

REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
ITEN TAMBACH WATER AND SEWERAGE  
COMPANY**

**FOR THE YEAR ENDED  
30 JUNE 2013**



**ITEN TAMBACH WATER AND SEWERAGE COMPANY LIMITED**

**ANNUAL REPORT**

**AND**

**FINANCIAL STATEMENT**

**FOR THE YEAR END 30<sup>TH</sup> JUNE 2013**

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## Company Information

The directors submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June 2013, which disclose the state of affairs of the company.

### Principle activities

The principal activities of the company are Water and Sewerage services (sanitation) within the area under jurisdiction of Iten and Tambach Towns.

### General information

The water Act 2002 was enacted by parliament and came into operation on 2003. The Water Act provides for the following:

- Water Services Regulatory Board (WASREB) to be responsible for the regulation of water and sewerage services including maintenance of quality standards and issuance of licenses for service provision.
- Water Services Boards (WSBs) on regional basis which have the legal responsibility for provision of water and sewerage services within the areas of jurisdiction under licenses from WSRB.
- Water Service Providers through which the WSP's will provide water and sewerage services under appropriate agreements entered into with WASREB.

Pursuant to provisions of the Water Act 2002, Rift Valley Water Services Board was licensed by the Water Services Regulatory Board to provide water and sewerage services within the town Council of Iten and Tambach and appointed Iten Tambach Water and Sewerage Company Limited (ITWASCO) to carry out its functions of providing water and sewerage services through a Service Provision agreement (SPA).

It is in accordance with the provisions of the Water Act, 2002 that ITWASCO was registered on 22 June 2007 as a private limited liability company fully owned by Iten Tambach Town Council. The company assumed responsibility of providing water and sewerage services in the area of jurisdiction of Iten Tambach Town Council with effect from July 1, 2008.

Iten Tambach Water and Sewerage Company limited is incorporated in Kenya under the Companies Act CAP 486 as a private limited liability company, and is domiciled in Kenya.

### Board of directors

The directors who held office during the year and to the date of this report were:

<b>Names</b>	<b>Representing</b>	<b>Date of appointment</b>
Mr. Michael K. Rono	- NGO's	22 <sup>nd</sup> February 2012
Mr. John E. B. Williams	- Business	22 <sup>nd</sup> February 2012
Mrs. Rachel Kimeli	- CBO's	22 <sup>nd</sup> February 2012
Mrs. Mary Murgor	- Women	22 <sup>nd</sup> February 2012
Mr. Kiplagat Tingos	- Town Council	22 <sup>nd</sup> February 2012
Mr. John K. Kiplagat	- Community	22 <sup>nd</sup> February 2012
Mr. William K. P. A. Kurumei	- Institutions	22 <sup>nd</sup> February 2012
Mr. David Chebii	- Town Council	22 <sup>nd</sup> February 2012



**Senior Management**

Mr. Simon T. Kiplagat - Managing Director  
Mr. Paul K. Yator - Technical Manager  
Mr. Jeremiah K. Kigen - Finance

**Registered office**

*Iten Treatment-Works,  
Behind Iten Post Office,  
Next to Iten Primary,  
P.o Box 700-30700*

**ITEN.**

Telephone: 020 2170104

Email: [itenwater@yahoo.com](mailto:itenwater@yahoo.com)

**Independent Auditor**

The Auditor General  
Anniversary Towers, University Way  
P.O Box 30084-30100,  
Nairobi.

Principle bankers  
Kenya Commercial Bank (Iten Branch)  
P.O Box 456

**ITEN.**

By order of the board:

Sign  Date 24/3/2014 Sign  Date 24/03/2014.  
(Chairman) (Managing Director)

## 1. The Chairman's and Directors' Statement

### Financial performance

On the financials, Itwasco made an increase turnover, because of approved Regular Tariff Adjustment which was approved October, 2012 and it was implemented by the company on December, 2012 with cost decrease in cost of sales and increase on administration and operating expenses. The company made a profit of kshs 1,824,740.00

Despite the above all increased expenses, the company managed to comply with all statutory requirements and maintained a positive balance in the bank accounts.

### Capital Expenditure

In the year, the company incurred a capital expenditure of Ksh. 2.6M.

