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REPORT

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ON

**NAROK WATER AND SEWERAGE SERVICES
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2020**



**NAROK WATER & SEWERAGE SERVICES COMPANY LIMITED
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30TH JUNE 2020**



**International Financial Reporting Standards (IFRS)
Annual Financial Reporting Template for
Commercial Government Owned Entities**

NAROK WATER & SEWERAGE SERVICES COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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

Narok water & Sewerage services company limited

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For the period ended June 30, 2020

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KEY ENTITY INFORMATION

Narok water and Sewerage Services Company Limited (NARWASSCO) is a public company limited by shares and was established on 27th February 2006 under the Companies Act, cap 486 laws of Kenya. At county level, NARWASSCO is represented by the County Executive Committee Member for Environment, Water and Natural Resources who is responsible for the general policy and strategic direction of the company. NARWASSCO is domiciled in Narok, Kenya and has schemes in Ololulunga and currently undertaking Suswa, Kilgoris, Entasekera and Sogoo schemes which are due for operations.

Vision:

Water and Sewerage services for all.

Mission:

To provide effective water and sewerage services in Narok and its environs for socio-economic development.

Principal Activities:

The principal activity of NARWASSCO is to supply affordable, clean water and sewerage services to Narok town, Ololulunga town and its environs in a financially sustainable manner and within government regulations.

Objectives

- To maintain and expand water and sanitation infrastructure so as to increase water service coverage
- To ensure Effective and Efficient Water Supply and Sanitation in the plan period
- To enhance financial and commercial sustainability in order to facilitate infrastructure development and operational efficiency of the company.
- To strengthen internal processes and build a strong and committed team of human resource that enhances efficiency in service delivery
- To ensure the Provision of high-Quality Water and Sewerage Services at a cost - Effective Rate to the Satisfaction of the Stakeholders.
- To enhance Environmental Management.
- To enhance Social Inclusivity.
- To foster collaboration with actors and stakeholders for increased commitment and participation towards delivering the mandate of the company.

Directors.

1. Hon. Letulal Ole Masikonte	Chairman	Appointed on 26 th August 2019
2. Hon. Lekishon Ole Geem	Member	Appointed on 26 th August 2019
3. Hon. Joseph Ole Nkadado	Member	Appointed on 26 th August 2019
4. Mr. Fredrick Cheres	Member	Appointed on 26 th August 2019

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5. Hon. Lucy OLolgojine	Member	Appointed on 26 th August 2019
6. Hon. Lawrence Shuma	Member	Appointed on 26 th August 2019
7. Mr. Joseph Koech	Member	Appointed on 26 th August 2019
8. Eng. Micheal Otieno	Member	Water Director.
9. Mr. Obadiah Rono	Member	Chief Officer Water.

Key Management

1. Mr. Stanley Setu Kuyioni	Managing Director
2. Ms. Evelyn Naisinya Korsai	Commercial Manager
3. Mr. David Tarkash	Ag. Technical Manager
4. Mr. Andrew Siameto Kireu	Human Resource & Administration Manager.

Registered Office

OLD TOWN COUNCIL OFFICES
Along MAU-NAROK Road opposite Narok Referral Hospital
P.O. Box 935-20500
Narok, KENYA

Corporate Headquarters

P.O. Box 935-20500
OLD TOWN COUNCIL OFFICES
Opposite Narok referral hospital
Narok, KENYA

KEY ENTITY INFORMATION

Corporate Contacts

Telephone: (+254) 741878292
E-mail: narokwater@yahoo.com
Website: www.narokwater.co.ke

Corporate Bankers

NATIONAL BANK LIMITED
NAROK BRANCH
P.O. Box 348-20500
Narok, Kenya

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Independent Auditors

Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

Principal Legal Advisers

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

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BOARD OF DIRECTORS



Hon. Letulal Ole Masikonte

- He is the Board of Directors' Chairperson, appointed on 26th August 2019.
- He is the immediate former Majority leader, Narok County Assembly.
- A former councillor also with over 25 years in public service.



Hon. Joseph Ole Nkadado

- Appointed as Board Member on 26th August 2019
- He is the chairperson of the Audit, Risk and Governance Committee.
- He is the former chairperson of the defunct Narok County Council
- He has experience in audit and governance.






Hon. Lekishon Ole Geem

- Appointed to company as Board member on 26th August 2019
- He is the immediate Member of County Assembly for Lolgorian Ward.

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 <p>Hon Lawrence Ole Shuma</p>	<ul style="list-style-type: none">- Reappointed to the company Board of Directors as member on 26th August 2019.- Serving for the 2nd time in the Board.- A former councillor of the defunct Narok County Council.- He is the chairperson of the Finance and Administration Committee.
 <p>Mr. Fredrick Cheres</p>	<ul style="list-style-type: none">- Reappointed to Company Board member on 26th August 2019- He is the chairperson of the Technical Committee.- He brings to the Board a wealth of experience in public service.
 <p>Mr. Joseph Koech</p>	<ul style="list-style-type: none">- Appointed as Board member on 26th August 2019- Serving for the first time.- A former councillor at the defunct Transmara County Council.- Has a lot of experience in public service

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	<ul style="list-style-type: none">- Appointed as Board member on 26th August 2019- She is a former councillor and nominated Member of County Assembly – Narok County Government
<p>Hon Lucy Lolgojine</p> 	<ul style="list-style-type: none">- He is the current Director of Water Services in the county- He represents the CEC Member Water, environment and natural resources in the Board of Directors.- He has a lot of experience in water engineering, civil works and water administration.
<p>Eng. Michael Otieno</p> 	<ul style="list-style-type: none">- Appointed as Managing Director on 1st July 2018.- Before his appointment, Mr. Kuyioni was the Sub-County Administrator for Narok East Sub-County.- He holds a Degree in Business Management (Finance and Banking) from Moi University.- Currently, pursuing a Master of Business Management (MBA) Degree (Finance) at the University of Nairobi.- He is also a Certified Public Secretary, (CPS-K). He is the board secretary

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MANAGEMENT TEAM

<p>STANLEY S. KUYIONI-MANAGING DIRECTOR</p> 	<ul style="list-style-type: none">➤ Appointed as Managing Director on 1st July 2018.➤ Before his appointment, Mr. Kuyioni was the Sub-County Administrator for Narok East Sub-County.➤ He holds a Degree in Business Management (Finance and Banking) from Moi University.➤ Currently, pursuing a Master of Business Management (MBA) Degree (Finance) at the University of Nairobi.➤ He is also a Certified Public Secretary, (CPS-K).
<p>EVELYN NAISENYA KORSAL- COMMERCIAL MANAGER</p> 	<ul style="list-style-type: none">➤ Appointed as Commercial Manager on 1st July 2018.➤ Before her appointment, Miss Evelyn was the Kilgoris Zonal Manager at the company.➤ She holds a degree in Bachelor of Education (Arts) from Maseno University
<p>DAVIES OLE TARKASH-Ag TECHNICAL Manager</p> 	<ul style="list-style-type: none">➤ Appointed as Ag. Technical Manager on 1st July 2014.➤ Before his appointment, Mr. Tarkash was a Senior Water Superintendent Officer at the company.➤ He holds a Diploma in Water Engineering from Kenya Water Institute (KEWI).➤ He holds certificate in urban water works engineering from Yokohama japan➤ He holds certificate in urban water works engineering from Yokohama japan

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		<p>➤ He has worked for over 20 years in the water sector.</p>
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CHAIRMAN'S STATEMENT

Despite the global COVID – 19 pandemic during the year, I am pleased to report that the company remained resilient and delivered services equitably and efficiently. Being among the essential service providers, the company strived doing all it can to ensure water supply is continuously available to its customers within the service area in line with the company strategic plan and mission.

