,376</u></b>

<b>9. Trade debtors and other receivables</b>	<b>2018 / 2019</b>	<b>2017/2018</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Trade Debtors	57,024,959	45,612,284
Provision for bad debts	(20,046,169)	(19,475,535)
<b>Total</b>	<b><u>36,978,790</u></b>	<b><u>26,136,749</u></b>

> 6Months	6 Months	5 Months	4 Months	3 Months	2 Months	Current
42,028,397.00	1,903,806.00	3,073,162.00	4,618,351.00	4,981,088.00	5,916,679.00	9,500,037.00

<b>10. Cash and cash equivalents</b>	<b>2018 / 2019</b>	<b>2017/2018</b>
	<b>Kshs.</b>	<b>Kshs.</b>
KCB – 043255603611/1105027023	(615)	13,843
- Equity - 0930293233664	59,924	19,915
KCB - 43255603628/1105027333	819,035	372,092
KCB - 43255603634/1105027597	4,511,382	5,567,386
- Dairy SACCO	38,057	31,153
- Kiambu Unity Finance	141,030	96,116
- Cash in Hand	0	120
KCB-1134860803	82,910	265,943
Mpesa	94,000	125,693
<b>Total</b>	<b><u>5,745,721</u></b>	<b><u>6,492,260</u></b>

7

Property, plant and Equipment 2018/2019										
	Office Equipment	Computers and equipments	Furniture & Fittings	Motor vehicle	Plant & Equipment	Buildings	Mobil phones	Pipes and Meters	Tools	Total
Cost as at 1/7/18	130,235	1,403,016	407,286	748,000	2,579,304	10,577,546	43,200	4,464,680	54,500	20,407,767
ADDITIONS in 2018/2019										-
Printer		139,200		-						139,200
Desktop Computers		218,040								218,040
UPS		37,000								37,000
BH Motor					192,464					192,464
Pipes and Meters								3,844,600		3,844,600
Githunguri Toilets						114,035				114,035
Motor Bikes				553,100						553,100
Total Additions 2018/2019	-	394,240	-	553,100	192,464	114,035	-	3,844,600	-	5,098,439
Total Non current asset at cost.30/6/2019	130,235	1,797,256	407,286	1,301,100	2,771,768	10,691,581	43,200	8,309,280	54,500	25,506,206
Dep *At the beginning of the year 1/7/18	87,319	1,269,433	240,910	241,750	1,111,492	1,199,755	22,154	433,253	49,107	4,655,173
Depreciation for the year	5,365	66,611	20,797	126,563	183,477	234,445	6,945	503,928	1,796	1,149,926
Accumulated Depreciation at the end of the year	92,684	1,336,044	261,707	368,313	1,294,969	1,434,200	29,099	937,181	50,903	5,805,099
NBV 30/6/19	37,552	461,212	145,579	932,788	1,476,800	9,257,381	14,101	7,372,099	3,597	19,701,107
NBV 30/6/18	42,916	99,958	166,376	506,250	1,467,812	9,377,791	21,046	4,031,428	5,393	15,718,970

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***Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2019***

<b>11. Trade and other payables</b>	<b>2018 / 2019</b>	<b>2017 / 2018</b>
<b>Trade payables</b>	<b>Kshs.</b>	<b>Kshs.</b>
K.P.L.C	954,164	602,502
Nairobi Water Company	88,412,312	71,554,644
Techlink Hydro System	226,000	276,000
Kinetic	135,440	195,019
Target Industrial Suppliers	37,700	3,900
Sulis East Africa	52,200	2,700
Damwotech	105,000	7,854
Bromak General Merchants	77,400	134,860
Elevators	132,000	-
Rentokil	4,211	8,421
Babs security	594,239	320,097
Danco Capital Ltd	380,000	192,052
Wendo Autotyres	159,342	88,766
Ruiru Juja	119,000	119,000
Nairobi Iron Mongers	27,500	83,276
Kyhill Merchants	-	38,470
Simasons Enterprises	-	329,750
Gaura Enterprises	-	54,580
Lionet Investment	-	15,800
New Ruiru Engineering	-	86,430
Transafrika Systems Ltd	-	320,000
Jipemoyo Exhauster Services	-	10,000
Rope Engineering	-	5,340
Dream-it	-	66,000
Path Ventures	-	24,440
<b>Accrued Expenses</b>		
Staff Deductions	1,928,403	1,606,456
<b>Other Payables</b>		
Customer Prepayments	535,908	521,187
AWSB	15,541,893	13,696,290
WASREB	2,180,179	480,022
Ministry of Water & Irrigation	22,000	22,000
Water Resources Mgt Authority	3,972,908	3,346,325
Kenya National Audit	1,292,000	928,000
Directorate of I.Training	7,150	1,700

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Waspa	95,000	40,000
FKE	60,000	60,000
<b>Total</b>	<b><u>117,051,949</u></b>	<b><u>95,241,881</u></b>

**12. Capital Reserves and Capital Grant**

*Capital Reserve*; the initial capital as shown is equal to the debtors inherited during the formation of the Company is 11,509,082.

