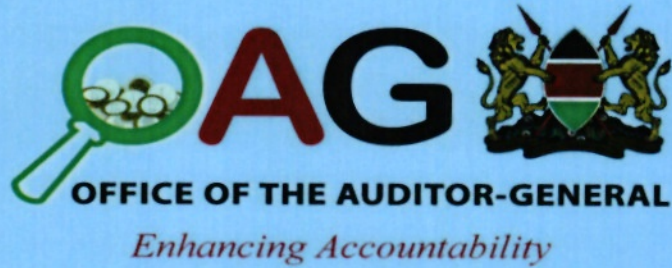


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REPORT

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COMMITTEE	
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OF

THE AUDITOR-GENERAL

ON

**KIRINYAGA WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2019**



**KIRINYAGA WATER & SANITATION COMPANY
(KIRIWASCO)**

P.O BOX 360-10300, KERUGOYA

Official Tel: 0746555368/ Customer care line: 0715413591

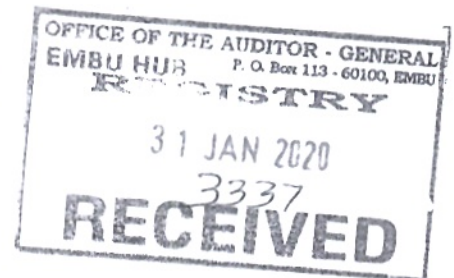
Email – managingdirector@kiriwasco.co.ke/info@kiriwasco.co.ke

**KIRINYAGA WATER AND
SANITATION COMPANY LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2019



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

KIRINYAGA WATER AND SANITATION COMPANY

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

TABLE OF CONTENTS

1. KEY ENTITY INFORMATION	2-4
2. LIST OF BOARD MEMBERS	5-6
3. MANAGEMENT TEAM	7
4. BOARD CHAIRMAN'S REPORT	8
5. REPORT OF THE MANAGING DIRECTOR	9-11
6. CORPORATE GOVERNANCE STATEMENT	12-13
7. MANAGEMENT DISCUSSION AND ANALYSIS	14
8. C S R /SUSTAINABILITY REPORT	15-16
9. BOARD OF DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019	17-18
10. STATEMENT OF DIRECTORS' RESPONSIBILITIES	19
11. INDEPENDENT AUDITORS REPORT	20
12. FINANCIAL STATEMENTS:	
12.1. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019	21
12.2. STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2019	22
12.3. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019	23
12.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019	24
12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019	25-27
12.6. NOTES TO THE FINANCIAL STATEMENTS	28-42
APPENDIX 1: PROGRESS ON FOLLOW UP ON AUDITORS' RECOMMENDATIONS	43-45

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

1. KEY ENTITY INFORMATION

BACKGROUND INFORMATION

The enactment of Water Act 2002, led to the creation of Water Services Regulatory Board (WASREB), Water Services Board and Water Services Providers to spearhead the water sector reform programme. Kirinyaga Water and Sanitation Company is a Water Service Provider Company Limited by guarantee and incorporated under the Companies Act Cap 486 of the laws of Kenya.

KIRIWASCO has been mandated through a Service Provision Agreement (SPA) to carry out water and sewerage services in both urban and rural areas of Kirinyaga County. The Company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water and sewerage services in the target community. KIRIWASCO is jointly owned by the Government of Kenya, County Government of Kirinyaga and the Local Community.

PRINCIPAL ACTIVITY

The principal activity of KIRIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Kirinyaga County and parts of Embu County.

MAIN BUSINESS OPERATING OBJECTIVES

The Company's main business operating objectives include, but not limited to, the following:

- (a) Increase stake holder's awareness on water sector reforms
- (b) Improve access to sustainable and safe water
- (c) Increase the demand for available safe water
- (d) Increase the access to improved sanitation
- (e) Achieve operational financial sustainability

VISION

To be a role model water services provider in Kenya.

MISSION

To provide safe and clean water through, reliable, affordable and sustainable water services to our customers by developing facilities and managing systems in the most efficient and effective manner.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

STRATEGIC OBJECTIVES

1. Institutional strengthening of KIRIWASCO
2. Reduces UFW
3. Achieve financial sustainability
4. Improve access to sustainable and safe water
5. Increase access to improved sanitation
6. Increase stakeholders awareness on water sector reforms

SLOGAN

Tap it; Get it; its life

DIRECTORS

The Directors who served the entity during the year were as follows:

1. Mr. Fidesious Nyaga-----Chairman-----Appointed on -----23rd March, 2018
2. Mr.Jakan Gutu-----Member-----Appointed on-----7th May,2019
3. Mr. Jared Migwi-----Member-----Appointed on-----17th Dec,2019
4. Mr. Robert Githinji Njagi-----Member-----Appointed on-----23rd March,2018
5. Mr. Peter Muriithi Gichirah -----Member-----Appointed on-----23rd March, 2018
6. Mr. James Kihia-----Member-----Appointed on-----23rd March,2018
7. Mr. Joe Kingford-----Member-----Appointed on-----23rd March, 2018
8. Ms. Lilian Wanja Kagema-----Member-----Appointed on-----23rd March,2018
9. Ms. Purity Njeri Githinji-----Member-----Appointed on-----23rd March 2018

COMPANY SECRETARY

Gikuhi Kiana & company

P.O Box 10100

NYERI

REGISTERED OFFICE/HEADQUARTERS

Kirinyaga Water and Sanitation Company

P O Box 360-10300

KERUGOYA

Tel: 0746555368/0715413591

Email: info@kiriwasco.co.ke

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019**

BANKERS

Co-operative Bank of Kenya

Kerugoya Branch
P O Box 635-10300

KERUGOYA

Equity Bank

Kerugoya Branch
P.O Box 1056-10300

Kerugoya

INDEPENDENT AUDITORS

Auditor General
Office of the Auditor General
Anniversary Towers
P O Box 30084-00100

Nairobi

PRINCIPAL LEGAL ADVISERS

The Attorney General
State Law Office
Harambee Avenue
City Square 00200
P.O Box 40112

Nairobi, Kenya






Magua & Mbatha Advocates
P.O Box 2159-10100







Nyeri

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

2. LIST OF BOARD OF DIRECTORS







NO	NAMES AND ADDRESS	REPRESENTING INTEREST	REMARKS	Y.O.B	QUALIFICATION & EXPERIENCE	PASSPORT
1	Mr. Fidesius Nyaga	Religious Organizations	B.O.D Chairman	1944	BA Econ(Hons)-Makerere FCIS, CPS(K) Diploma in Banking Over 40 years' experience in accounting profession	
2	Hon. Dr Jakan Gutu	County Representative	Member	1956	Doctorate in Business Administration Many years experience in management and CECM member ministry of water Kirinyaga County	
3	Mr. Jared Migwi	County Representative	Member	1973	Bachelor of Commerce Associate Kenya Institute of Bankers Experience in banking and finance; Chief Officer, Ministry of Water	
4	Mr. Robert Githinji Njagi	Business Community-Commercial Consumer	Head of Commercial Committee	1981	MBA-Kenyatta University 15 years experience in marketing ,accounting and strategic management	
5	Mr. Peter Muriithi Gichirah	Farmer's Organization-	Head of Technical Committee	1978	Diploma in Business Administration 7 years working experience	

6	Mr. James Kihia	Business Community- Commercial Consumer	Head of Audit Committee	1970	O level, Diploma in Business Administration Experience in business Administration	
7	Mr. Joe Kingford	Special Interest Groups	Member	1989	O level, Diploma in Civil Engineering 4 years working experience in engineering	
8	Ms Lilian Wanja Kagema	Professional bodies	Member	1968	MBA, Higher Diploma in Electrical Engineering 6 years' experience in engineering	
9	Ms. Purity Njeri Githinji	Women's Organization	Member	1975	O level, ECD Certificate Experience in teaching and community development	
10.	Eng. Ephantus Maina	Managing Director	Managing Director	1979	Bachelor of Civil & Water Engineering 14 years working experience in Engineering and water sector	
11.	Mr. Richard Gikuhi Kiana	ICPSK No.285	Company Secretary	1952	Certified Public Secretary CPS(K)	

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

3. MANAGEMENT TEAM

Designation	Name	Y.O.B	Qualifications & Experience	Passport
Managing Director	Mr. Ephantus Maina	1979	Bachelor of Civil & Water Engineering 14 years working experience in Engineering and water sector	
Internal Auditor	CPA Charles Wachira Maina	1984	Bachelor of Commerce(Accounting option)and CPA (K) 11 years working experience in accounting	
Commercial Manager	CPA Joyce W Mugambi	1987	Bachelor of Commerce(Finance option)and CPA (K) MSc. Finance(continuing) Over 7 years' experience in accounting and finance	
Technical Manager	Mr. Laban Mwaniki Kaara	1984	BSC Civil Engineering 5 years working experience in Engineering	
Human Resources and Administration Manager	Ms. Rosaline N Kabatah	1988	BBA HRM, Diploma in Business Management 5 years working experience in Human resource management	
Procurement Manager	Ms. Anne Mbatia	1976	Business Management-Procurement option 11 years working Experience in supply chain management	

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

4. CHAIRMAN'S REPORT

I take this opportunity to present the Financial Statement of Kirinyaga Water and Sanitation Company Limited for the financial year 2018/2019. This is the first financial statement for the company under the management of the current board of Directors which took over the company management from March 2018.

The company has been able to achieve the following within the year;

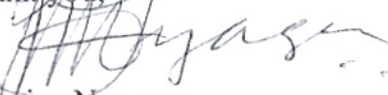
- a) Obtained operation licence from Water Services Regulatory Board (WASREB) which had expired on December 2017.
- b) Recruitment of Core Management Team who took over from the Special Regulatory Regime management. This include the Managing Director, Commercial Manager, Procurement Manager and Technical Manager.
- c) Resolved staff grievances that previously led to staff unrest and disruption of provision of water services.
- d) Reinstatement of water supply services to areas which were affected by road improvement project within Kirinyaga.
- e) Held two stakeholders' engagement forums and the 8th Annual General Meeting to comply with the legal requirements.
- f) The tremendous growth on the Number of active connections from 20,563 in the year 2017/2018 to 24,822 in the year 2018/2019 and revenue improved from Ksh 132,298,030 to Ksh 139,486,157 within the same period.
- g) Completion and commissioning of Mwea Makima water supply project and water extension projects within Mwea sub county.

The company as guided by the 5-year strategic plan which runs from 2016 to 2021 has lined up various improvement programmes aimed at improvement of water and sanitation services delivery. This includes Kirinyaga Water supply projects with a production capacity of 30,000m³/day, Kerugoya Kutus Sewerage project with a treatment capacity of 5,000m³/day, Rehabilitation of Ndiriti Water Treatment Plant, network rehabilitation project and water supply extension projects geared toward improvement of water coverage within Kirinyaga.

The company continues to receive support from all our stakeholders including the County Government of Kirinyaga.

Therefore, I take this opportunity to thanks all our stakeholders, customers, development partners and the governments for the contribution in the improvement of the company's operations.

Thank you,



Fidesius Nyaga

FULL BOARD CHAIRMAN

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

5. MANAGING DIRECTOR'S REPORT

Introduction

Kirinyaga Water and Sanitation Company Limited (KIRIWASCO) is a water and sanitation services provider registered under the company's Act 2015 of the law of Kenya. The company is an agent of the County Government of Kirinyaga (CGK) as per the amended (2019) Memorandum and Articles of Association. This is in line with the requirement by the Constitution of Kenya (GoK) 2010 and the Water Act 2016. The company is regulated by Water Services Regulatory Board (WASREB) and operates under Interim License WASREB/LE/LIC/02 for provision of water and sanitation services. The company is mandated to supply water with Kirinyaga Central, Kirinyaga West, Mwea West and Mwea East sub counties within Kirinyaga County and Parts of Mbeere South in Embu County.

Performance during the Year

During the year the company had been able to register a considerable growth in terms of increased active water connection, improved billing & revenue and slight improvement on non-revenue water. The company had also fair share of challenges such as high water demand against low supply, high levels of NRW levels, high debtors and creditors. But generally the company is on upward trend in terms of growth and is expected to register more improved performance next year.

Summary of the company performance

No.	ITEM	2017/2018	2018/2019
1.	Revenue Collection (KShs)	132,298,030	139,486,157
2.	Billing (KShs)	144,707,265	147,455,763
3.	Non- Revenue Water	60%	60%
4.	Number of active connections	20,563	24,822
5.	Creditors	80,397,703	93,569,975
6.	Debtors	106,530,995	124,824,656

Development Projects

The company had been able to carry out various development project which are geared toward improvement of water and sanitation services within Kirinyaga. The projects were undertaken through collaboration and partnership with the County Government of Kirinyaga, Development partners like Water Sector Trust Fund and Tana Water Works Development Agency.

Recent completed development projects

No	PROJECT	DESCRIPTION	COST (KSH)	FINANCIER	PROJECT IMPACT
1	Mwea-kutus	11km DN315 raw water main (from River Nyamindi to Sam/corner), 18km DN200 trans main (from Sam/corner to Wanguru), and administration block.	84M	Kirinyaga CG	Water supply to; Nyangati, Ndob, Kimbimbi, Wanguru,

					Mutithi & thiba.
2	Mwea-Makima	Nyamindi intakes, 11km DN150 raw water main (from Nyamindi to Sam/corner), 29km DN200 trans/main (from Sam/corner to Makutano/) & 225m ³ storage tank at Sam/corner.	110M	World bank thru. TWWDA	Water supply to; pee-i, karaba, wango, gatengi and part of makutano
3	Wang'uru Elevated Tank	300m ³ 15m High steel elevated tank (at Wanguru).	15M	WSTF	Increase water storage for Wanguru town.

Ongoing development projects

NO	PROJECT	DESCRIPTION	COST (KSH)	FINANCIER	PROJECT IMPACT
1	Wang'uru DTF	Construction of 70m ³ /day waste water Digester enpure plant. (75% complete)	21M	Kirinyaga CG & WSTF	Improved sanitation in Wanguru town.
2	Bulky Water Supply	Construction of 30,000m ³ /day water supply system for Kerugoya, Kutus, Kagio and Sagana. Works include; Intake, T/works, raw water main, transmission mains, storage tanks.	1.17B	A.D.B thru. TWWDA	To improve water quantity, quality and reliability within Kirinyaga county.
3	Kerugoya/ Kutus sewerage system	Construction of 5,000m ³ /day sewerage system for Kerugoya and Kutus town. Works includes 34km sewer lines, stabilization ponds and admin houses	500M	A.D.B thru. TWWDA	To improve sanitation level for Kerugoya and Kutus towns.
4	Water system reinstatement works	Reinstatement of water systems affected by the current road work improvement projects in <i>Mukinduri Kianjege, Kagumo Mutiti Kianjege,</i>	50M	KeRRA & KIRIWASCO	To restore water supply to affected areas

		<i>Kamonge Riakiania & Kagio Mutithi. (75% complete)</i>			
5	Water extension projects	To extend water supply to Nyangati ward and other parts of Mwea. (90% complete)	200M	Kirinyaga CG & KIRIWASCO	To improve water coverage within Kirinyaga county.

The company has great potential for growth in terms of increased customer base, improved revenue, increased water supply and improved quality water and sanitation services. Therefore, the company is expected to continue improving on its performance. The company management is committed to ensure provision of affordable, reliable and sustainable water and sanitation services by operating and maintaining water and sanitation systems in the most efficient and effective manner.

Finally I wish to thank the Board of Directors, County Government of Kirinyaga, company's staffs, customers and all stakeholders for the great support.

Thank you,



Ephantus Maina
MANAGING DIRECTOR

KIRINYAGA WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

6. CORPORATE GOVERNANCE STATEMENT

KIRIWASCO is committed to operate under a clear governance framework and strongly adheres to sound management and control practices.

KIRIWASCO is committed in ensuring compliance with the provisions of Water Act 2016 among other regulatory and supervisory corporate governance requirements. Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision making process, assessment and improvement of conformances.

Composition of Board of Directors

The structure of KIRIWASCO starts with the Board members representing various stakeholders' interests. The Board members exercise leadership, enterprise, integrity and judgment in directing KIRIWASCO.

They are expected to determine the purpose and values of KIRIWASCO, determine the strategy to achieve that purpose and implement its values in order to ensure the Company survives and thrives.

The Board members are expected to enhance the corporate governance practices in running of KIRIWASCO to bring the level of governance in the Company in line with international standards. The essence of corporate governance is to protect stakeholder's interest including the government, consumers and the community.

In ensuring that corporate governance is enhanced and that the power of KIRIWASCO is exercised in the stewardship of the Company's total portfolio of assets and resources with the objective of maintaining stakeholder's values, the board of directors had constituted the following committees:

1) Human Resources & Administration, Finance and Procurement

The committee comprises of 3 board members whose duty is to ensure that KIRIWASCO has the right staff at the right place and doing the right thing. More so, the committee ensures that the staff welfare is guaranteed.

The Committee oversees the financial reporting process, Company's internal controls and efficient allocation and utilization of resources.

2) Technical Committee

The Technical committee comprises of 3 board members who ensure that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water and sewer infrastructure. The committee also proposes investment and funding programs for the organization.

3) **Audit Committee**

It's the duty of this committee to ensure that the internal audit department performs its function of an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

7. MANAGEMENT DISCUSSION AND ANALYSIS

Company operations.

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO) is headed by the Managing Director. The company has 5 departments which include;

1. Technical department
2. Commercial department
3. Human Resources and Administration department
4. Procurement department
5. Audit department

During the year under review, the team worked tirelessly to ensure that it executed its mandate by making sure that the company operations went smoothly.

The performance of the Company was as follows:-

Summary of the company performance

No.	ITEM	2017/2018	2018/2019
1.	Revenue Collection (KShs)	132,298,030	139,486,157
2.	Billing (KShs)	144,707,265	147,455,763
3.	Non- Revenue Water	60%	60%
4.	Number of active connections	20,563	24,822
5.	Creditors	80,397,703	95,284,488
6.	Debtors	106,530,995	124,990,438

Challenges

The company had few challenges such as:-

1. Shortage of water for supply.
2. Destruction of water pipeline in most of our major pipelines which took long before they were restored.
3. Old and dilapidated water infrastructure.

KIRIWASCO is endeavoring to develop a culture of achievements and employ the best practices of management to provide quality water and sanitation through quality service and good customer relations.

Finally we wish to take this opportunity to thank our customers for their continued support and feedback through which we have been able to improve our systems, I also wish to thank the WASREB, TWSB and County Government of Kirinyaga for their oversight, confidence and commitment to the company and lastly we are grateful to the staff for their devotion, sacrifice and hard work in improving the performance of this company.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

8. CSR/SUSTAINABILITY REPORT

In our Corporate Social Responsibility (CSR) policy, we aim for the integration of our business operations and values in a way that ensures that the interests of all stakeholders including shareholders, customers, employees, the community and the environment are reflected in our policies and actions.

We are committed to Continuous improvement in our Corporate and Social Responsibility (CSR) strategy; Encouraging our business partners to strive for matching performance; Acting in a socially responsible way; Continually improving our performance and meeting all relevant legislation; and Encouraging our staff to be mindful of the effect of their actions on any natural resource.

KIRIWASCO has a CRS policy whose purpose is to make clear to all stakeholders what we mean by CSR and how we propose to work towards achieving it. The CSR policy applies throughout all our policies and processes and governs our approach to all our activities. In implementing this policy we aim to be responsible; and be an exemplar of good practice.

KIRIWASCO participates in various activities such as tree planting to increase forest cover in efforts to conserve water and Participating in National events such as the World Water Day.

KIRIWASCO is a member of Water Companies Sports Association where it's actively involved in annual games competitions.

Our Mission is “To provide safe and clean water through, reliable, affordable and sustainable water services to our customers by developing facilities and managing systems in the most efficient and effective manner”. Our mission is in tandem with our mandate and defines the goals for which we will undertake activities in the context of sustainability, competition and social well-being.

We consider the community a key stakeholder in our business initiatives and our CSR activities aim to make a difference under key social pillars such as Education and Environment. We devote resources to support projects such as graduate youth internship and industrial attachment programs to facilitate skills transfer, environmental care in which we have committed to comply with the Environmental Management and Coordination Act (EMCA).

Specifically, Kiriwasco has a Workplace Environmental Policy and continues to implement environmental awareness programmes among staff. Kiriwasco also ensures that projects funded comply with the National Environmental Management Authority (NEMA) requirements. We recognise that good CSR embraces all aspects of sustainable development and the way we affect people through our business operations. KIRIWASCO operates in a way that safeguard against unfair business practices. We believe that a responsible approach to developing relationships between companies and the communities they serve is a vital part of delivering business success.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

CSR/Sustainability Report Continued:

When carrying out our business, in consultation with our customers, we determine the environmental, social and economic issues and continually review our policies and business practices to encourage engagement with small and medium enterprises.

The success of KIRIWASCO as a water service provider is based on our people and we seek to recruit, retain, reward and develop the best creative talent in our organisation. We continually seek to improve through training the needs of our employees.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

9. BOARD OF DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Board members present their report and audited accounts for the year ended 30 June 2019 which discloses the state of affairs of KIRIWASCO at that date. The financial statements cover a period of 12 months.

PRINCIPAL ACTIVITY

The principal activity of KIRIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Kirinyaga District and part of Mbeere District.

MAIN BUSINESS OPERATING OBJECTIVES

The Company's main business operating objectives include, but not limited to, the following:

- (a) Increase stake holder's awareness on water sector reforms
- (b) Improve access to sustainable and safe water
- (c) Increase the demand for available safe water
- (d) Increase the access to improved sanitation
- (e) Achieve operational financial sustainability

RESULTS

The entity's results for the year ended 30th June 2019 are set out on page 21

DIRECTORS

The Board members who served during the year are shown on page 5 & 6

AUDITORS

The Auditor General is responsible for the statutory audit of the entity in accordance with the Section of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

VISION

To be a role model water services provider in Kenya

MISSION

To provide safe and clean water through, reliable, affordable and sustainable water services to our customers by developing facilities and managing systems in the most efficient and effective manner.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

8. BOARD OF DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019
Continued.....

By Order of the Board

A circular stamp with the text "RICHARD K. GIKUHI" around the perimeter and "P.P.No. 235" in the center. A handwritten signature in black ink is written over the stamp.

CS. Richard K. Gikuhi
Company Secretary
Nyeri.

Date: 30/01/2020.....

KIRINYAGA WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

9. STATEMENT OF DIRECTORS' RESPONSIBILITIES

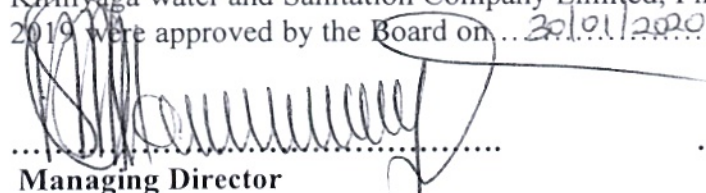
The Kenya's Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for that year. It also requires the directors to ensure the Company keeps proper accounting records, which disclose with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

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

Approval of Financial Statements

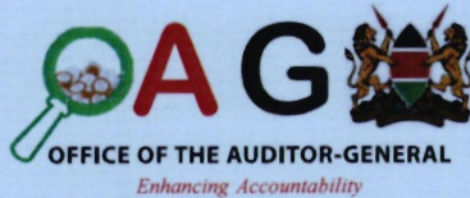
Kirinyaga water and Sanitation Company Limited, Financial statements for the Year ending 30th June 2019 were approved by the Board on ... 30/01/2020 ... ~~2019~~ and signed on behalf by;


.....
Managing Director
30/01/2020
Date


.....
Board Chairman
30/01/2020
Date

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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 KIRINYAGA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kirinyaga Water and Sanitation Company Limited set out on pages 21 to 43, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit and 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 effect 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 Kirinyaga 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 International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016 and the Companies Act, 2015.

Basis for Qualified Opinion

1.0 Presentation of the Financial Statements

The financial statements reflect the following anomalies:

- i) The statement of profit and loss and other comprehensive income refers to both the finance cost and taxation at Note 19. However, the Notes to the financial statements reflect finance cost at Note 19 and taxation at Note 20. In addition, Note 20 is not referenced in the statement of financial position.
- ii) The other income balances reflected in Note 10 to the financial statements have not been totalled contrary to the format prescribed in the Public Sector Accounting Standards Board (PSASB) reporting template issued in June, 2019.
- iii) Water reconnection fees and short-term loan are both denoted under Note 9(e) to the financial statements in the statement of profit and loss and other

comprehensive income and statement of financial position. However, the two are reflected in Note 9(e) and Note 9(c) respectively.

- iv) Contrary to International Public Sector Accounting Standard (IPSAS) No 1, the table of contents to the financial statements denotes the title to the statement of financial position to be 'for the year ended 30 June, 2019' instead of 'as at 30 June, 2019'.
- v) Some of the balances reflected in the financial statements contain decimal points contrary to normal practice that rounds off each balance to the nearest whole number.

The statement of profit and loss and other comprehensive income reflects a nil comparative balance for Water Regulatory Board levies comparative balances. However, Note 15 to the audited 2017/2018 financial statements had reflected a balance of Kshs.13,215,744 in respect to the item.

In view of these issues, the presentation of the financial statements is incorrect and does not comply with the format prescribed by the PSASB.

2.0 Unconfirmed Balances

2.0.1 Water Sales

The statement of profit and loss and other comprehensive income reflects water sales revenue totalling Kshs.147,455,763 for the year under review, as further disclosed in Note 9(d) to the financial statements. However, analysis of the monthly billings indicated that the total billings during the year amounted to Kshs.148,465,566. Therefore, the reported revenue is short by Kshs.1,009,803. Further, examination of the M-Pesa statements provided for audit indicated that water sales worth Kshs.310,020 were not posted to the ledger.

As a result of these anomalies, accuracy and completeness of the revenue totalling Kshs.147,455,763 reported in the financial statements could not be confirmed.

2.0.2 Comparative Government of Kenya Grants

The statement of comparison of budget and actual amounts for the year under review reflects a nil difference between budgeted and actual Government of Kenya (GOK) grants. However, the statement reflects receipts totalling Kshs.172,824 in respect to the item.

Consequently, the deficit of Kshs.11,259,776 reflected in the statement, being the shortfall of revenue over expenditure, is overstated by Kshs.172,824 and is therefore not fairly stated.

2.0.3 Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents totalling Kshs.19,013,615 and a comparative balance of Kshs.21,795,081 for the account, as further disclosed in Note 6 to the financial statements. However, the comparative

2017/2018 savings account's balance totalling Kshs.849,632 is incorrectly reflected as a current account balance.

As a result, the comparative balance for cash and cash equivalents is not fairly stated.

2.0.4 Directors Costs

Note 13 to the financial statements reflects Kshs.6,293,606 in respect to Directors' costs. However, records on expenditures totalling Kshs.1,610,120, spent on Directors' activities, including invitation letters, the attendance register and Board minutes, were not provided for audit review.

In the circumstance, the accuracy and propriety of the directors' costs totalling Kshs.1,610,120 reflected in the financial statements could not be confirmed.

2.0.5 Staff Loans

The statement of financial position reflects receivables totalling Kshs.124,686,843, as at 30 June, 2019, as further reflected in Note 4 to the financial statements. The balance includes loans totalling Kshs.170,114 advanced to four (4) members of staff to purchase laptops. However, personnel records indicated that the officers were no longer employed by the Company. Further, there was no record of efforts made by Management to recover the advances.

In addition, the approved loan application forms, and records on how the laptops were procured, and the basis on which the loans were advanced, were not provided for audit review.

In view of these issues, the receivable's balance totalling Kshs.124,686,843 as at 30 June, 2019 may not be wholly recoverable.

2.0.6 Short-Term Loan

The statement of financial position as at 30 June, 2019 reflects Kshs.147,518 in respect of a short-term loan, as further reflected in Note 9(c) to the financial statements. However, the loans ledger was not presented for audit review and as a result, the accuracy of the balance could not be confirmed.

2.0.7 Prior Year Adjustments

The statement of changes in equity for the year under review reflects prior year adjustments totalling Kshs.1,169,632. However, the adjustments should have been made against the respective audit components in the year the misstatements occurred and the comparative balances restated in the year under review, as required by International Accounting Standard No.8 - Changes in Accounting Estimates and Errors.

Therefore, the prior year adjustments totalling Kshs.1,169,632 are not fairly stated. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kirinyaga 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. I have determined that there are no other key audit matters to report in the year under review.

Other Information

The Directors are responsible for the other information. The other information comprises the report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Other Matter

1.0 Budget Control and Performance

1.1 Revenue

The statement of comparison of budget and actual amounts reflects an approved revenue budget totalling Kshs.178,000,000 and actual revenue totalling Kshs.169,850,748 resulting in a net revenue shortfall of Kshs.8,149,252.

Expenditure

The statement of comparison of budget and actual amounts reflects an approved expenditure budget of Kshs.157,969,689 and actual expenditure of Kshs.169,229,465 resulting to a net over-expenditure of Kshs.11,259,776 comprised of an over-expenditure of Kshs.23,189,059 on five (5) items and under-expenditure of Kshs.11,929,283 on four (4) items.

The net under-expenditure indicates that some of the activities and services budgeted for under the five items may not have been implemented or completed.

1.2 Unbalanced Budget

The statement of comparison of budget and actual amounts reflects Kshs.178,000,000 and Kshs.157,969,689 in respect of approved revenue and expenditure budgets

respectively resulting to a budget deficit of Kshs.20,030,311. No explanation was provided for the preparation and approval of a deficit budget contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officers to prepare balanced budgets.

Further, no records were provided for audit to confirm that the over-expenditure totalling Kshs.23,189,059 was approved by the Accounting Officer, as required by Regulation 43(2) of the Public Finance Management Act (County Governments) Regulations, 2015.

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 and 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

1.0 Non-revenue Water

Examination of water production records indicated that the Company produced 6,166,164 cubic meters (m³) of water during the year under review. However, only 2,428,775 cubic meters (m³) or 39 % of the volume produced was billed to customers. Therefore the balance totalling 3,737,389m³ or 61% of the production represented Non-Revenue Water (NRW). The NRW was 36 percentage points above the allowable loss of 25% prescribed in Schedule E of the Water Services Regulatory Board (WASREB) guidelines.

As a result, of the total production for the year totalling to 6,166,164 cubic meters (m³), only 1,541,541m³ or 25% with potential revenue amounting to Kshs.87,266,636 at the Company's average selling price of Kshs.56.61 per cubic meter was allowable loss. The balance totalling 2,195,848 m³ or 36% with an estimated sale value of Kshs.124,306,955 was non-allowable loss. Therefore, both allowable and unallowable NRW may have resulted in a loss of income totalling Kshs.211,573,591.

The large volume of NRW indicated that the Company's water distribution system was inefficient, or water supplies accessed by a significant number of residents of the County were not metered and paid for. In addition to being a hindrance to profitability, the perennial NRW losses may cause the operations of the Company not to be sustainable.

2.0 Irregular Payments and Provisions

Examination of records on personnel costs revealed the following irregularities:

2.0.1 Leave Allowance

Records on leave allowances reflected payments totalling Kshs.106,500 paid to ten (10) employees. However, analysis of the payroll data indicated that the employees were entitled to allowances totalling Kshs.43,500 only, resulting to an over-payment of Kshs.63,000. In the circumstance, the regularity of the overpayment could not be confirmed.

Further, personnel records reflected budget provisions for leave allowance totalling Kshs.4,934,037 payable to staff in lieu of leave not taken. However, the provisions were made contrary to Chapter 10.2.1 of the Company's Human Resource Policy Manual which forbids the accrual of annual leave days and prescribes that these be expended within the year they fall due, or be forfeited.

Therefore, Management's action in setting aside the allowances may have breached the Company's own policy on annual leave for staff.

2.0.2 Mileage Allowance

Records on Board expenses indicated that mileage allowances totalling Kshs.584,814 were paid to two senior executives of the Company at Kshs.40, Kshs.140 and Kshs.93,145 per month. Out of the total sum paid, Kshs.332,568 was paid to one of the executives for six months. However, Section 6.9 of the Company's Human Resource Policy and Procedures Manual provides that each executive is entitled to mileage allowances payable at Kshs.30,000 per month and so the payment that should have amounted to Kshs.180,000 over the six-month period was overpaid by Kshs.152,568.

In addition, the payments totalling Kshs.584,814 were not subjected to Pay-As-You Earn (PAYE) tax contrary to the Kenya Revenue Authority (KRA) circular reference 1005/1 dated 1 March, 2017 which classified mileage allowances as employment income on which PAYE was chargeable. The omission was not only irregular but could result in the Company being penalized for failure to adhere to tax laws.

3.0 Failure to Surrender Imprests

Note 4 to the financial statements for the year under review reflects Kshs.124,686,843 in respect to receivables as at 30 June, 2019. The receivables balance includes un-surrendered imprests totalling Kshs.8,825,713 outstanding since 2011. Failure to recover the imprests contravened Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which requires holders of temporary imprests to account or surrender them within seven (7) working days after returning to the duty station.

In the circumstance, Management may have breached the law on administration of imprests.

4.0 Lack of Ethnic Diversity

The Company's staff establishment at the time of the audit was comprised of 157 staff, out of whom three (3) were recruited during the year under review. However, the three

were from the ethnic community dominant in the County contrary to Section 65(1)(e) of the County Governments Act, 2012 which requires that at least 30% of vacant posts at entry level to be filled by candidates who are not from the dominant community in the County.

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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Lack Information and Communication Technology Policy

Audit review of the Information Technology Communication (ICT) activities indicated that the Company had not set policies to guide its use of ICT resources. The policy would address among other important issues, acquisition of resources, data security, business continuity and disaster recovery procedures among other matters.

As a result, the Company's data may not be secure and its ICT resources may not be procured and used effectively.

2.0 Lack of a Fixed Assets Register

Contrary to Section 149(2)(o) of the Public Finance Management Act, 2012, the Company did not maintain an asset register for its property, plant and equipment valued at Kshs.84,446,338 as at 30 June, 2019.

In the circumstance, the Company was in breach of the law and its fixed assets were not managed in an accountable and effective way.

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 effective 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 Companies Act, 2015, I report based on my 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 the audit.
- ii. in my opinion, adequate accounting records have been kept by Kirinyaga Water and Sanitation Company Limited, so far as appears from the examination of those records; and,
- iii. the Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Company, or to cease operations.

Management is 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, Management is 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the entity 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 Company's 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 Management.
- Conclude on the appropriateness of the Management's 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 or to sustain its services. 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 to continue as a going concern, or to sustain its services.

- 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 the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management 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 Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

11 January, 2022

KIRINYAGA WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

11.1 STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE, 2019

REVENUES	NOTES	2018/2019	2017/2018
Water sales	9 (d)	147,455,763.00	144,707,265.00
Reconnection fee	9 (e)	1,277,000.00	1,578,100.00
GOK Grants	9 (f)	172,824.00	345,648.00
Other Incomes	10	17,228,161.00	2,253,262.00
Tender fees, sale of jericans, firewood and capital works	11	3,717,000.00	4,010,000.00
		169,850,748.00	152,894,275 .00
EXPENDITURE			
Personnel Costs	12	85,771,177.00	79,382,593.00
Directors Costs	13	6,293,606.00	1,857,575
Administration Costs	14	21,637,853.00	20,725,280.00
Operation & Maintenance Costs	15	42,158,039.00	46,161,133.00
Provision for depreciation	16	4,410,609.00	4,095,418.00
Amortization of intangible assets	17	319,702.00	479,314.00
Water Regulatory Board Levies	18	8,470,482.00	
Finance Costs	19	167,996.00	160,759.00
TOTAL		169,229,463.00	152,862,072.00
(DEFICIT)/SURPLUS BEFORE TAX		621,285.00	32,203.00
Tax	19	186,386.00	
(DEFICIT)/SURPLUS AFTER TAX		434,900.00	32,203.00

KIRINYAGA WATER AND SANITATION COMPANY LTD

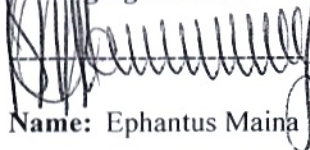
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

12.2 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Notes	2018/2019	2017/2018
		KShs	KShs
ASSETS			
<u>Non-Current Assets</u>			
Properties, Plant and Equipment	2	84,446,338	77,986,560
Intangible Asset	2.a	<u>640,365</u>	<u>960,067</u>
		85,086,703	78,946,627
<u>Current Assets</u>			
Cash & Cash Equivalents	6	19,013,615	21,795,081
Inventories	5	13,456,792	9,236,429
Receivables	4	<u>124,686,843</u>	<u>106,530,995</u>
		157,157,251	137,562,505
TOTAL ASSETS		242,243,953	216,509,132
<u>LIABILITIES AND EQUITY</u>			
<u>Non-Current Liabilities</u>			
Long term Loan		0	0
<u>Current Liabilities</u>			
Short term Loan	9 e	147,518	147,518
Customer Deposits	7	29,584,620	26,800,720
Prepayments	8	2,936,486	1,866,958
Creditors & Accruals	9	93,569,975	80,397,703
Deferred Income		8,262,545	0
Taxation		186,386	0
Current Account (Cooperative Bank)		0	860,324
Current Account (Equity Bank)		0	0
TOTAL LIABILITIES		134,687,530	110,073,222
<u>EQUITY</u>			
Capital Reserves	21	43,587,914	43,587,914
Capital Grants	22	58,203,417	58,687,435
Revenue Reserves	23	<u>5,765,092</u>	<u>4,160,560</u>
Total Equity		107,556,422	106,435,909
TOTAL		242,243,953	216,509,132

The financial statements were approved by the Board on 30/01/2020 2019 and signed on its behalf by:

Managing Director



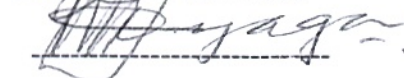
Name: Ephantus Maina

Head of Finance



Name: Joyce Mugambi
ICPAK M/N0 : 9632

Chairman of the Board



Name: Fidesius Nyaga

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

12.3 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2019

	Capital reserves	Revenue reserves	Capital Grants	Total
	KShs	KShs	KShs	KShs
Balance as at 1 July 2017	43,587,914	(17,024,134)	45,263,279	71,827,059
				0
Profit / (Loss) for the year		32,203		32,203
				0
Capital Grants			13,424,156	13,424,156
				0
Prior year adjustments		21,152,491		21,152,491
Balance as at 30 June 2018	43,587,914	4,160,560	58,687,435	106,435,909
Balance as at 1 July 2018	43,587,914	4,160,560	58,687,435	106,435,909
				0
Profit / (Loss) for the year		434,900		434,900
				0
Capital Grants				0
				0
Amortization of capital grant			(484,019)	(484,019)
				0
Prior year adjustments		1,169,632		1,169,632
Balance as at 30 June 2019	43,587,914	5,765,092	58,203,417	107,556,422

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

12.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2019

		2018/2019	2017/2018
	Notes	Kshs	Kshs
Cash flow from Operating Activities			
(Deficit) / surplus for the year		621,285	32,203
Adjustments for:			
Provision for Depreciation		4,410,609	4,095,418
Amortization of intangible Assets		319,702	479,314
Provisions for Bad Debts		1,566,051	1,847,440
Amortization of capital Grants		(484,019)	(606,503)
Prior year adjustment		1,169,632	21,152,491
		7,603,260.24	27,000,363
Adjustments for working capital changes:			
(Increase)/Decrease in Receivables		(19,721,899)	(22,231,668)
(Increase)/Decrease in WIP		(5,972,942)	(18,256,097)
(Increase)/Decrease in Inventories		(4,220,363)	855,177
Increase/(Decrease) in Customers Deposits		2,783,900	2,595,295
Increase/(Decrease) in Prepayments(i.e prepaid debtors)		1,069,528	(307,795)
Increase/(Decrease) in Creditors & Accruals		13,172,272	2,054,868
Increase/(Decrease) in deferred income		8,262,545	0
Increase/(Decrease) in Current account Co-op Bank		-860,324	(3,741,633)
Increase/(Decrease) in Short term Loan		0	(786,023)
Increase/(Decrease) in Current account Equity Bank		0	(325,473)
Changes in working capital		(5,487,280.76)	(40,143,349)
Cash generated from operations		2,115,979	(13,142,986)
Cash flow from Investing Activities			
Purchase of property, plant & equipment	2	(4,897,446)	(4,488,340)
Purchase of intangible asset		0	0
Net Cash generated from/(used in) investing Activities		(4,897,446)	(4,488,340)
Cash flow from Financing Activities			
Grants		0	14,030,660
Net Increase/(decrease) in Cash and Cash Equivalents		(2,781,467)	(3,600,666)
Cash and Cash Equivalents at Year End			
Balance at the start of the year		21,795,082	25,395,748.00
Balance as at 30 June 2019	6	19,013,615	21,795,081.556

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

12.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

	2018/2019	2018/2019	2018/2019
REVENUE	BUDGET	ACTUALS	PERFORMANCE DIFFERENCE
Water Sales	156,000,000	147,455,763	8,544,237
Reconnection fee	4,500,000	1,277,000	3,223,000
GOK Grants	-	172,824	0
Other Incomes	17,500,000	20,945,161	-3,445,161
TOTAL INCOME	178,000,000	169,850,748	8,322,076
			-
EXPENSES			-
Personnel cost	79,264,528	85,771,177	-6,506,649
Directors cost	3,550,000	6,293,606	-2,743,606
Training and capacity building	1,500,000	692,690	807,310
Administration costs			
Rental/leases	330,000	324,600	5,400
Email & Internet Expenses	700,000	678,279	21,721
Postage & Telegram Expenses	700,000	546,660	153,340
Library expenses	110,000	65,400	44,600
Telephone Expenses	1,980,000	1,379,359	600,641
Insurance of Motor Vehicles & Other assets	200,000	91,727	108,273
Staffs Medical Cover	5,712,000	5,102,407	609,593
AGM expenses	1,000,000	0	1,000,000
Renewal of water tariff	250,000	0	250,000
Review of Policies(pro poor)	200,000	0	200,000
Stationery	500,000	111,684	388,316
Public Relations	400,000	776,020	-376,020
Staff Placement	650,000	65,300	584,700
Staff Welfare	881,280	987,325	-106,045
Staff Meetings	400,000	0	400,000
Advertising and publicity	500,000	343,360	156,640
Publishing & Printings	350,000	485,959	-135,959
Travelling & Accommodation	4,166,089	4,406,601	-240,512

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019**

11.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019 Continued.....

	BUDGET	ACTUALS	PERFORMANCE DIFFERENCE
legal charges	1,000,000	722,721	277,279
Debt Collection	200,000	0	200,000
Security Expenses	4,680,000	4,393,760	286,240
Provision for Audit fees	464,000	464,000	0
Administration costs Sub total	25,373,369	20,945,162	4,428,207
Operations costs		0	0
Computer Expenses	350,000	550,560	-200,560
Computer software maintenance	200,000	261,000	-61,000
Computer server maintenance	100,000	33,900	66,100
Upgrading of LAN and maintenance of Website	200,000	222,578	-22,578
Uniforms	400,000	248,907	151,093
Sports & games	1,500,000	1,653,530	-153,530
Electricity for productions	4,400,000	2,981,260	1,418,740
Electricity for Lighting	620,000	603,909	16,091
Water bill	200,000	600	199,400
Maintenance of furniture and fittings	400,000	15,040	384,960
Chemicals	5,760,585	4,272,082	1,488,503
Transport fuels and diesel	2,662,443	3,083,032	-420,589
Subscription to (WASPA)/NEMA/WRUA	150,000	85,000	65,000
Water Permits and subscriptions (WARMA Levy)	2,264,000	5,663,970	-3,399,970
Operations costs Sub total	19,207,028	19,675,368	-468,340
Maintenance cost		0	
Transport operating expenses	1,370,000	1,267,262	102,738
Transport hire and machinery	300,000	97,420	202,580
Office Repairs, Painting & Renovation	450,000	270,606	179,394
Maintenance of Meters	300,000	0	300,000

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

11.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019 Continued.....

	BUDGET	ACTUALS	PERFORMANCE DIFFERENCE
Maintenance of plant equipment	250,000	36,050	213,950
Cleaning Materials	480,000	110,923	369,077
Pit Latrine construction	100,000	25,970	74,030
KEBS levy	3,000,000	0	3,000,000
Water supplies rehabilitation augmentation & maintenance works	6,992,520	3,779,233	3,213,287
Rerouting of pipeline network	500,000	351,266	148,734
Rerouting of pipeline network(KeRRA)	0	13,788,438	-13,788,438
Rerouting of pipeline network(Mwea Makima)	0	1,189,454	-1,189,454
Increase/(Decrease) in Provision for bad debts	0	1,566,051	-1,566,051
Maintenance cost Sub total	13,742,520	22,482,673	-8,740,153
Operation and Maintenance costs Total	32,949,548	42,158,041	-9,208,493
Provision for Depreciation	0	4,410,609	-4,410,609
Amortization of intangible assets	0	319,702	-319,702
Water Regulatory Board Levies	15,000,000	8,470,482	6,529,518
Finance cost	332,244	167,996	164,248
Total Expenditure	157,969,689	169,229,465	-11,259,776
Surplus(Deficit)	20,030,311	621,283	

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kirinyaga Water and Sanitation Company is a Water Service Provider Company Limited by guarantee and incorporated under the Companies Act Cap 486 of the laws of Kenya.

KIRIWASCO has been mandated through a Service Provision Agreement (SPA) to carry out water and sewerage services in both urban and rural areas of Kirinyaga County. The Company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water and sewerage services in the target community. KIRIWASCO is jointly owned by the Government of Kenya, County Government of Kirinyaga and the Local Community.

The principal activity of KIRIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Kirinyaga County and parts of Embu County

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya shillings, which is the functional and reporting currency of the company.

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.

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the pronouncements made by the board have no significant impact on the entity's financial statement as Kirinyaga Water and Sanitation Company has been preparing its financial statements in accordance to IFRS.

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS Continued.....

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the entity has adopted the pronouncements made by the IPSAS board in preparation of its current year financial statements.

Early adoption of Standards

The entity did not early adopt any new or amended standards in Financial Year 2018/2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Revenue Recognition and treatment of Government (GOK) Grant

• **Water sales**

The company adopts the accrual basis of accounting for revenue. Revenue /sales is recognized upon billing to the customers.

• **(GOK) Grant**

The amount of government grants comprises both capital and recurrent expenditure. The grants have been recognized and accounted for as per IAS N0.20.

Revenue from Government grant has been recognized as income over a period necessary to match it with the expenditure for the period it was intended to support (i.e. July-June 2018-2019). Specifically this grant relates to salaries and no basis existed for allocating the grant to periods other than the one in which it was received (i.e. salaries for ministry of Water and irrigation staff paid on behalf of The Company). Therefore grants in recognition of specific expenses are recognized as income in the same period as the relevant expense.

• **Reconnection fee**

Revenue is recognized upon billing to the customers once their water is disconnected on ground.

• **Miscellaneous**

Relates to funds received for RFB project and payment of capital works on new connection

• **Other incomes**

Relates to Surcharges to customers on illegal connections, Amortization of capital grants and commission.

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS continued.....

• **Deferred Income**

These relates to part of income that was paid as compensation by KeRRA to re-route pipeline to pave way for roads being constructed.

IAS 20-(Disclosure for Government Grant and Government Assistance) requires that government grants be recognized in the profit or loss on a systematic basis over the periods in which the entity recognizes expenses for the related costs for which the grants are intended to compensate.

According to the revenue recognition principle, the deferred income has been recorded as a liability in the balance sheet.

(c) Property, Plant and Equipment

Items of property, plant and equipment are stated at historical costs less accumulated depreciation.

Depreciation is charged on a reducing balance basis over the estimated useful lives of the asset.

The annual rates of the depreciation used are as follows:

• Motor Vehicles/Cycles	25.0%
• Computer Equipment/Mobile phones	33.3%
• Furniture, Fittings and Office Equipment, Plant	12.5%
• Water Meters	20.0%
• Dozers	12.5%
• Bicycles, Water Kiosk	12.5%
• Office building	2.00%

(d) Intangible Assets

Intangible assets relate to software applications and are amortized at the rate of 33.3%

(e) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, duties, transportation and handing charges, and is determined on the moving average price method.

(f) Trade and Other Debtors

Trade and other debtors are stated at amortized costs less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end. The provision for doubtful debts is at 10% and is applied to water sales customer debtors only.

(g) Taxation

The company is registered under the Company's Act Cap 470 of the laws of Kenya and is therefore liable to corporate tax at 30% of taxable income.

Judgment is required in determining the tax liability due to the complexity of legislation. There are many transactions and calculations for which tax determination is uncertain during ordinary course of business. The company recognizes tax liability for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from amounts that were initially anticipated, such different will impact the income tax in the period in which such determination is made.

The calculation for corporate tax for the year 2018/2019 is as depicted in note 20.

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS Continued.....

(h) Cash and cash equivalent

For the purposes of cash flow statements, cash and cash equivalents comprise of bank balances and short term deposits net of banks overdrafts.

(i) Risk Management

This section provides details of the Company's exposure to risks and describes the method used by the management to control risks. The most important type of financial risk to which the company is exposed are:-

(ii) Credit risk

To manage the level of credit risk, the company focuses on customer satisfaction as a key performance indicator. It also maintains a short credit period.

Due to the nature of the company's activities credit risks concentrations are high and as such close monitoring of credit relationships is carried out.

(iii) Liquidity risk

Liquidity risk arises in the general funding of the company's activities and in the management of positions.

The company continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall company strategy.

(iv) Market risk

The company had no any interest bearing financial instrument or obligation as at the end of financial year and there was no significant currency risk as no foreign transaction ensued during the year.

	AS AT 30 TH JUNE 2019	AS AT 30 TH JUNE 2018
CASH AT HAND	123,470.00	220,034.00
BANK BALANCE	18,890,146.00	21,575,047.00

(i) Incorporation

The Company is incorporated in Kenya under the Companies Act.

(j) Currency

The Financial Statements have been prepared using Kenya Shillings (KShs.)

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS Continued.....

(k) Trade and other payables

Trade and other payables are non-interest bearing, 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.

(l) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

(m) 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 June 30, 2018

(n) In-kind contributions

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations include Motor bikes and water meters donated by Tana Water Services Board.

(o) Related parties

The company is a limited company by guarantee established under the companies Act Cap 486 and licensed by Tana Water Services Board through a Service Provision Agreement (SPA). The company is headed by the Board of directors and corporate management team.

Key Management Compensation

IAS 24 requires an entity to disclose key management personnel compensation in total and by Category as defined in the standard.

	2018/2019	2017/2018
Management Salaries	6,926,889.20	5,916,000.00
Gratuity	2,548,252.00	2,197,820.00
Board Expenditure	6,293,606.00	1,857,575.00

Other Related Party Disclosures

	2018/2019	2017/2018
Regulatory board Levies	8,470,482.00	13,215,744.00
WASPA	85,000.00	85,000.00
WARMA	5,663,970	2,067,570.00
WSTF- Funding	0	14,030,659.50
TWSB- Funding	0	0
Government Salary	172,824	345,648

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS Continued.....

(p) Reserves

I. Capital reserves

Capital reserves represent net assets capitalized at the formation of the company and represent the book values of those assets.

II. Revenue reserves

Revenue reserves represent the excess of the income over recurrent expenditure. This is as a result accumulation of surplus and deficits over the years.

III. Capital grants

G.O.K capital grants relates to Motor bikes and water meters donated by Tana Water Services Board and also an amount of subsidy on a loan given to the organization under the “Maji ni Maisha” World Bank funded project and also funds from Water Sector Trust Fund(WSTF) for various projects as depicted in note 19. Amortization on these grants is calculated on reducing balance basis on cost over the life of the asset.

(r). Budget information

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 11.5 of these financial statements.

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENT Continued.....

2 PROPERTY , PLANT & EQUIPMENT SCHEDULE

	Computers & Mobile Phones	Work in progress	furniture , plant & equipment	Motor Vehicle/ cycles	Water Meters	Office Building	Total
COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
AT 1 July 2017	3,832,829	29,962,342	4,517,930	7,397,745	33,303,408	17,889,477	96,903,731
Additions	1,791,100	18,256,097	0	425,900	2,271,340	0	22,744,437
Transfer							(
At 30 June 2018	5,623,929	48,218,439	4,517,930	7,823,645	35,574,748	17,889,477	119,648,168

COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
AT 1 July 2018	5,623,929	48,218,439	4,517,930	7,823,645	35,574,748	17,889,477	119,648,168
Additions	1,524,250	5,972,942	5,500	0	3,367,696	0	10,870,388
Transfer							(
At 30 June 2019	7,148,179	54,191,380	4,523,430	7,823,645	38,942,444	17,889,477	130,518,555

ACCUMULATED DEPRECIATION	Kshs		Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2017	3,296,891	0	2,928,027	6,369,637	23,416,844	1,554,791	37,566,190
Charge for the yr	774,904		198,738	363,502.00	2,431,581	326,694	4,095,418
At 30 June 2018	4,071,795	0	3,126,765	6,733,139	25,848,425	1,881,485	41,661,608

ACCUMULATED DEPRECIATION	Kshs		Kshs	Kshs	Kshs	Kshs	Kshs
At 30 June 2018	4,071,795	0	3,126,765	6,733,139	25,848,425	1,881,485	41,661,608
Charge for the yr	1,024,436		174,583	272,627	2,618,804	320,160	4,410,605
At 30 June 2019	5,096,231	0	3,301,348	7,005,766	28,467,229	2,201,645	46,072,217

NET BOOK VALUE

At 30 June 2019	2,051,948	54,191,380	1,222,082	817,880	10,475,215	15,687,832	84,446,338
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At 30 June 2018	1,552,134	48,218,439	1,391,165	1,090,506	9,726,323	16,007,992	77,986,560
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KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS Continued.....

2a) INTANGIBLE ASSETS

COST	Intangible assets
AT 1 July 2017	3,607,279
Additions	-
At 30 June 2018	3,607,279
COST	Kshs
AT 1 July 2018	3,607,279
Additions	-
At 30 June 2019	3,607,279
Amortization for intangible assets	Kshs
At 1 July 2017	2,167,898
Charge for the year	479,314
At 30 June 2018	2,647,211
Amortization for intangible assets	Kshs
At 1 July 2018	2,647,211
Charge for the year	319,702
At 30 June 2019	2,966,914
NET BOOK VALUE	
At 30 June 2019	640,365
At 30 June 2018	960,067

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS Continued.....

3. WORK IN PROGRESS

Work in progress relates to an ongoing construction of Wanguru Decentralized Treatment Facility not yet been commissioned and accounting software which is under implementation.

Below is a schedule of work in progress;

WORK IN PROGRESSS

DATE	CHEQUE NO	DESCRIPTION	AMOUNT
10/23/2018	CHQ NO 241	Bellagio Consultant ltd	2,434,606.00
12/21/2018	CHQ NO 245	Bellagio Consultant ltd	2,434,605.90
1/14/2019	CHQ NO247	Commissioner of income tax	167,904.00
6/28/2019	CHQ NO 947	Gravity Solutions Ltd-Sage Evolution software	935,825.60
Total			5,972,942.00

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS Continued.....

		<u>2018/2019</u>	<u>2017/2018</u>
		KShs	KShs
4	Receivables		
	Trade receivables	124,824,656	109,164,149
	Less provisions for bad debts 10% of closing receivables	-12,482,466	-10,916,415
		112,342,190.3	98,247,734
	Salary Advances	1,127,826	1,361,849
	Staff loans	170,114	170,114
	Staff Debtors	8,825,713	6,390,708
	Commissioner of Income Tax	0	34,529
	Post Bank account	0	270,063
	Rental prepaid	56,000	56,000
	Co-op Bank(water supply)-Collateral for SPA	2,165,000	
		124,686,843	106,530,997
5	Inventories		
	Chemicals	1,107,655	338,848
	Motor Vehicle/Cycles Spares	131,544	200,245
	Meter Maintenance/Scrap	3,221,337	3,524,033
	Water Supply Rehabilitation	8,466,681	5,071,818
	Buildings Repair & Renovation	58,719	101,485
	Cleaning materials	30,390	0
	Stationery	440,466	0
			0
		13,456,792	9,236,429
6	Cash & Cash Equivalent		
	<u>Cash at bank</u>		
	Savings Account (Cooperative Bank)	11,662,052	10,911,343
	Current Account (Cooperative Bank)	6,395	0
	Current Account (Equity Bank)	455,865.10	849,631.56
	DTF (Cooperative Bank)	4,320,094	9,476,705
	Co-op Bank(water supply)	0	0
	Current Account (Equity Bank-KeRRA)	1,234,869	0

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS Continued.....

	Post Bank account	230,790	0
	K-Rep bank-Loan Liquidation Account	0	0
	K-Rep bank-Savings	0	0
	K-Rep bank-Current	512,784	20,404
	Fortune Sacco	0	0
	Mpesa	467,297	316,963
	Cash in hand	123,470	220,034
		19,013,615	21,795,081
7	Customers Deposits	29,584,620	26,800,720
8	Prepayments		
	Prepayments relates to debtors (water sale customers) with credit balances	2,936,486	1,866,958
9 (a)	Creditors and Accruals		
	Trade Creditors	87,172,355	16,919,440
	Payroll deductions		18,344,178
	Accrued Interest		0
	Gratuity	1,463,583	1,136,656
	Levies		40,769,562
	Accrued leave allowances	4,934,037	3,227,863
		93,569,975	80,397,699
9 (b)	Deferred Income	8,262,545	0
	These relates to part income that was compensated by KERRA to reroute pipeline as road being constructed on the coming years		
9 (e)	Short term loan	147,518	147,518
	Long term loan		0
	Current Account (Cooperative Bank)		860,324
	Current Account (Equity Bank)	0	0

KIRINYAGA WATER AND SANITATION COMPANY LTD**ANNUAL REPORTS AND FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30TH JUNE, 2019**

		<u>2018/2019</u>	<u>2017/2018</u>
	INCOME(GROSS TURNOVER/SALES)		
9 (d)	Water Sales	147,455,763	144,707,265
9 (e)	Reconnection fee	1,277,000	1,410,500
9 (f)	GOK Grants	172,824	345,648
10	Other Incomes		
	Miscellaneous Income		1,685,886
	Surcharges/Illegal connections	730,315	167,600
	Interest Earned	0	0
	Amortization of capital grants	484,019	606,503
	Sidian commission	(32,511)	-39,127
	KeRRA	13,788,438	
	RFB Project	2,257,900	
11	Tender Fee ,Sale of jericans, sale of firewood and capital works		
	Tender Fee		
	Sale of jericans		
	surcharges for laptop		
	Capital works	3,717,000	4,010,000
	TOTAL INCOME	169,850,748	152,894,275
	EXPENDITURE		
12	PERSONNEL COSTS		
	Regular Salary	81,700,794	68,383,396
	Government Seconded Staff salary		345,648
	Casual Wages		7,878,129
	Gratuity	2,548,252	2,197,820
	Staff bonus	583,300	577,600
	National industrial training	354,017	
	Mileage allowance	584,814	
	TOTAL PERSONNEL COSTS	85,771,177	79,382,593
13	DIRECTORS COSTS		
	Board meetings & conferences	5,062,396	1,857,575
	Board Tour	623,100	
	Board insurance cover	608,110	
	TOTAL DIRECTORS COSTS	6,293,606.00	1,857,575.00
14.a	TRAINING EXPENSES		
	Training Allowances(Capacity Building)	656,290	1,410,836
	Subscription fees	36,400	
	TOTAL TRAINING EXPENSES	692,690	1,410,836

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS Continued.....

14.b	<u>ADMINISTRATION COSTS</u>		
	Rental/leases	324,600	278,200
	Email & Internet Expenses	678,279	752,108
	Postage & Telegram Expenses	546,660	122,430
	Library expenses	65,400	117,620
	Telephone Expenses	1,379,359	2,052,260
	Insurance of Motor Vehicles & Other assets and Medical Cover	91,727	3,950,742
	Staffs Medical Cover	5,102,407	
	AGM expenses	0	333,696
	Renewal of water tariff	0	0
	Review of Policies(pro poor & occupation)	0	0
	Stationery	111,684	350,703
	Public Relations	776,020	205,950
	Staff Placement	65,300	0
	Staff Welfare	987,325	1,228,072
	Staff Meetings	0	232,505
	Advertising and publicity	343,360	688,201
	Publishing & Printings	485,959	298,558
	Travelling & Accommodation	4,406,601	4,977,683
	legal charges	722,721	498,569
	Debt Collection	0	134,500
	Security Expenses	4,393,760	4,596,340
	Provision for Audit fees	464,000	464,000
	TOTAL ADMINISTRATIVE COSTS	20,945,163	21,282,137
	TOTAL ADMINISTRATIVE & TRAINING EXPENSES COSTS	21,637,853	22,692,973
		<u>2018/2019</u>	<u>2017/2018</u>
		KShs	KShs
15. a	<u>OPERATION COSTS</u>		
	Computer Expenses	550,560	330,235
	Computer software maintenance	261,000	98,600
	Computer server maintenance	33,900	0

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS Continued.....

	Upgrading of LAN and maintenance of Website	222,578	0
	Uniforms	248,907	860,855
	Sports & games	1,653,530	1,184,040
	Electricity for productions	2,981,260	4,223,752
	Electricity for Lighting	603,909	642,882
	Water bill	600	257,180
	Maintenance of furniture and fittings	15,040	69,295
	Chemicals	4,272,082	3,776,124
	Transport fuels and diesel	3,083,032	2,185,410
	Subscription to Water Services Providers Association (WASPA)/NEMA/WRUA	85,000	85,000
	Water Permits and subscriptions (WARMA Levy)	5,663,970	2,067,570
	TOTAL OPERATION COSTS	19,675,367	15,780,943
15. b	MAINTENANCE COSTS		
	Transport operating expenses	1,267,262	1,372,342
	Transport hire and machinery	97,420	103,400
	Office Repairs, Painting & Renovation	270,606	368,086
	Maintenance of Meters	0	102,600
	Maintenance of plant equipment	36,050	216,734
	Cleaning Materials	110,923	487,213
	Pit Latrine	25,970	
	KEBS levy		
	Water supplies rehabilitation augmentation & maintenance works	3,779,233	7,744,178
	Rerouting of pipeline network	351,266	455,300
	Rerouting of pipeline network (KeRRA)	13,788,438	
	Rerouting of pipeline network (Mwea Makima)	1,189,454	
	Increase/(Decrease) in Provision for bad debts	1,566,051	1,847,440
	Provision for accrued NSSF PENALTY		2,509,760
	TOTAL MAINTENANCE COSTS	22,482,671	15,207,053
	TOTAL OPERATION & MAINTENANCE COSTS	42,158,039	30,987,996

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS Continued.....

16	Provision for Depreciation	4,410,609	4,095,418
17	Amortization of intangible assets	319,702	479,314
18	Water Regulatory Board Levies	8,470,482	13,215,744
19	<u>FINANCE COSTS</u>		
	Bank Charges	167,996	132,540
	Loan interest	0	28,219
	Withholding Tax		
	TOTAL FINANCE COSTS	167,996	160,759

20	<u>TAXATION</u>	<u>Kshs</u>
	Corporation tax provision for the year	186,386
		<u>186,386</u>

21	<u>Capital Reserves</u>	<u>Kshs</u>
	Balance as at 1 July 2018	43,587,914
	Additions	-
	Balance as at June 2019	43,587,914

22	<u>Capital Grants</u>	<u>Kshs</u>
	Balance as at 1 July 2018	58,687,435
	Capital Grants additions	0
	Amortization of capital grant	-484,019
	Balance as at 30 June 2019	58,203,417

23	<u>Revenue Reserves</u>	<u>Kshs</u>
	Balance as at 1 July 2018	4,160,560
	profit for the year	434,900
	Prior year adjustments	1,169,632
	Balance as at 30 June 2019	5,765,092

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

PROGRESS ON FOLLOW UP ON AUDITORS RECOMMENDATION

No	Audit Query	Query Details	Progress On Auditors Recommendation
1	Customers Deposit	As previously reported, the statement of financial position reflects customers deposit balance of Ksh 26,800,720.00 as at 30 th June 2018. However, no listing of customers was provided to support the water deposit balance. Consequently, the completeness and accuracy of the customers deposit balance of Ksh 26,800,720.00 as at 30 th June 2018 could not be confirmed.	<p>A detailed listing of customers deposit exist that amounts to Ksh 26,800,720.00 as at 30th June 2018</p> <p>However, the available bank balance as at 30th June 2018 is 10,911,343.00 the difference of Ksh.15, 889,377.00 includes money borrowed by the Company from the customer deposit account. The Company has reported this amount in the Financial statements as a long term debt. Also a payment plan is in place and Ksh.450,000.00 is refunded monthly through a bank standing order.</p>
2	Receivables	As previously reported, the statement of financial position reflects receivables balance of Ksh.106,530,997.00 as at 30 th June 2018 net of provision for bad debts of Ksh.10,916,415.00. However no aging analysis was provided showing how long the debts were outstanding and thus to ascertain the validity of the provision made. Consequently the accuracy of the receivables balance of Ksh. 106,530,997.00 as at 30 th June 2018 could not be confirmed.	<p>Receivables balance of Ksh. 106,530,997.00.00</p> <p>1. The Provision for bad and doubtful debt Ksh 10,916,415.00 of 10% of the outstanding trade debtors of Ksh 106,530,997.00 as at 30th June 2018. A debtors listing amounting to the same is available.</p>

KIRINYAGA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2019

PROGRESS ON FOLLOW UP ON AUDITORS RECOMMENDATION Continued.....

4	Capital Grants	<p>As previously reported, statement of financial position reflects capital grants of Ksh 45,263,278.00 as at 30th June 2018. Included in the figure, is amount of Ksh 45,263,278 that the company didn't explain the source and details of the grants and how they were accounted for in the financial statements.</p> <p>In the circumstance the accuracy and completeness of the capital grants balance of Ksh 58,687,435.00 as at 30th June 2018 could not be confirmed.</p>	<p>Capital Grants of Ksh 58,687,435.00 as at 30th June 2018</p> <p>Capital grants As At 30th June 2018 is reported as Kshs.58, 687,435.00 in the Financial statements. The stated balance of Ksh.45, 263, 278.00 is balance as at 30th June 2017.</p> <p>During FY 2017/2018 an addition of Ksh.13,424,156 was registered which relates to funds received as donations from Water Sector Trust Fund (WSTF) for the Decentralized Treatment Facility (DTF) an Wanguru Water Supply Steel Tank projects. Details of the grants are available.</p> <p>How the Grants were accounted for in the financial statements.</p> <p>The capital grants have been accounted for as per the statement of change in equity Ksh. 58,687,435.00.</p>
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Key Audit Matters

1.0	Un Accounted For Water (UFW)	<p>During the year under review, the Company produced 5,939,534 M³ of water. However, out of this volume, only 2,412,518M³ were billed to the customers. The Balance of 3,5275,016 M³ or approximately 59% of the total water produced represented unaccounted for Water (URW) which is 34% over and above the allowable 25% in accordance with Water Services Regulatory Board Guidelines. The UFW of 59% may have resulted in loss of sales</p>	<p>High NRW of 59%</p> <p>The Company has laid out strategies to control the NRW to Acceptable levels. These are such as:-</p> <ol style="list-style-type: none"> 1. The Company has formulated a NRW reduction Plan. The Company is also adopting the NRW management guidelines developed by WASREB 2. We are reviewing our Water tariffs to introduce stiff penalties to those caught taking water illegally.
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		<p>estimated at Ksh 208,117,287. The significant level of NRW may negatively impact on the company profitability and its long term sustainability.</p>	<ol style="list-style-type: none"> 3. Through the ADB Lot 1 Project, the Company will rehabilitate Ndia Water supply. Some of the dilapidated water infrastructure will be renewed. 4. Other proposal in place for rehabilitation are:- <ol style="list-style-type: none"> i) Reticulation System of Kerugoya Town ii) Reticulation System of Kutus Town iii) Reticulation System of Sagana Town iv) Reticulation System of Kagio Town v) Reticulation system of Kandongu Town
2.0	<p>Non Compliance With the WASREB Regulations on personnel cost.</p>	<p>The statement of Comprehensive income reflects personnel cost balance of Ksh 79,382,593 for the year 30th June 2018 or 52% of the total expenditure of Ksh 152,862,072 which is 12% higher than the recommended ratio of 40% in accordance with the WASREB guidelines. The excess personnel cost of Ksh 9,525,911 may negatively impact on the Company profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable levels.</p>	<p>WASREB Regulations on personnel cost</p> <ol style="list-style-type: none"> 1. The Company has undertaken a staff work load analysis by restructuring the company organization structure and carrying out rightful staff placement. 2. The Company has also reduced the number of staffs from 172 to 158 No. so as to reduce the personnel cost as a percentage of Operation and Maintenance cost. 3. Through the restructuring process the Company has taken measures to improve the employee productivity. 4. The Key objectives of the restructuring were to introduce a strong NRW unit, create a room for proper segregation of duties and create good chain of commands.

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