The company has the mandate to provide clean and safe drinking water to its customers. More quality water was produced and sold to the consumers during the year. This happened out of hard work from the employees and the stakeholders who have contributed immensely and enabled the company to provide better services to the residents of Narok. The Covid 19 pandemic affected the company operations significantly but the company reduced the effects and spread of the pandemic by providing free water to customers at low income areas and provision and installation of hand washing containers and tanks. The company is currently implementing various water supply and sanitation projects across the county geared towards improvement of water and sanitation coverage in the county.

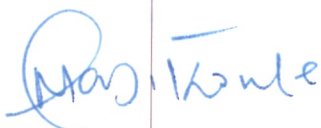
Partnership.

The company has enjoyed partnerships with the Water Sector Trust Fund and its Development Partners, Central Rift Valley Water Works Development Agency and the community at large to ensure effective and efficient service delivery.

I would also like to appreciate the County Government of Narok led by His Excellency the Governor Hon. Samwel Kuntai Ole Tunai and the Ministry of Water, Sanitation and Irrigation for continuous support to the Company especially during the COVID - 19 Pandemic. Currently the County is supporting on the Electricity bill and construction of the Narok Town Sewer Project that will improve the sanitation of Narok Town Municipality.

The company intends to continue working closely with the development partners for the benefit of the residents of Narok and still looking forward to reach the underserved/ unserved within our service area.

We are looking forward to a better 2020/2021



HON. LETULAL OLE MASIKONTE
CHAIRMAN, NAROK WATER AND SEWERAGE COMPANY
Enkare Enkishui

REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Annual Report and Financial Statements of NARWASSCO for the year ended 30th June 2020. This is the 13th Annual Report and Financial Statement for the company.

NARWASSCO has continued to grow over the period under review despite the serious financial and operational challenges posed by the global COVID -19 pandemic. It has in place a strategic plan (2018-2022) aligned to the objectives of the County Integrated Development Plan (CIDP) which is used to improve water and sanitation coverage and ensure achievement of set targets by emphasizing on areas of priority in provision of water and sewerage services in order to realize its mission as well as achieve its vision of “Water and Sewerage Services for all”.

Financial Review

During the year, the company made a deficit of Kshs. (13,289,482.25) compared to last period’s surplus of Kshs 3,756,635.92. This is mainly attributed to reduced water sales and revenue collection volumes and high levels of Non-Revenue water as a result of free water at the kiosks, yard taps and hand washing points installed during the period of the Covid-19 pandemic in the low income areas.

Comparatively, increased operations and plant maintenance costs, irregular water supply interruptions due to the on-going road construction works in Narok town municipality, and the non-disconnection measures issued by the Ministry of Health during the Covid-19 pandemic period contributed significantly to the deficit. The increase in operating and maintenance costs during the year under review is majorly attributed to the massive destructions and subsequent replacement of the water pipelines, fittings and other appurtenances during the long rains/floods and construction of the various roads within the municipality. Water sales and Sewer Services (exhausting) billed volumes decreased from Ksh. 99,910,055 last year to Ksh 79,644,280.00 during the reporting period.

High electricity and chemicals cost have continued to pose a great challenge to the company. The increase in cost of chemicals is majorly attributed to heavy rains witnessed during the year and increased contamination of water at source – this has persistently interfered with the water turbidity and PH.

Service Delivery

During the year, as envisaged in our core values of customer focus, the company continued to maintain satisfactory levels in service delivery. During the first three quarters, we managed to progressively invest in our distribution network and this significantly increased our service area coverage - opening up for underserved/unserved areas within Narok Town Municipality and Ololulunga town. However, the unserved areas are also expanding at the same rate due to the

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increasing population growth. The water produced was distributed to customers equitably through a rationing program.

During the period the average water supply was 16hrs/day and the amount of water provided was an average of 4,000m³/day – pumps' efficiency has significantly dropped also during the period compared to the previous period. Operational and financial challenges during the last quarter as a result of the pandemic halted further extension of the network. Generally, there was a remarkable improvement in service delivery and in mitigation of the negative effects of the global pandemic:

- I. Regular maintenance of production system's components;
- II. Installation of hand washing points at strategic locations within the service area;
- III. Rehabilitation of water kiosks and yard taps at Low Income Areas;
- IV. Provision of free water at the water kiosks and yard taps mainly at the LIA areas;
- V. Water rationing program for equitable distribution;
- VI. Use of bulk SMS billing and alerts for customer communication;
- VII. Use of flexible payment plan for customers with outstanding bills and help in activating dormant connections;
- VIII. Prompt customer feedback;
- IX. Institutionalizing of NRW unit and trainings to help minimize the non-revenue water; and
- X. Extension of pipeline network to reach out for more customers/last mile connectivity.

With the support of partners such as the Water Sector Trust Fund, the County Government of Narok and the Central Rift Valley Water Works development Agency, the following projects were initiated and are currently on going works:

1. Installation of handwashing containers;
2. Last mile connectivity;
3. Sogoo Water Supply project;
4. Entasekera water supply project;
5. Suswa Water Augmentation project; and
6. Narok Town Sewerage Project

Staff Development.

The various guidelines and protocols issued by government ministries and more so the Ministry of Health affected staff and their development. Social distancing and other measures at the work place called for the suspension of planned staff trainings and other related social gatherings.

At the beginning of the period, the company continued to improve staff competence in an effort to maintain good service delivery. The company managers attended seminars, conferences and workshops organized by various professional bodies. A number of trainings on Non-Revenue Water, customer service, Water Quality, and financial management amongst others were also attended to by our staff.

In addition, our staff participated in the WASCO games, 10th edition in which they won various trophies and had an opportunity to interact with staffs from other water companies. All these

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were carried out to ensure a healthy motivated and satisfied workforce which will in turn contribute immensely to the growth of the company.

Business Development.

During the reporting period, NARWASSCO has continued to partner with the development partners through the Water Sector Trust Fund in funding some of its projects: Sogoo and Entasekira Water Supply Projects, Kilgoris, Mosiro and Olopikidong'oe sanitation projects.

Through the Rift Valley Water Works Development Agency and the National and County Governments, the construction of the Narok Town Sewerage Project and its Water Supply component (Last Mile Connectivity) are on-going. The Sewer project will expand sewer connectivity in the town by at least 500 connections in the first phase and the Water Supply component will increase household water connections by an additional 2,400 connections and also rehabilitate, the central water treatment plant.

Suswa Water Supply Augmentation Project under World Bank, funded through Lake Victoria North Water Works Development Agency with its additional Extension Works funded under Equalization Fund will be additional business developments once commissioned. All these projects when completed and commissioned will increase the company's revenue and customer base as well as the water, sanitation and hygiene (WASH) coverage in the county.

Appreciation.