The Expenditure comprise of the following: -

1. Replacement of filter Media
2. Line extension
3. Renovation and Construction of Grade 9 house at Treatment-works to be company offices

The Company upholds good practice of corporate governance and all directors are non executive. All directors are liable to retire by rotation. The board operates through the following committees, which held the following numbers of meetings in the year under review: -

1. Finance four times.
2. Technical four times.
3. Audit two times.

The board meetings held were 14. All directors' attendance was as per statute.

### Appreciation

The results would not have been possible if not for the support we have received from our customers, the employees & all our stakeholders.

I am indebted to my fellow Board members for their invaluable insights & support. I wish to acknowledge the senior management & staff for their valuable support & dedication in reaching these favourable results, without their individual contribution, it would not be possible to mark once again another successful year of ITWASCO. Finally on behalf of the board I would like to thank the Government, Regulatory bodies for the guidance, training & support.

Allow me to take this honourable opportunity to thank you all.

I am confident that with continued support, we will again steer the company through another successful financial year.

Thank you & God bless you all.

  
Michael Ronoh



Chairman.

## 2. Statement of Directors Responsibilities

The companies Act requires the directors to prepare financial statements for each financial year that gives true & fair view of the state of affairs of the company as at the end of the financial year & the profits & loss. It also requires directors to ensure that the company keeps proper accounting records that discloses with reasonable, accuracy, the financial position of the company.

The directors accepts the responsibilities for financial statement which have been prepared using appropriate accounting policies supported by reasonable prudent judgement & estimates in conformity with I international Financial Reporting standards & the requirements of the companies Act.

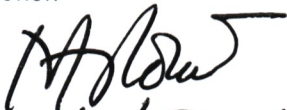
The directors further accepts responsibilities of maintenance of accounts records that maybe relied upon in the preparation of Financial statements as well as designing, implementing & maintaining internal control relevant to the preparation & fair presentation of financial statements that are free from material misstatement.

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

Michael Ronoh

Chairman

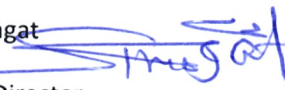
Date.....

  
24/3/2014

Simon Kiplagat

Managing Director

Date.....

  
24/03/2014

*Iten Tambach Water and Sewerage Services Company Limited*

*Report of the Independent Auditors*

*For the Year Ended 30th June, 2012*

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**Report of the Independent Auditors**

**To the members of**

**Iten Tambach Water and Sewerage Company Limited**



# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON ITEN TAMBACH WATER AND SEWERAGE COMPANY FOR THE YEAR ENDED 30 JUNE 2013

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Iten Tambach Water and Sewerage Company set out on pages 1 to 10, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the



auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

#### **Receivables and prepayments**

As previously reported, the receivables and prepayments balance of Kshs.6,479,214.00 as at 30 June 2013 includes the receivable of Kshs.4,658,618.00 which also includes unspecified debts inherited by the Company at inception from the Ministry of Water and Irrigation which have been outstanding for over 5 years. No provision for bad and doubtful debts has been made in the financial statements. In the circumstances, the accuracy and recoverability of receivables and prepayment balance of Kshs.6,479,214.00 as at 30 June 2013 could not be confirmed.

### **Qualified Opinion**

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2013, and of its financial performance and its cash flows for the period then ended, in accordance with International Financial Reporting Standards and comply with both the Water Act, 2002 and Companies Act Cap 486 of Laws of the Kenya.

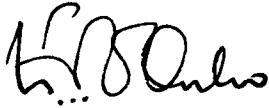
### **Report on other Legal and Regulatory Requirements**

As required by the Kenya Companies Act, 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, proper books of accounts have been kept by the Company, so far as appears from examination of those books; and



- iii. The company's statement of financial position and statement comprehensive income are in agreement with the books of account.