*Capital Grant*; relates to construction of Githiga and Ngewa Sanitation Blocks

**13. Share Capital and Revenue Reserve**

*Share Capital* Authorized share capital, 5,000 ordinary shares of 20/= each. Value of authorized share capital Kshs.100, 000. Issued Share capital is 2 ordinary shares of 20/= each. Value of Issued Share capital is Kshs. 40/=.

*Revenue Reserve* Prior year adjustments relate to provision of corporate tax and tax control account adjustments

**14. Prepayments and Deposits.**

The figure of Deposit in the Balance Sheet is the amounts paid in deposit for telephone, electricity and Kagwe office.

<b>Prepayments and Deposits</b>	<b>2018 / 2019</b>	<b>2017 / 2018</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Office Deposit	11,500	11,500
Electricity	45,980	45,980
Telephone	23,000	23,000
Fuel	50,000	50,000
<b>Total</b>	<b><u>130,480</u></b>	<b><u>130,480</u></b>

**15. Provision for Bad debts.**

The company has provided bad debt of Ksh.570, 634 being 5% of Trade debts uncollected in the financial year

Opening balance	19,475,535
Bad debt provision	<u>570,634</u>
Balance Carried forward	<u>20,046,169</u>

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Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2019

**16. Customer deposits**

<b>Customer deposits</b>	<b>2018 / 2019</b>	<b>2017/2018</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Opening balance	6,338,298	4,448,828
Additions	1,287,941	1,889,470
Withdrawals	(4500)	
<b>Closing balance</b>	<b>7,621,739</b>	<b>6,338,298</b>

**17. Grants**

The Company did not received grants in the financial year 2018 2019

**18. Contingent Liability**

A legal case was ruled against us of which the company is required to deposit a sum of Kshs.1, 168,000 in a joint interest account awaiting appeal. The money is to be borrowed from Customer Deposit account since the company is not in a financial position to settle the charges. Further, a former employee of the company Mr. Robert Njenga has sued the organization seeking Compensation of about Kshs. 730,000/= for unlawful dismissal. The matter is in court. No provision has been made for this matter.

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***Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2019***

**19. Corporate tax**

<b>Githunguri Water and Sanitation Company</b>	
<b>INCOME TAX COMPUTATION</b>	
<b>PIN: P051222761W</b>	
<b>for to the year ended 30/6/2019</b>	
	<b>Kshs</b>
Loss as per financial statements	(8,459,691)
<b>ADD BACK:</b>	
Fines and penalties	949,800
Meter Rent	2,382,150
Provision for bad debts	570,634
Depreciation	1,149,926
<b>Total</b>	<b>5,052,510</b>
	<b>(3,407,181)</b>
<b>DEDUCT:</b>	
Industrial Building Allowances	-
Wear and tear Allowance	(624,984)
Profit on sale of equipment	-
Decrease in provision for Gratuity	-
Deferred Grant Income	(732,461)
Interest Income	-
Donations from county govt/ wstf/other donors not subject to tax	-
<b>Adjusted Business Profit</b>	<b>(4,764,626)</b>
Adjusted Business Profit/loss BF	
Tax on business income: @ 30%	(1,429,388)
ADD	
Tax on interest income: @30%	-
Total Tax Liability	(1,429,388)
Less: paid	-
Tax credit C/F	(1,429,388)



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**Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2019**

**20. Notes on Variances Budget And Actual**

- a) Projected billing was not realized due to incomplete projects i.e. Mukuyu dam project & High Non Revenue water this also affected number of new connections where miscellaneous revenue is realized. It is worth noting there was a 22% growth in billing.
- b) The projected legal costs, general insurance and protective clothing costs were not incurred ,also the projected environmental conservation cost was minimal due to facilitation of seedlings from Athi water works development Agency.
- c) The finance cost projected reduced due to revision of our accounts with KCB from business current account to privileged account.
- d) Transport operating expense increased due to purchase of 5 additional motorbikes
- e) Staff cost reduced due to unprocured medical cover for staff due to its high cost.
- f) Board expenses reduced due to dissolution of the regional board in January 2018
  