I would like to appreciate all our stakeholders, more so the County Government of Narok Led by His Excellency Hon. Samwel Kuntai Ole Tunai, the development partners, the Water Services Regulatory Board and the Central Rift Valley Water Works Development Agency for the solid commitment and support during the year ended 30th June 2020.

To our esteemed customers, thank you for your loyalty and support – we would not have achieved this without you. Lastly, it is through the hard work and dedicated effort of our staff and management of NARWASSCO that we are able to celebrate our achievements for the 2019/20 Financial Year. I urge you all to continue embracing our core values of customer focus, professionalism, teamwork and integrity to the delight of our customers so as to make a difference in our County and Country.

Thank you and God bless you.



.....
Stanley Setu Kuyioni
MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER.
NARWASSCO
Enkare Enkishui

CORPORATE GOVERNANCE STATEMENT

The Board of Directors was composed of seven (9) Board members representing different stakeholders. The County Government of Narok is represented by one Directors while the other 8 Directors represent stakeholders within our area of service delivery.

Every year, two directors retire in succession to ensure retention of institutional memory. The company Directors have been appointed once and the rotational basis is implemented in the next two years.

To support the business of the Board, there are three committees namely, Finance and Administration Committee, Audit Risk and Governance Committee and Technical Committee. The three Committees meet every quarter and the Full Board meets once every quarter.

The business of the Board is guided by the Board Charter and the members of the Board are evaluated at the end of the year. The evaluation is carried out by an independent NARWASSCO and the recommendations are shared and implemented the following year.

The roles and functions of the Board are well articulated by the Board, the Chairperson, the Committees, the Directors and the Managing Director are well documented in the Board charter and are respected.

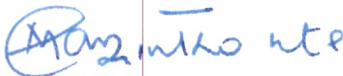
Through the involvement of the County Government and supporting donor agencies, the members are put through a training process and they sign a code of conduct for Board Members.

The remuneration of the Board is guided by WASREB guidelines and the resolution of the shareholders.

Going Concern

The Directors confirm that the company has adequate resources to continue in business for the foreseeable future and therefore the continued use of the going concern as a basis when preparing financial statements.

SIGNED:



.....
CHAIRPERSON

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

During the global pandemic of Novel Corona virus, the company partnered with Central Rift Valley Water Works Development Agency and Narok County Government in providing Tanks, Water, hand washing soaps and sanitizers to Narok Town Municipality residents.

The hand washing containers, soaps and sanitizers were installed at strategic locations within the service area to be used by residents of the town. Free water at the water kiosk points, yard taps and at the installed hand washing points was also provided.

NARWASSCO also provides employment opportunities to members of the community it serves. Donation of water storage tanks to government institutions – schools and health centres’ – was also carried out during the pandemic to mitigate the spread.

The company also partnered with the Water Services Providers Association (WASPA) to provide hand washing soaps and sanitizers to its customers.

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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June 2020 which show the state of the NARWASSCO' affairs.

Principal activities

The company's main activity is the provision of affordable clean water and sewerage services to the residents of Narok Town Municipality and its environs.

Results

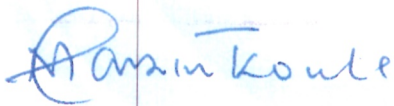
The results of the NARWASSCO for the year ended June 30, 2020 are set out on page 1 below.

Directors

The members of the Board of Directors who served during the year are shown on page (VI). In accordance with Regulation of NARWASSCO's Articles of Association, All the Board Members have been appointed at once.

Auditors

The Auditor General is responsible for the statutory audit of NARWASSCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. Kenya National Audit was nominated by the Auditor General to carry out the audit of NARWASSCO for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.



By Order of the Board Chairperson

Narok water & sewerage services company limited

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STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Companies Act, 2015, require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of NARWASSCO at the end of the financial year/period and the operating results of NARWASSCO for that year/period. The Directors are also required to ensure that NARWASSCO keeps proper accounting records which disclose with reasonable accuracy the financial position of NARWASSCO. The Directors are also responsible for safeguarding the assets of NARWASSCO.

The Board of Directors are responsible for the preparation and presentation of the NARWASSCO' financial statements, which give a true and fair view of the state of affairs of NARWASSCO for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of NARWASSCO;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of NARWASSCO;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Board of Directors accept responsibility for NARWASSCO' financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by Companies Act, 2015. The Board of Directors are of the opinion that NARWASSCO' financial statements give a true and fair view of the state of its transactions during the financial year ended June 30 2020, and of its financial position as at that date. The Board of Directors further confirm the completeness of the accounting records maintained for NARWASSCO which have been relied upon in the preparation of NARWASSCO financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements

NARWASSCO financial statements were approved by the Board on 17/MAY 2020 and signed on its behalf by:

Director

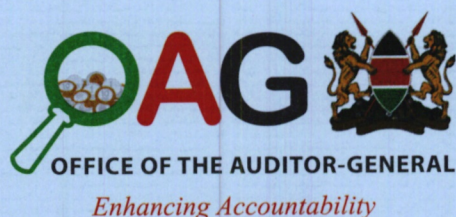


Director



Director

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 NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Narok Water and Sewerage Services Company Limited set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2020, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Narok Water and Sewerage Services Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Disclose Material Uncertainty to Going Concern

During the year under review, the Company recorded a net operating loss of Kshs.13,289,482 (2019: a net operating profit of Kshs.3,756,635), which depleted the revenue reserve from negative Kshs.7,369,766 as at 30 June, 2019 to negative Kshs.20,659,248 as at 30 June, 2020. The current liabilities balance of Kshs.60,051,188 exceeded the current assets balance of Kshs.47,513,593 resulting in a negative working capital balance of Kshs.12,537,595 as at 30 June, 2020.

The above state is an indication of the existence of material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern and to meet its obligations as and when they fall due. However, the financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Narok. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company's Directors to reverse the undesirable financial position have not been disclosed in the financial statements.

In the circumstances, the existence of the Company is dependent on financial support from the County Government and its creditors.

2. Inaccuracies in the Financial Statements

Review of the financial statements of the Company for the year ended 30 June, 2020 revealed the following inaccuracies;

- i. The statement of financial position reflects a comparative debit balance of Kshs.863,550 as at 30 June, 2019 in respect of retained earnings and a debit balance of Kshs.20,659,249 as at 30 June, 2020. However, the statement of changes in equity reflects the opening balance of Kshs.7,369,766 resulting to an unreconciled variance of Kshs.6,506,216.
- ii. The statement of cash flows reflects a negative balance of Kshs.16,554,711 in respect of net cash generated from/ (used in) operating activities and nil balances in respect of net cash generated from/ (used in) investing and financing activities. However, the cash and cash equivalent balances for the two years of Kshs.7,416,175 and a negative balance of Kshs.8,428,842 in respect of 2018/2019 and 2019/2020 respectively were not in agreement with the cash and cash equivalents generated from operating, investing and financing activities.
- iii. Review of the store's records revealed that the Company had an outstanding stock balance of 5,950 kilograms of soda ash and 945 kilograms of chlorine as at 30 June, 2020. The value of this stock has not been disclosed in the statement of financial position. Further, the Management did not conduct quarterly and annual inventory and stock taking in line with the provisions of Section 162 of the Public Procurement and Asset Disposal Act, 2015.
- iv. The statement of financial position reflects trade and other payables balance of Kshs.46,273,473 and a comparative balance of Kshs.38,086,897. However, the closing balance in the audited financial statements for the year 2018/2019 reflected an amount of Kshs.44,537,614 resulting to an unreconciled variance of Kshs.6,450,718. In addition, Note 20 to the financial statements reflect a balance of Kshs.38,031,396 which is different from the balance of Kshs.38,086,897 reflected in the financial statements resulting to an unreconciled balance of Kshs.55,501.

In the circumstances, the accuracy, completeness and validity of the financial statements audit for the year ended 30 June, 2020 cannot be confirmed.

3. Unsupported Payment of Rent Expenses

The statement of profit and loss and other comprehensive income reflects administration costs totalling to Kshs.62,082,335 which, as disclosed in Note 11(a) to the financial statements includes expenditure on office rent amounting to Kshs.576,000. The Company also had rent arrears owed to the County Government of Narok amounting to Kshs.4,452,000 as disclosed in Note 19 to the financial statements. However, rent lease agreements were not provided for audit review.

In the circumstances, the accuracy and validity of the rent paid amounting to Kshs.576,000 and balance owing of Kshs.4,452,000 could not be confirmed.

4. Unsupported Personal Allowances

The statement of profit and loss and other comprehensive income reflects administrations cost totalling to Kshs.62,082,335 which, as disclosed in Note 11(b) to the financial statements, includes staff costs amounting to Kshs.37,446,484. The costs includes an amount of Kshs.1,160,160 in respect of other personal allowances (top-up) paid to staff seconded from the County Government. However, Management did not provide guidelines, written authority from the Secretary County Public Service Board confirming the services the officers would give the Company, their benefits and duration of stay.

In the circumstances, the validity of the payments of allowances amounting to Kshs.1,160,160 for the year ended 30 June, 2020 could not be ascertained.

5. Inaccuracies in Trade and Other Receivables

The statement of financial position reflects net trade and other receivables balance of Kshs.50,385,433 after deducting provision for doubtful and bad debt amounting to Kshs.4,512,206 approximately 8% of the outstanding balance of Kshs.54,797,639. However, the age analysis and breakdown was not provided for audit review.

Further, during the previous year, the gross trade receivables balance was at Kshs.50,504,792 with a provision for doubtful receivables balance of Kshs.13,375,320 or approximately 26%. Management has not explained why the company did apply its policy consistently between the two years.

In the circumstances, the accuracy of the trade and other receivables balance of Kshs.50,385,433 as at 30 June, 2020 could not be confirmed.

6. Unauthorized Overdrawing of Bank Account

The statement of financial position reflects total bank and cash balances debit balance of Kshs.2,871,839 held at a commercial bank. Review of the bank certificate for the

operations bank account revealed that the account was overdrawn by Kshs.187,501 as at 30 June 2020. However, Management did not provide approval for the overdrawing the account and the limit authorized by the County Treasury in line with Section 119(4) of the Public Finance Management Act, 2012. In addition, the Management did not provide the board of survey report as at 30 June, 2020 for the four (4) bank accounts.

In the circumstances, the regularity of operation of the bank account cannot be ascertained.

7. Unsupported Non-current Assets

The statement of financial position reflects non-current assets balance of Kshs.37,524,499 which includes a motor vehicle registered under a private Company. Note 4(d) on the summary of significant accounting policies reflects depreciation balance of Kshs.1,621,505. However, the annual depreciation and impairment rates were not as per Note 4(d) on the summary of significant accounting policies indicate wrong annual depreciation and impairment rates. Management did not provide an updated fixed assets' register.

In the circumstances, the accuracy and completeness of non-current assets total balance of Kshs.37,524,499 as at 30 June, 2020 could not be confirmed.

8. Unsupported Customer Deposits

The statement of financial position reflects customer deposits balance of Kshs.7,054,421, an increase of Kshs.1,017,920 from the balance of Kshs.6,036,502 as at 30 June, 2019. However, a schedule of customers who had paid the customer deposits within the year and those outstanding was not provided to show the movement of the deposits.

In the circumstances, the accuracy of the customer deposits balance of Kshs.7,054,421 as at 30 June, 2020 could not be confirmed.

9. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.46,273,473. However, Management did not provide a detailed schedule indicating the dates, invoice and statements from the creditors as proof of supply and delivery of the goods, works and services.

In the circumstances, the accuracy, completeness and validity of trade and other payables balance of Kshs.46,273,473 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Narok Water and Sewerage Services Company Limited Management in accordance with ISSAI 130 on Code of

Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.109,990,794 and Kshs.87,423,999 respectively, resulting to an underfunding amounting to Kshs.22,566,795 or 21% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.105,804,697 and Kshs.99,353,289 respectively, resulting to an underperformance amounting to Kshs. 6451408 or 6% of the budget.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given satisfactory explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

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 provided 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 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.

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. Failure to Remit Statutory and Other Staff Deductions

The statement of financial position as at 30 June, 2020 reflects a balance of Kshs.46,273,473 against trade and other payables which includes an amount of Kshs.16,805,649 being statutory deductions. The deductions were not remitted to the respective institutions contrary to the provisions of the National Social Security Fund Act Cap, 258, Income Tax Cap, 470 and National Health Insurance Fund Act Cap, 255.

In the circumstances, Management is in breach of the law.

2. Excessive Non-Revenue Water

During the year under review, the Company produced a total of 983,470 cubic meters (M³) of water. However, out of this volume only 701,989 M³ was billed to customers. The balance of 281,481 M³ of the total produced represents Non-Revenue Water (Unaccounted for Water) equivalent to 33.69%. The NRW is 8.69% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines which may have resulted to loss of revenue.

Consequently, the Management was in breach of the law.

3. Non-Compliance with the Water Services Regulatory Board Guidelines on Board Members

The Company's Board of Directors assumed office on 26 August, 2019. The Board consist of nine (9) Members. The size of the Board of Directors exceed the recommended size set by the Water Sewer Regulatory Board (WASREB) for small companies that rely on subsidy for operation and maintenance from the County by

four (4) members. The Board does not also meet a third gender rule since out of the nine members of the Board, eight (8) are male and only one (1) is a female.

In the circumstances, the Company is in breach of the law.

4. Non-compliance with Public Service Human Resource Manual

The State Corporations Advisory Committee Circular OP/SCAC.9/21/1/1 issued on 15 May, 2017 required that all State Corporations submit organizational structure, staff grading and establishment, Career Guidelines and Human Resource Policy and Procedures Manual for approval by 31 August, 2017. As at 30 June, 2020, Company had not have a staff establishment in place.

Further, the position of the Technical Manager in the Company has been held in an acting capacity for the last six (6) years by an officer through a letter dated 21 August, 2014. This is contrary to the provisions of Public Service Human Resource Manual Section C.14, which direct that acting allowance will not be payable to an officer for more than six (6) months.

In the circumstances, Management is in breach of the law.

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. Weakness in Internal Control Systems

A review of the internal control systems of the Company revealed that the Company did not have an appropriate arrangements for conducting internal audit. This is contrary to the provisions of Part XIII of the Public Finance Management (County

Governments) Regulations, 2015 on establishment and mandate of internal audit and audit committees.

Further, the Company also lack key policies like a Commercial Policy and Risk Assessment Policy that could guide in the operations of the Company contrary to the provisions of Section 202 of the Public Finance Management (County Governments) Regulations, 2015.

In addition, a review of the Company's Information Technology (IT) controls revealed that the Company did not have appropriate arrangements for the management of the information technology operations/systems.

In the circumstances, internal control systems at the Company were weak.

2. Weaknesses in Billing System

As disclosed in Note 6 to the financial statements, the statement of profit and loss and other comprehensive income reflects revenue on water sales totalling to Kshs.78,383,730. This was generated through the Resource Pro-Billing System. However, an analysis of the data generated through the System revealed several gaps/missing invoices totalling to 151,499 which were not accounted for. Further, 23,259 customers with accounts in the Water Company were not billed for water consumed within the year and the Company may have lost water revenue from billed water.

In the circumstances, it has not been possible to confirm existence of effective controls on the billing system.

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 overall 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 the audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and;
- iii. The Company's financial statements are in agreement with those 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 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 overall 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 going concern 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 also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 overall governance processes and systems in accordance with the provisions of Section 7 (1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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. 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.

- 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 the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 February, 2022

Narok Water & Sewerage Company Limited

Annual Reports and Financial Statements

For the period ended June 30, 2020

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDING JUNE 30 2020**

	Note	2020	2019
		Kshs	Kshs
REVENUES			
Sales/Turnover	6	79,644,280	99,910,055
Grants from NCG/RVWSB	7	7,779,719	20,109,430
In-Kind Contributions	8	3,184,600	6,264,390
Other Income	9	0.	49,000
TOTAL REVENUES		90,608,599	126,332,875
OPERATING EXPENSES			
Water productions cost	10	40,252,971	49,631,273
Administrations cost	11(a)	62,082,335	70,614,629
Depreciation of property, plant and equipment	12(b)	1,621,504	2,303,186
Amortisation of Intangible Assets	13	27,150.	27,15
TOTAL OPERATING EXPENSES		103,898,081	122,576,239
OPERATING PROFIT/(LOSS)		(13,289,482)	3,756,635

**STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30 2020**

	Note	2020 Kshs	2019 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	12(b)	37,524,499	39,146,002
Intangible assets	13	10,100	11,150.
Total Non-Current Assets		<u>37,534,599</u>	<u>39,157,152</u>
Current Assets			
Trade and other receivables	14(b)	50,385,433	37,459,668
Bank and cash balances	15	(2,871,839)	5,557,003
Total Current Assets		<u>47,513,593</u>	<u>43,016,671</u>
TOTAL ASSETS		<u>85,048,192</u>	<u>82,173,824</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	16	100,000	100,000
Retained earnings	23	(20,659,249)	(863,549)
Capital reserve	22	45,556,253	33,790,683
Capital and Reserves		<u>24,997,004</u>	<u>33,027,133</u>
Total Non-Current Liabilities		<u>24,997,004</u>	<u>33,027,133</u>
Current Liabilities			
Borrowings	24	6,723,293	5,023,293
Customer deposits	21	7,054,421	6,036,501
Trade and other payables	20	46,273,473	38,086,897
Total Current Liabilities		<u>60,051,188</u>	<u>49,146,690</u>
TOTAL EQUITY AND LIABILITIES		<u>85,048,192</u>	<u>82,173,824</u>

Managing Director

Name: Mr. Stanley s. Kuyioni

Sign.....

Date... 17/05/2021

Commercial Manager

Name: Miss. Evelyn Naisenya Korsai

Sign.....

Date... 17/05/2021

Chairman of the Board

Name: Hon Letulal Ole Masikonte

Sign.....

Date... 17/MAY/2021

**STATEMENT OF CHANGES IN EQUITY
AS AT JUNE 30 2020**

	Ordinary share capital	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2018	100,000	(11,126,403)	32,990,683	21,964,280
Revaluation gain	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-
Total comprehensive income	-	3,756,635	-	3,756,635
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
At June 30, 2019	100,000	(7,369,766)	32,990,683	21,964,281
At July 1, 2019	100,000	(7,369,766)	32,990,683	21,964,281
Issue of new share capital	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Total comprehensive income	-	(13,289,482)	-	(13,289,482)
Capital/Development grants received during the year	-	-	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
At June 30, 2020	100,000	(20,659,248)	32,990,683	26,520,916

Narok Water & Sewerage Company Limited

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For the period ended June 30, 2020

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30 2020**

	Note	2020 Kshs	2019 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	17 (a)	(16,554,711)	7,426,446
Net cash generated from/(used in) operating activities		(16,554,711)	7,426,446
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		0	0
Proceeds from disposal of property, plant and equipment		0	0
Purchase of intangible assets		0	0
Net cash generated from/(used in) investing activities		0.	0.00
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of new share capital		0	0
Proceeds from borrowings		0	0
Repayment of borrowings		0	0
Net cash generated from/(used in) financing activities		0.00	0.00
CASH AND CASH EQUIVALENTS FOR THE YEAR	17(b)	(8,428,842)	7,416,175
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,557,003	(3,735,771)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		(2,871,839)	5,557,003

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2020**

	Original budget	Adjustments	Final budget	Actual on comparable basis	%	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020		2019-2020
Revenue						
Water sales	93,823,854	(8,000,000)	85,823,854	78,383,730	91%	7,440,124
Exhauster income	2,245,700	(500,000)	1,745,700	1,260,550	72%	485,150
Grants from county/National Government	31,160,160	(8,738,920)	22,421,240	7,779,719	34%	14,641,52
Total income	127,229,714	21,738,920	109,990,794	87,423,999		22,566,795
EXPENDITURE						
PERSONNEL EXPENSES						
Gross salary-	39,381,280	(2,045,728)	37,043,552	39,228,074	105%	(2,184,522)
TOTAL PERSONEL EXPENSES	39,381,280	(2,045,728)	37,043,552	39,228,074		(2,184,522)
WATER PRODUCTIONS COST						
Chemicals and water quality	16,632,079	(4,777,884)	11,854,195	14,370,009	127%	(2,515,814)
Repairs and maintenance	7,450,530	(988,600)	6,461,930	11,091,958	183%	(4,630,028)
Electricity for production	26,808,168	(6,000,000)	20,808,168	7,773,644	35%	13,034,524
Fuel for motor vehicle and production	2,052,008	0	2,052,008	3,012,845	150%	(960,837)
WASREB levy	3,752,954	0	3,752,954	3,135,349	83%	617,604
TOTAL WATER PRODUCTION COST	56,695,739	(11,766,484)	44,929,255	39,383,805		5,545,449
ADMINISTRATION COST						
Travelling, accommodation and subsistence	7,035,000	(1,250,000)	5,785,000	3,228,943	55%	(2,556,057)
Security expense (contracted security)	1,385,800	0	1,385,800	1,791,000	129%	(405,200)
Conferences, meetings and workshops expenses	600,000	350,000	950,000	14,200	1.4%	(935,800)
Local transport	1,082,600	(372,648)	709,952	1,936,625	273%	(1,226,673)
Telephone and postage expenses	709,952		709,952	356,075	4.9%	353,877
Marketing, advertisement and communication	1,000,900	(174,500)	856,400	273,812	39%	(582,588)

Narok Water & Sewerage Company Limited

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Staff welfare	550,000	(100,000)	450,000	586,430	190%	(136,430)
Insurance	186,136	0	186,136	182,819	97%	3,317
Computer and internet expenses	425,000	0	425,000	396,557	93%	28,443
Motor vehicles repairs	760,000	300,000	1,060,000	1,019,052	96%	40,948
Stationeries and computer peripherals	1,042,950	400,000	1,442,950	781,893	54%	661,057
Cleaning and kitchen materials	1,478,456	0	1,478,456	1,765,550	119%	(317,094)
Corporate social responsibility	300,000	0	300,000	100,000	33.3%	200,000
Bank charges	195,740	0	195,740	150,679	76%	45,061
Training and benchmarking	800,000	400,000	1,200,000	205,000	17%	995,000
Consultancy fees	700,000	600,000	1,300,000	75,000	5.7%	1,225,000
Bulk SMS			0	129,000	0	(129,000)
Donations and other activities			0	700,000	0	(700,000)
Office electricity	124,500	0	124,500	64,974	51%	59,526
Meals and entertainment			0	658,000	0	(658,000)
Office furniture and maintenance		0	0	0	0	
Public relations and marketing	0	0	0	0	0	
Trainee allowance	0	0	0	0	0	
Rent and rates	120,000	0	120,000	576,000	480%	(456,000)
Miscellaneous expenses	253,668	0	253,668	559,000	220%	(305,332)
Staff uniform	0	0	0	39,980	0	(39,980)
TOTAL ADMINISTRATION EXPENSES	18,750,702	152,852	18,933,554	15,590,589		3,342,965
BOD ALLOWANCES						
Sitting allowances	2,400,000	1,600,000	4,000,000	4,004,656	100%	(4,656)
TOTAL BOD ALLOWANCES	2,400,000	1,600,000	4,000,000	4,004,656		(4,656)
LEVIES AND STATUTORY PAYMENTS						
Warma	566,340	0	566,340	814,165	143%	(247,825)
Audit fees	231,996	0	231,996	232,000	100%	0
Waspa subscription	55,000	0	55,000	55,000	100%	0
Wasco subscription	45,000	0	45,000	45,000	100%	0
TOTAL LEVIES	898,336		898,336	1,146,165		(247,829)

Narok Water & Sewerage Company Limited

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For the period ended June 30, 2020

TOTAL EXPENDITURE	118,126,057	(12,059,360)	105,804,697	99,353,289		6,451,407
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Narok Water & Sewerage Company Limited

Annual Reports and Financial Statements
For the period ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Narok Water and Sewerage Company Limited (NARWASSCO) was established by and derives its authority and accountability from Water Act of parliament in (2002). The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is supply affordable, clean water and sewerage services to Narok town, Ololulunga trading centre and its environs.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *NARWASSCO*.

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.

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

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *company* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the *company* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognised as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the *company* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *company* includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	25 Years
Plant and machinery	12.5 Years
Motor vehicles, including motor cycles	4 Years
Computers and related equipment	3 Years
Office equipment, furniture and fittings	12.5 Years

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

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i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

n) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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n) Taxation (Continued)

Current income tax (Continued)

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

~~Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.~~

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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n) Taxation (Continued)

Deferred tax (Continued)

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

p) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

q) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

r) Retirement benefit obligations

The company currently do not have any retirement obligations with its employees but its intending to have one in the future.

s) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

t) Budget information

The original budget for FY 2019-2020 was approved CMT on 10th august 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate management team. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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 understatement of comparison of budget and actual amounts of these financial statements.

u) Comparative figures

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

v) 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, 2020.

5. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

- The company is a going concern and will carry out its objectives in the future
- The company uses accrual basis of accounting.
- The company depreciates and amortises its Non-current assets as explained in note 3 Above.
- The company has made estimations in regard to its uncollected water sales as explained under provision for bad debts below.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

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Provisions

Provisions for bad debts

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect the entire amount due according to the original terms of receivables.

Provisions were raised and management determined an estimate based on the information on the finance manual.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The company through support from the finance manual and other management considerations has considered providing for bad debts that have accrued over the years.

The management has analysed the debtors and provided Ksh. 4,512,206.33

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6. SALES/TURNOVER

	2020	2019
	Kshs	Kshs
Water sales	78,383,730	97,615,275
Exhauster income	1,260,550	2,294,780
Total	79,644,280	99,910,055

7. GRANTS FROM NATIONAL GOVERNMENT/COUNTY GOVERNMENTS

	2020	2019
	Kshs	Kshs
Recurrent grants received-NCG		
Electricity	7,630,375	17,853,030
Line rerouting	149,344	1,456,400
RVWSB-CAPITAL GRANT	0	800,000
Total	7,779,719	20,109,430

8. IN-KIND DONATIONS

	2020	2019
	Kshs	Kshs
Seconded personnel-NCG	2,484,600	4,266,190
Covid-19 Mitigation -NCG	700,000	488,200
RVWSB	0	1,510,000
Total	3,184,600	6,264,390

9. OTHER INCOME

	2020	2019
	Kshs	Kshs
Sale of tender documents	0	49,000
Total	0	49,000

10. WATER PRODUCTION AND DISTRIBUTION COST.

	2020	2019
	Kshs	Kshs
Chemicals and water quality expenses	14,370,009	11,185,875
Repairs and maintenance	11,091,958	13,455,598

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Electricity for production	7,773,644	19,410,941
Water abstraction fees -WARMA	814,165	721,634
Fuel for motor vehicles and production	3,012,845	1,868,432
Provision for WASREB levy fees	3,135,349	2,860,883
NAIVAWAS (power bill)	0	72,910
Subscription to WASPA	55,000	55,000
TOTALS	40,252,971	49,631,273

11 (a) ADMINISTRATION COSTS

	2020	2019
	Kshs	Kshs
Staff costs (note 11b)	37,446,484	36,951,019
Local transport	1,936,625	916,900
Electricity and water	64,974	77,395
Telephone and postage expenses	356,075	644,620
Staff welfare	586,430	288,940
Travelling, accommodation and subsistence	3,228,943	4,170,958
Advertising and communication	273,812	555,810
Rent expenses	576,000	576,000
Staff training and benchmarking	205,000	120,000
Conferences, meetings and workshops	14,200	420,605
Insurance costs	182,819	196,000
Bank charges and commissions	150,679	133,376
Office and general supplies and services	1,765,550	1,353,397
Expenses on Board of Directors	4,004,656	0
Provision for Auditors' remuneration	232,000	232,000
Computer and internet expenses	396,557	581,034
Motor vehicles repairs	1,019,052	888,950
Consultancy fees	75,000	1,493,748
Security expenses-contracted	1,791,000	1,657,350
Repairs and maintenance-office.	0	375,433
Stationeries and computer peripherals.	781,893	1,564,242
Corporate social responsibility Covid-19 Mitigation	100,000	256,000
Bulk SMS.	129,000	32,250
Donations and other contributions.	700,000	1,998,200
Public relations and marketing.	0	251,400
Hospitality and entertainment.	658,000	656,370
Trainee allowances.	0	20,000
Staff uniform.	39,980	200,940
Miscellaneous expenses.	559,000	425,372
NEMA Application fees	8,000	0

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WASREB Tariff Applications fees	75,000	0
Subscription to WASCO	55,000	45,000
NSSF-company contributions	158,400	156,000
Provision for bad and doubtful debts	4,512,206	13,375,320
Total	62,082,335	70,614,629

11 (b) STAFF COSTS

	2020	2019
	Kshs	Kshs
Gross salary-permanent staff-64	28,581,673	27,182,030
Gross salaries –contracted-2	4,422,111	2,766,158
Salaries for seconded staff-4	2,484,600	4,266,190
Other personnel allowances (Top up)	1,160,160	1,615,555
Other payroll expenses	0	323,146
Provision for gratuity payable	797,940	797,940.
Total	37,446,484.00	36,951,019.00
The average number of employees at the end of the year was:	2020	2019
Permanent employees	66	65
Contract employees-CMT	2	2
Contract employees- staff	0	1
Seconded from county Government	4	4
Total	72	72

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. (a) PROPERTY, PLANT AND EQUIPMENT.

2019	Buildings and civil works	Freehold land	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital works in progress	Total
COST OR VALUATION								
At July 1, 2018	32,990,683	1,500,000	5,426,864	6,140,000	508,175	1,039,945	498,193	48,103,860
Additions	-	-	2,038,520.	200,000.0	708,379	44,990	-	2,173,889
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2019	32,990,683	1,500,000	7,465,384	6,340,000	1,216,554	1,084,935	498,193	50,775,942
DEPRECIATION								
At July 1, 2018	-	-	2,278,489	6,140,000	475,715	752,356	-	9,646,560
Charge for the year	1,319,627	-	579,206.6	50,000	268,586	85,767	-	2,303,186.8
At June 30, 2019	1,319,627	-	2,857,695..	6,190,000	744,301	838,123	-	11,772,697
NET BOOK VALUE	31,845,776	1,500,000	4,607,689	150,000	472,253	246,811	498,193	39,320,722
At June 30, 2019	<u>31,845,776</u>	<u>1,500,000</u>	<u>4,607,689</u>	<u>150,000</u>	<u>472,253</u>	<u>246,811</u>	<u>498,193</u>	<u>39,320,722</u>

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Property, plant and equipment include the following items that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	4,607,689	579,206
Buildings and civil works	31,845,776	1,319,627
Work in progress	498,193	0
Motor vehicles, including motor cycles	150,000	50,000
Computers and related equipment	472,253	268,586
Office equipment, furniture and fittings	246,811	85,767
Freehold land	1,500,000	0
TOTALS	<u>38,672,529</u>	<u>2,303,186</u>

Narok Water & Sewerage Company Limited

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(b)

2020	Buildings and civil works	Freehold land	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital works in progress	Total
COST OR VALUATION								
At July 1, 2019	32,990,683	1,500,000	7,465,384	6,340,000	1,216,554	1,084,935	498,193	51,095,749
Additions	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2020	32,990,683	1,500,000	7,465,384	6,340,000	1,216,554	1,084,935	498,193	51,095,749
DEPRECIATION								
At July 1, 2019	1,319,627	-	2,857,695	6,190,000	744,301	838,123.	-	11,949,746
Charge for the year	1,266,842	-	139,999.52	37,500	157,418	19,745	-	1,621,504.
At June 30, 2020	2,586,469	-	2,997,694.	6,227,500	901,719	857,868	-	13,571,250
NET BOOK VALUE	30,404,214	1,500,000	4,467,690	112,500	314,835	227,067	498,193	37,524,499
At June 30, 2020	<u>30,404,214</u>	<u>1,500,000</u>	<u>4,467,690</u>	<u>112,500</u>	<u>314,835</u>	<u>227,067</u>	<u>498,193</u>	<u>37,524,499</u>

Property, plant and equipment include the following items that are fully depreciated

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	7,465,384	139,999
Buildings and civil works	32,990,683	1,266,842
Work in progress	498,193	0
Motor vehicles, including motor cycles	6,340,000	37,500

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Computers and related equipment	1,216,554	157,418
Office equipment, furniture and fittings	1,084,935	19,745
Freehold land	1,500,000	0
TOTALS	51,095,749	1,621,504

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NOTES TO THE FINANCIAL STATEMENTS (Continued)70

13. INTANGIBLE ASSETS

	2020	2019
Software	Kshs	Kshs
COST		
At July 1	90,500	87,000
Additions		3,500
Disposals		0
At June 30	90,500	90,500
AMORTISATION		
At July 1	53,250	26,100
Charge for the year(30%87,000)+(30%3500)	27,150	27,150
Disposals		0
Impairment loss		0
At June 30	80,400	53,250
NET BOOK VALUE	10,100	37,250
At June 30		

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14. (a) TRADE AND OTHER RECEIVABLES

	2020	2019
	Kshs	Kshs
Trade receivables (note 14 (b))	50,285,433	37,129,472
Other receivables	0	175,002
UNPAID SHARE CAPITAL	100,000	100,000
Net trade and other receivables	50,385,433	37,459,668

14 (b) TRADE RECEIVABLES

	2020	2019
	Kshs	Kshs
Gross trade receivables	54,797,639	50,504,792
Provision for doubtful receivables	(4,512,206)	(13,375,320)
	50,285,433	37,129,472
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 2 years	0	0
Over 2 years	0	0

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15. BANK AND CASH BALANCES

	2020	2019
	Kshs	Kshs
Cash at bank	(2,871,839)	5,472,518.28
Cash in hand	0.00	84,485.00
Totals	(2,871,839)	5,557,003

The bulk of the cash at bank was held at National Bank of Kenya NARWASCO main bankers.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

BANK AND CASH BALANCES (Continued)

The make – up of bank balances and short term deposits is as follows:

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2019-2020	2018-2019
		KShs	
a) Current account			
National bank-Collection a/c	0100342177900	203,466	895,343
National bank-Deposits a/c	0100342177901	299,848	1,013,208
National bank-Exhauster a/c	0100342177906	29,686	316,176
National bank-Operations a/c	0100342177902	(3,404,840)	3,247,791
Sub- total		(2,871,839)	5,472,518
b) Others(specify)			
cash in hand-petty cash	PETTY CASH	0	84,485
Sub- total		0	84,485
Grand total		(2,871,839)	5,557,003

16. ORDINARY SHARE CAPITAL

	2020	2019
	Kshs	Kshs
Authorised:		
1000 ordinary shares of Kshs 100 par value each	100,000	100,000
Totals	100,000	100,000

17. NOTES TO THE STATEMENT OF CASH FLOWS

	2020	2019
	Kshs	Kshs
(a) Reconciliation of operating profit/ (loss) to cash generated from/ (used in) operations		
Operating profit/(loss)	(13,289,482)	3,756,636
Depreciation	1,621,504	2,303,187
Amortisation	27,150	27,150
Operating profit/(loss) before working capital changes	(11,640,828)	6,086,973
Additions		
(Increase)/decrease in trade and other receivables	(13,155,961)	8,336,350
Increase/(decrease) in trade and other payables	8,242,078	(6,996,877)

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Cash generated from/(used in) operations	(16,554,711)	7,426,446
(b) Analysis of cash and cash equivalents		
Short term deposits	1,017,920	0.00
Cash at bank-cashbook balance	(8,428,842)	5,557,003
Cash in hand	0.00	
Balance at end of the year	(2,871,839)	5,557,003

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. REVALUATION RESERVE

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

19. FAIR VALUE ADJUSTMENT RESERVE

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

20. TRADE AND OTHER PAYABLES

PAYABLES	2020	2019
	Kshs	Kshs
WASREB levy	6,138,617	3,503,267
Office of the OAG.	1,960,000	1,928,000
Net Salaries	59,400	304,749.00
Gratuity	1,857,885	1,563,945
Staff creditors-DSA	0	95,000
Shree Hari.	85,880	0
HAB POWER and water ltd	360,700	640,600
Integrated great lakes	469,270	1,269,270
Meirurae company limited	295,000	295,000
Consultancy fees	1,493,748	1,493,748
Family Bank Loans	2,159,229	0
Mwalimu National Sacco	80,939	0
Platinum Credit Limited	12,834	0
PS Ministry of Housing	72,000	0
HELB	15,514	0
PAYE	14,424,314	16,086,203
NHIF	162,635	162,635
RVWSB	4,367,604	4,367,604
KEL Chemicals	5,755,756	0
Sacco deductions	630,990	630,990
KPLC	654,590	1,357,018
NCG- rent arrears	4,452,000	3,996,000
APA insurance	367,274	264,455
WARMA-	324,382	0
NAIVASHA WATER	72,910	72,910

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TOTALS	46,273,473	38,031,395

21. CUSTOMER DEPOSITS

	2020	2019
Deposits b/f	6,036,501	5,023,293
Deposits for the year	1,017,920	1,013,208
Totals	7,054,421	6,036,501

22. CAPITAL FUND

	2020	2019
Grant (WSTF)	33,790,683	32,990,683
Capitalized assets	11,765,570	0
Additional-RVWSB	0	800,000
Totals	45,556,253	33,790,683

NB: the management has included in its reserve capitalized grants and other donations received from the agency and other donors cumulatively from 2017 to date

23. RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilised to finance the entity's business activities

	2020	2019
Balance b/f (deficit)	(7,369,767)	(11,126,403)
Surplus/deficit for the year	(13,289,482)	3,756,635
Totals	(20,659,249)	(7,369,767)

24. BORROWINGS

The analysis of the internal borrowings from customer deposits

	2020	2019
Balance b/f-customers deposits	5,023,293	5,023,293
Additional for the year	1,700,000	0
Totals	6,723,293	5,023,293

NB: The managements is coming up with modalities of repaying the borrowed amount which was used to meet short term obligations.

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25. RELATED PARTY DISCLOSURES

(a) NAROK COUNTY GOVERNMENT

The County Government of Narok is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The County Government of Narok has provided full guarantees to all long-term lenders of the *entity*, both domestic and external.

b) **Key management staff**

They comprise of Managing Director, Commercial Manager and Technical Manager. The Managing Director seats in the Board of Directors as the Secretary the Commercial Manager seats in the finance and administration committee as the secretary the technical manager seats in the Technical committee as the secretary.

26. INCORPORATION

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

27. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

28. CURRENCY

The financial statements are presented in Kenya Shillings (Kshs).

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Unexplained variances	Corrections being done	Florence-Accountants		1 year
1.2	Inaccurate opening balances	Corrections being done	Florence-Accountants		1 year
1.3	Presentations of financial statements	corrected	Dalton/Florence-Accountants		
2.0	Unexplained and overdrawn cashbook	Corrected	Florence-Accountant	resolved	
3.0	Overstated non-current assets	corrected	Dalton-Accountant	Resolved	
4.0	Overstated Trade and other Receivables	Billing system that works out aging analysis of the debts being procured	Evelyn-CM	Not resolved	1 year
5.0	Understated water sales and production costs	Corrected	Florence-Accountant	Resolved	
6.0	Lack of Board of Directors	Appointed and gazetted	Stanley-MD	Resolved	
1.0	Irregular payments of directors emoluments	Explanation given on the reasons for the payments	Evelyn CM	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.0	Irregular expenditure on customer deposits	Due to the cash flow difficulties experienced by the company management had resolved to borrow the expended amount from customers deposits to meet its short term obligations Modalities on how to repay the amount is being worked out.	Evelyn Naisenya(CM)	Resolved	
3.0	Capital expenditure not capitalized	capitalized	Dalton Letina-accountant	resolved	
4.0	Lack of title deeds	On process	Evelyn-CM	Not resolved	6 months
5.0	Unsupported office supplies	Fully supported	Florence-accountant	Resolved	
6.0	Unsupported expenditure on consultancy fees	Fully supported	Florence-accountant	Resolved	
7.0	Unsupported fuel and motor services expenditure	Fully supported	Florence-accountant	Resolved	
8.0	Unsupported creditors	Fully supported	Florence-accountant	Resolved	
9.0	Share capital	Pursuing the stakeholders to pay for their share capital	Stanley-MD	Not Resolved	6 months

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
10.0	Non remittance of statutory deductions	The company has experienced cash flows problems in the past due to high cost of production and therefore difficulties in remitting statutory deductions. Currently the management has promptly submitted the deduction from February 2019.	Evelyn-CM	Resolved	
11.0	Grants projects assets not disclosed	Disclosed	Dalton-accountant	Resolved	
12.0	Going concern	The company over the years has experienced high cost of production hence difficulties to breakeven. County government has supported the company through payment of electricity bill.	Stanley-MD	Resolved	

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APPENDIX I1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by NARWASSCO

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Sogoo/Sagamian water project	NARWASSCO/J6P/ SOGOO/W/2019	NCG WSTF	1 YEAR	90%	YES	NO
Entasekera Water project	NARWASSCO/J6P/ SOGOO/W/2019	NCG WSTF	1 YEAR	90%	YES	NO
Pyinyiny/Ntulele water supply.	RUP/J6P/II/W/33/090	NCG WSTF	1 YEAR	90%	YES	NO
Kilgoris Public Sanitation project	NARWASSCO/J6P/ KILGORIS/S/2019	WSTF	1 YEAR	100%	YES	NO
Olopidongoe Sanitation	NARWASSCO/J6P/ OIOPI/S/2019	WSTF	1 YEAR	100%	YES	NO
Mosiro Sanitation	NARWASSCO/J6P/ MOSIRO/S/2019	WSTF	1 YEAR	100%	YES	NO

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	SOGOO WATER PROJECT	39,357,589	34,280,801	90%	39,357,589	39,357,589	NCG WSTF
2	ENTASEKERA WATER PROJECT	17,773,480	17,739,837	100%	17,773,480	17,739,837	NCG WSTF
3	KILGORIS PUBLIC SANITATION	4,950,000	4,933,832	100%	4,950,000	4,933,832	WSTF
4	OLOPIKODOGOE SANITATION	1,400,000	703,959	100%	1,460,000	1,400,000	WSTF
5	MOSIRO SANIATION	1,400,000	1,170,919	100%	1,403,142	1,400,000	WSTF

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GLOSSARY OF TERMS

1. WSTF- Water Services Trust Fund.
2. WARMA- Water Resource Management Authority.
3. WASREB- Water Services Regulatory Authority Board.
4. RVWSB- Rift Valley Water Services Board.
5. NARWASSCO- Narok Water and Sewerage Services Company.
6. WASPA- Water Services Providers Association.
7. NRW- Non-Revenue- Water
8. CECM- County Executive Committee Member



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