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

**Nairobi**

**9 May 2014**

*Iten Tambach Water and Sewerage Services Company Limited*

*Financial statements*

*For the Year Ended 30th June, 2013*

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**Statement of Comprehensive Income**

		2013	2012
	Note(s)	Kshs.	Kshs.
Revenue	2	11,424,424	7,302,935
Cost of sales	3	<b>4,458,678</b>	<b>5,111,177</b>
Gross Profit		<b>6,965,746</b>	<b>2,191,758</b>
Add Grants	4	3,920,239	4,736,774
		<b>10,885,985</b>	<b>6,928,532</b>
Expenses			
Administrative and operating	5	9,061,245	7,984,670
Net Profit		<b>1,824,740</b>	<b>(1,056,138)</b>

*Iten Tambach Water and Sewerage Services Company Limited*

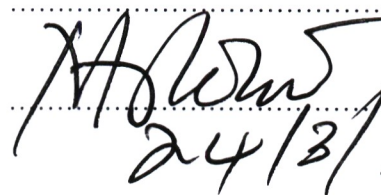
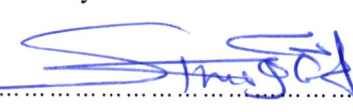
*Financial statements*

*For the Year Ended 30th June, 2013*

**Statement of Financial Position**

	Notes	2013 Kshs.	2012 Kshs.
<b>Working capital</b>			
<b>Non Current Assets</b>	6	10,383,071	3,683,856
<b>Current Assets</b>			
Stores	7	5,550	6,085
Receivables and prepayments	8	6,479,214	4,846,032
Cash and Cash Equivalents	9	5,596,029	7,447,315
<b>Net Current Assets</b>		<b>12,080,793</b>	<b>12,299,342</b>
<b>Current Liabilities</b>			
Payables, provisions and accruals	10	3,991,957	1,901,667
<b>Net Current Assets</b>		<b>8,088,836</b>	<b>10,397,765</b>
<b>Total Assets</b>		<b>18,471,907</b>	<b>14,081,621</b>
<b>Financed by:</b>			
Ordinary Share Capital (5000 shares each Kshs.20)		100,000	100,000
Capital Reserves		3,976,885	3,976,885
WSTF-grant		6,960,797	4,395,251
Retained earnings		7,434,225	5,609,485
		<b>18,471,907</b>	<b>14,081,621</b>

The financial statements on pages 2 to 10 were approved for issue by the board of directors on .....2013 and signed on behalf by:

  
..... (Chairman)  ..... (Managing Director)



*Iten Tambach Water and Sewerage Services Company Limited*

*Financial statements*

*For the Year Ended 30th June, 2013*

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**Statement of Changes in Equity**

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Capital reserves</b>	<b>WSTF Grant</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Ksh.</b>	<b>Kshs</b>	<b>KSHs.</b>	<b>Ksh.</b>
As at 1 <sup>st</sup> July, 2011	100,000	6,665,623	3,976,885	2,014,009	12,756,517
Profit/Loss for the year		-1,056,138			-1,056,138
WSTF Grant				2,381,242	2,381,242
<b>As at 30<sup>th</sup> June, 2012</b>	<b>100,000</b>	<b>5,609,485</b>	<b>3,976,885</b>	<b>4,395,251</b>	<b>14,081,621</b>

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Capital reserves</b>	<b>WSTF Grant</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Ksh.</b>	<b>Kshs</b>	<b>KSHs.</b>	<b>Ksh.</b>
As at 1 <sup>st</sup> July, 2012	100,000	5,609,485	3,976,885	4,395,251	14,081,621
Profit/Loss for the year		1,824,740			1,824,740
WSTF Grant				2,565,546	2,565,546
<b>As at 30<sup>th</sup> June, 2013</b>	<b>100,000</b>	<b>7,434,225</b>	<b>3,976,885</b>	<b>6,960,797</b>	<b>18,471,907</b>

*Iten Tambach Water and Sewerage Services Company Limited*

*Financial statements*

*For the Year Ended 30th June, 2013*

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**Statement of Cash Flows**

	<b>2013</b>	<b>2012</b>
	<b>KShs.</b>	<b>Kshs.</b>
<b>Cash flow from operating activities</b>	1,824,740	(1,056,138)
Add back: Depreciation	382,279	245,863
<b>Cash Flow before changes in working capital</b>	<b>2,207,019</b>	<b>(810,275)</b>
<b>Changes in working capital</b>		
Decrease in stores	535	(6,085)
Increase receivables	(1,633,182)	1,577,200
Increase in payables, provisions & accruals	2,090,290	882,626
<b>Cash flow after changes in working capital</b>	<b>2,664,662</b>	<b>1,643,466</b>
<b>Cash flow from investing activities</b>		
Acquisition of non-current assets	(1,833,860)	(1,749,475)
Work in progress	(5,247,634)	(2,089,872)
<b>Net cash flow from investing Activities</b>	<b>(7,081,494)</b>	<b>(3,839,347)</b>
<b>Cash flow from financing activities</b>		
WSTF Grant	2,565,546	2,381,242
<b>Net Cash Flow from financing activities</b>	<b>2,565,546</b>	<b>2,381,242</b>
<b>Net Cash Flow</b>	<b>(1,851,286)</b>	<b>185,361</b>
<b>Cash and Cash equivalents as at 1<sup>st</sup> July 2012</b>	<b>7,447,315</b>	<b>7,261,954</b>
<b>Cash and Cash equivalents as at 30<sup>th</sup> June 2013</b>	<b>5,596,029</b>	<b>7,447,315</b>
<b>Decrease in cash and cash equivalent</b>	<b>(1,851,286)</b>	<b>185,361</b>

**Notes**

**1. Basis of preparation and summary of significant accounting policies**

**a) Basis of preparation**

The financial statements are prepared in compliance with the International Financial Reporting Standards (IFRSs). The measurement basis applied is the historical cost. The financial statements are presented in Kenya shillings (Kshs). The preparation of the financial statements is in conformity with IFRSs that requires the use of estimates and assumptions. It also requires its management to exercise policies, judgment in the process of applying the accounting

**b) Revenue recognition**

Income is recognized upon billing to customers and comprises mainly water sales and water connections charges except where otherwise stated.

**c) Share capital**

Ordinary shares are recognized at par value and classified as “share capital”.

**d) Receivables**

Receivable are recognized at fair value.

**e) Inventories**

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

**f) Depreciation of Assets**

- i. All property and equipment is stated at cost less accumulated depreciation.
- ii. Depreciation of fixed assets is calculated on the straight line method at annual rates so as to write off the assets over their estimated useful lives as follows:-

Furniture	12.5%
Computers and Printers	33.3%
Network extensions	2.5%
Motor Cycles	25%
Tools	33.3%
Meters and equipment	12.5%
Graded Filters	10%

**g) Grants**

Revenue grants are recognized when received and expensed within the same period. Capital grants are capitalized and amortized over time.



*Iten Tambach Water and Sewerage Services Company Limited*

*Financial statements*

*For the Year Ended 30th June, 2013*

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**2. Revenue**

	<b>2013</b>	<b>2012</b>
	<b>Kshs</b>	<b>Kshs</b>
Water sales	10,392,234	6,761,075
Meter Rent	612,090	419,600
Reconnection fees	130,000	92,500
Labour Charges	62,400	29,760
Sale of tenders	35,000	-
Bulk Water	192,700	
	<b>11,424,424</b>	<b>7,302,935</b>

**3. Cost of sales**

	<b>2013</b>	<b>2012</b>
	<b>KShs.</b>	<b>KShs.</b>
Electricity	4,198,098	4,832,862
Chemicals	260,580	278,315
	<b>4,458,678</b>	<b>5,111,177</b>

**4. Grants**

Grants are in the form of electricity, chemicals and salaries of staff seconded.

	<b>2013</b>	<b>2012</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Electricity	2,420,834	2,869,861
Chemicals	-	208,625
Salaries of staff seconded from ministry	1,499,405	1,658,288
	<b>3,920,239</b>	<b>4,736,774</b>

*Iten Tambach Water and Sewerage Services Company Limited*

*Financial statements*

*For the Year Ended 30th June, 2013*

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**5. Administrative and operating Costs**

	<b>2013</b>	<b>2012</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Miscellaneous	83,063	69,985
Travelling and Subsistence	422,220	597,270
Tools and Materials	-	6,070
Postage and telephone	39,430	41,335
Printing and Stationery	117,982	117,056
Salaries and Wages	1,527,020	1,117,403
Salaries of staff seconded	1,499,405	1,658,288
Top up allowances	211,000	84,000
Office rent	90,000	90,000
Celebrations	126,385	51,415
Training	-	-
Gift	-	9,823
Uniforms	49,400	119,998
Board Expenses	785,440	316,465
Bank charges	27,065	38,383
Legal fees	-	6,380
External laboratory charges	15,000	15,000
Depreciation	382,279	245,863
Repairs and Maintenance	980,165	1,312,375
Computer repairs and accessories	4,295	57,800
Vehicle repairs and maintenance	21,220	4,060
Fuels and oils	200,000	163,644
Publicity and advertising	193,555	-
Insurance	3,060	4,100
Provision for accountancy services	-	-
Increase in provision for Audit fee	628,000	100,000
Regulatory levies	1,655,261	1,757,957
	<b>9,061,245</b>	<b>7,984,670</b>

*Iten Tambach Water and Sewerage Services Company Limited*

*Financial statements*

*For the Year Ended 30th June, 2013*

**6. Non-Current Assets**

	<b>Furniture &amp; Fittings</b>	<b>Computers, UPS, Printers &amp; Scanners</b>	<b>Motor Cycles</b>	<b>Tools &amp; Equipment</b>	<b>Network extension</b>	<b>Meters and Equipment</b>	<b>Filter Media</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs</b>	<b>kshs</b>	<b>Kshs.</b>
Cost as at 1/7/2012	75,991	306,600	197,500	93,380	945,300	199,895		1,818,666
Additions	-	-	-	-	-	1,081,860	752,000	1,833,860
Disposals	-	-	-	-	-	-		-
Cost valuation as at 30 <sup>th</sup> June, 2013	75,991	306,600	197,500	93,380	945,300	1,281,755	752,000	3,652,526
<b>Depreciation</b>								
Accumulated Depreciation as at 1/7/2012	27,344	102,098	49,375	31,095	23,633	24,987	-	258,532
Depreciation during the year	9,499	102,190	49,375	31,095	23,633	160,220	6,267	382,279
Accumulated depreciation on 30/6/2013	36,843	204,288	98,750	62,981	47,266	185,207	6,267	640,811
<b>Net book value as at 30/6/2013</b>	<b><u>39,148</u></b>	<b><u>102,312</u></b>	<b><u>98,750</u></b>	<b><u>31,190</u></b>	<b><u>898,034</u></b>	<b><u>1,096,548</u></b>	<b><u>745,733</u></b>	<b>3,011,715</b>
<b>Work in progress</b>								
<b>Work in Progress as at 1<sup>st</sup> July 2012</b>							<b>2,123,722</b>	
<b>Additions (wstf) Building</b>							<b>4,499,084</b>	
<b>Total</b>							<b><u>748,550</u></b>	<b><u>7,371,356</u></b>
								<b><u>10,383,071</u></b>



*Iten Tambach Water and Sewerage Services Company Limited*

*Financial statements*

*For the Year Ended 30th June, 2013*

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**7. Stores**

	<b>2013</b>	<b>2012</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Stationery	5,550	6,085
	<b>5,550</b>	<b>6,085</b>

**8. Receivables and Prepayments**

	<b>2013</b>	<b>2012</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Trade receivables	6,196,155	4,658,618
Unpaid share capital	-	100,000
Prepaid Fuels and Oils	110,601	87,414
Prepaid Electricity	172,458	-
	<b>6,479,214</b>	<b>4,846,032</b>

**9. Cash and cash equivalents**

	<b>2013</b>	<b>2012</b>
	<b>Kshs.</b>	<b>Kshs.</b>
KCB Revenue	4,290,797	4,521,782
KCB Expenditure	157,514	229,507
KCB Deposit	656,712	422,996
KCB WSTF	272,845	2,258,020
KCB WSTF	25,126	-
Petty Cash	25,640	15,010
M-PESA UTILITY	167,395	-
	<b>5,596,029</b>	<b>7,447,315</b>

*Iten Tambach Water and Sewerage Services Company Limited*

*Financial statements*

*For the Year Ended 30th June, 2013*

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**10. Payables, provisions and Accruals**

	<b>2013</b>	<b>2012</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Regulatory levies	977,372	259,449
Customer deposit	663,500	431,000
KPLC	1,323,085	796,218
External laboratory charges	-	15,000
Provision for audit fees	1028,000	400,000
	<b>3,991,957</b>	<b>1,901,667</b>