- g) Maintenance of water system projected cost reduced because most of proposed items were not bought due to the financial position of the organization. Inclusive in this cost are Pipes & meters bought during the year.
- h) Borehole Services and Consumables projected cost reduced due to well-maintained control panels thus reduction in pump failures.
- i) We used the balance of existing chemicals left by the contractor onsite hence the reduced cost.
- j) Electricity costs reduced due to frequent use of gravity water in Thuita, Kiratina & Mihuko.
- k) Bulk water purchases from Nairobi water increased due to additional area like Miguta which was previously underserved
- l) Security cost increased due to additional guard at Mukuyu II dam.
- m) General expense relates to Team building & Wasco games. Team building was not held during the year due to financial constraints.

**21. Related Party Disclosures/Balances**

**a) Nature of related party relationships**

Companies and other parties related to the company include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

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**Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2019**

**The Company is related to;**

- i) Ministry of Water and Irrigation
- ii) County Government of Kiambu
- iii) WASREB
- iv) WARMA
- v) Athi water services board
- vi) Key management
- vii) Board of directors

**b) Key management remuneration**

<b>key Management Remuneration</b>	<b>2018 / 2019</b>	<b>2017/2018</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Directors	2,00,000	838,245
Key Management	6,086,186	5,954,000
<b>Total</b>	<b>6,286,186</b>	<b>6,792,245</b>

**c) Due to related parties**

<b>Amounts due to related parties</b>	<b>2018 / 2019</b>	<b>2017/2018</b>
	<b>Kshs</b>	<b>Kshs</b>
AWSB	15,541,893	13,696,290
WASREB	2,180,179	480,022
WARMA	3,972,908	3,346,325
Ministry of Water and Irrigation	22,000	22,000
Nairobi Water	88,412,312	71,554,644
<b>Total</b>	<b>110,129,292</b>	<b>89,099,281</b>

- **AWSB** –We are required to remit 6% of our monthly collection to Athi Water Service Board (AWSB) as the administrative fee from our gravity and borehole source.
- **WASREB** - We are required to remit 4% of our billing and miscellaneous income to the regulator as the water levy fee.
- **WARMA** - WSP's are required to remit Ksh 0.5/m<sup>3</sup> of water abstracted from legalized sources and Ksh 1/m<sup>3</sup> of water abstracted from illegal sources

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Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2019

**22. Financial Risk Management**

The company's activities expose it to a variety of financial risks including Market risk, Credit risk and liquidity risk. The company's overall risk management program focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

	Fully performing Shs	Past due Shs	Impaired Shs
At 30 June 2019			
Trade receivables	36,978,790	-	0
Bank balances	5,745,721	-	-
	=====	=====	=====
At 30 June 2018			
Trade receivables	26,136,749	-	-
Bank balances	6,492,260	-	-
	=====	=====	=====

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the company's maximum exposure to credit risk without taking account of the value of any collateral. The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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**Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2019**

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the company directors, who have built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-5 months	Over 5 months	Total
At 30 June 2018				
Trade payables	4,087,296	12,949,643	99,224,143	116,261,082
	=====	=====	=====	=====

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the company on an on-going basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

(a) Foreign currency risk

The company has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

(b) Interest rate risk

Interest rate risk is the risk that the company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk.

The interest rate risk exposure arises mainly from interest rate movements on the company's deposits. Regional

*Management of interest rate risk*

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

**(iv) Capital Management**

Capital managed by the company is the equity attributable to the equity holders. The primary objective of the company's capital management is to ensure that it maintains healthy capital ratio in order to support its business.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 30 June 2018 and 30 June 2019.

The company monitors capital using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total of interest bearing loans and borrowings, trade and other payables less cash and cash equivalents.

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**Notes to the Financial Statements for the financial year ended 30<sup>th</sup> June 2019**

**Gearing ratio**

	2018 / 2019	2017 / 2018
	Kshs	Kshs
Trade and other payables (note 14)	117,051,949	95,241,881
Less: cash and short-term deposits	5,745,721	6,492,260
Net debt	111,306,228	88,749,621
Equity	-60,878,556	-50,276,256
Gearing ratio	-1.828332274	-1.765239265

**24. Deferred Income**

A deferred income has been set up in the statement of financial position and presented as non-current liability for the noncurrent component and acurrent liability for the amount amortizable within the next one year.

**25. INCOPORATION**

The entity is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya