REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KIAMBU WATER AND SEWERAGE COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2020

KIAMBU WATER & SEWERAGE COMPANY LIMITED

CLEAN WATER IS LIFE ★ MAJI SAFI NI UHAI ★

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

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

TABLE OF CONTENTS

KEY ENTITY INFORMATION

Background Information

Kiambu Water & Sewerage Company Ltd (KIWASCO) was incorporated under the Companies Act (Cap. 486) in 2006 and is an appointed agent of The County Government of Kiambu.

Principal Activities

The principal activity of Kiambu Water and Sewerage Company is to ensure efficient and economical provision of water and sewerage services within Kiambu Sub County.

Directors

The directors who served the entity during the year ended June 30th 2020 were as follows

1. Prof. Bernard Njoroge - Chairman
2. John Mutie
3. Josephine W. Muritu
4. Prof. Steven G. Njuguna
5. Mr. James Gitau Muriuki
6. Samuel G. Njuguna
7. Eng. Andrew G. Muigai
8. Mrs. Emmah Waithira Nganga
9. Mr. Ndungu Wa Munywe
10. Mr. Dominic Gachanja
11. Solomon Wairiri Waweru
12. Dr. Martin Njogu

Corporate Secretary

Josephine Muritu,
P.O. Box 2344-00900,
Kiambu, Kenya

Registered Office

Ministry of Water and Irrigation Offices,
Off Biashara Street, Kiambu Town.
P.O. Box 409-00900,
Nairobi, Kenya

Corporate Headquarters

Ministry of Water and Irrigation Offices,
Off Biashara Street, Kiambu Town.
P.O. Box 409-00900,
Nairobi, Kenya

Corporate Contacts

Tel: 020 2133977; 0716 452238
Email: Kiwasco.water@gmail.com; info@kiambuwater.com
Website: www.kiambuwater.com

Corporate Bankers

Post Bank- Kiambu branch
Head Office
P.O. Box 30311-0100
Nairobi, Kenya

Family Bank- Kiambu branch
Head Office
P.O. Box 74145-00200
Nairobi, Kenya

National Bank of Kenya
Kiambu Branch
P.O. Box 2090-00900
Kiambu, Kenya

Equity Bank-
Kiambu branch
P.O. Box 783-00900
Kiambu, Kenya

Safaricom M-Pesa money transfer service
Paybill No. 885100

Kenya Commercial Bank-
Kiambu branch
P.O. Box 81-00900
Kiambu, Kenya

Independent Auditors

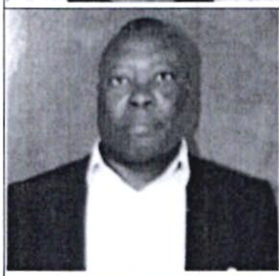
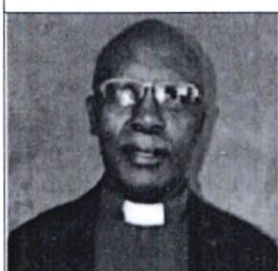
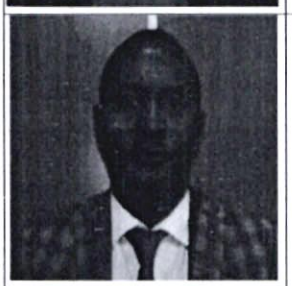
Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

Principal Legal Advisers

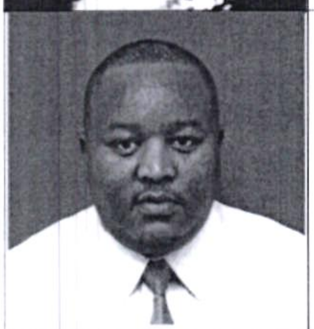
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

BOARD OF DIRECTORS

	**1. Name**: Prof. Eng. Bernard Njoroge **2. Position**: Chairman **3. DoA** : 2018 **4. Qualification**: Ph.D Duke University (U.S.A); M.Sc. New Castle Upon Tyne (U.K); B.Sc.(U.O.N.), Civil Engineering Eng.; M.I.E.K. **5.Work Experience**: DVC Finance University of Nairobi, U.O.N Professor Faculty of Engineering from year 2002
	**1. Name**: John Mwivithi Mutie **2. Position**: Chief Officer Water and Director **3. DoA**: 1st March 2019 **4: Qualification**: LLB (UoN); CPS(K) **5: Work Experience**: Worked with the defunct local Authorities as town clerk/County Clerk in various Local Authorities. Served as County Assembly Clerk/ Secretary to County Assembly of Kiambu. Currently on secondment to County Executive as Chief Officer Department of Water, Environment, Energy and Natural Resources. Also assignment Department of Administration and Public Service as the Acting Chief Officer
	**1.Name**: Josphine W. Muritu **2.Position**: Company Secretary **3: DoA**: 2018 **4.Qualification**: LLB (UoN) **5.Work Experience**: Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki & Company Advocates, Counsel Musyimi & Company Advocates
	**1. Name**: Prof Steven Njuguna **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Phd, Msc, Bsc(1st Class Hons) Environmental Science, Diploma in Education **5.Work Experience**: Kenyatta University, Faculty of Environmental Studies
	**1. Name**: Mr. James Gitau Muriuki **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Bachelor of Science in Chemistry/Biochemistry, Msc. Environmental Health Engineering Sector: Representative of Water Consumers **5.Work Experience**: Ministry of Water and Irrigation,Technical Consultant on Water and Waste water Treatment and Quality Analysis; Environmental Audits, Environmental Impact Assessments (EIA).
	**1. Name**: Samuel Gatama **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Business man, S 1 Teacher **5.Work Experience**: Retired teacher over 30Years Experience

	**1. Name**: Eng. Andrew Muigai **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Bsc Civil Engineering UON **5.Work Experience**: Director Kenya Industrial Research and Development Institute Entrepreneur Engineer and Management Consultant
	**1. Name**: Emma Waithera Ng'ang'a **2. Position**: **3. DoA** : 2018 **4. Qualification**: Msc Corporate Entrepreneurship **5.Work Experience**: 40 years' experience in Business and Marketing
	**1. Name**: Ndung'u Wa Munywe **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Bachelor of Arts, Advanced Public Administration **5.Work Experience**: Worked with UON as Senior Administration Assistant. Ministry of Water and Ministry of Commerce
	**1. Name**: Dominic Gachanja **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Doctor in Pharmacy **5.Work Experience**: Businessman Thika, Board Member Land Control Board
	**1. Name**: Bishop Solomon Waweru **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Retired Public Officer **5.Work Experience**: Bishop of A Church- Representative of NGOs
	**1. Name**: Dr. Martin Njogu Mbugua **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Doctor of Philosophy - Chemistry **5.Work Experience**: Lecturer and researcher, Department of Chemistry/UoN

MANAGEMENT TEAM

	**Acting Managing Director:** **Name:** Mr. Boniface Mbugua Kabue **Area of Training:** Bachelor of Science in Animal Production, Master of Business Administration (Finance Option), Certified Public Accountant (CPA-K). **Age:** 48 Years **Working experience:** Ministry of Livestock; Kenya Wildlife Service; Kenya Land Alliance; Kiambu Water and Sewerage Company.
	**Technical Manager:** **Name:** Ms. Beth Wanjiru Muigai **Area of Training:** Bachelor of Science in Water and Environmental Engineering; Master of Business Administration (Strategic Management Option). **Age:**38 Years **Working experience:** Western Water Services Company; Kiambu Water and Sewerage Company.
	**Accountant:** **Name:** Gideon K. Ndichu **Area of Training**: Bachelor of Commerce (Finance Option), Certified Public Accountant (CPA-K). **Age:** 36 Years **Working Experience:** Africa Harvest Biotech Foundation International, Bradegate Poultry Industries, Kiambu water & Sewerage company Ltd.
	**Procurement Officer:** **Name:** Collins Maina **Area of Training:** Bachelor of Commerce (Marketing), Foundation Diploma – Chartered Institute of Purchasing and supply UK **Age:** 33 Years **Working Experience:** Ministry of health (Kenya National blood transfusion service), Kiambu water and Sewerage Company Ltd
	**Commercial Officer:** **Name:** Joachim K. Wambuku **Area of Training:** Bachelor of Business management, Certified Public Accountant (CPA – K), Diploma in Business management. **Age:** 38 Years **Working Experience:** Waterblue Ltd, Kilele Shuttle Ltd, Elysian Consultants Ltd, Kiambu Water and Sewerage Company Ltd.

CHAIRMAN'S REPORT

During the year the company continued to offer water and sewerage services to our customers. There was marked growth in coverage and level of services.

We wish to acknowledge the good working relationship we have enjoyed from the County Government of Kiambu, Water Services Regulatory Board, Athi Water Works Development Agency, and other partners.

Our customers have also been very supportive. We encourage them to continue paying water bills in a timely manner.

The company has designed water and sewerage infrastructure renewal and development plans and is sourcing financial support for their implementation.

Finally, I take this opportunity to thank our members of staff and urge them to continue serving the company with integrity and diligence. It is my request that the same cooperation will continue.

Prof. Eng. Bernard Njoroge,

CHAIRMAN - BOD

MANAGING DIRECTOR'S REPORT

Kiambu Water & Sewerage Company Ltd (KIWASCO) was incorporated under the Companies Act (Cap. 486) in 2006 and is an appointed agent of The County Government of Kiambu to ensure efficient and economical provision of water and sewerage services within Kiambu municipality. The population for the municipality is currently estimated at 108,698 residents and 35,000 livestock units. Our sources of water are 12 Boreholes, Riara & Kamiti water sources and one sewerage treatment plant. The total water production per day is approximately 6,500 m^3 against a demand of 13,000 m^3 per day. However, we receive about 50,000 m^3 of water per month from Nairobi Water Company which greatly supplements our supply. We also have 12 self – help water projects & several individual borehole owners who supplement the water supply to our esteemed customers. Currently, we are covering about 30% of the 106 km^2 that was allocated to us through a Water Service Provision Agreement.

The company has marked tremendous growth in the number of customers, water sales revenue, and coverage.

The realisation of the company's targets has been hampered by lack of funds to develop infrastructure, inadequate water supply, high levels of non-revenue water, and high operational costs.

During the 2019/2020 financial year, Athi Water Works Development Agency commenced a sewer upgrade project for Kiambu estimated to cost Kshs. 1.8 billion, with funds being sourced from The African Development Bank. The project will entail:

- Upgrading the existing sewerage treatment plant to operationalize the unused aerator and double the capacity of treatment.
- Connecting Kiambu sewerage trunk with Nairobi Water sewer trunk in Kia-Mumbi.
- Extending approximately 60 kilometres of sewer line.
- 20 kilometres of clean water pipeline

Once these projects are implemented, the company will improve on the water supply coverage area, hours of supply and save money currently spent on electricity bills and bulk purchase of water and this will be channelled to improving the water and sanitation services. Sewerage disposal problem will also be largely addressed.

Boniface M. Kabue

Ag. Managing Director

REVIEW OF KIWASCO PERFORMANCE FOR FY 2019/2020

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Kiambu Water & Sewerage Company Limited has 10 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

Pillar 1: Water Service Coverage

Pillar 2: Sewerage Coverage

Pillar 3: Water Quality

Pillar 4: Hours of Supply

Pillar 5: Personnel Expenditure in comparison to total O & M cost

Pillar 6: O & M cost coverage

Pillar 7: Revenue Collection Efficiency

Pillar 8: Unaccounted for water

Pillar 9: Staff Productivity

Pillar 10: Metering Ratio

Kiambu Water & Sewerage Company Limited develops its annual work plans based on the above 10 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. KIWASCO achieved its performance targets set for the FY 2019/2020 period for its10 strategic pillars, as indicated in the diagram below:

KPI Cluster	Strategic Pillar	Objective	KPI	Activities	Achievements
Quality of Service	Water Service Coverage (% of population Served with clean & safe drinking water)	To attain 90 % water coverage from the current 65%	>90%	Increase connectivity to un served areas	69%
	Sewerage Coverage (% of population with adequate Sanitation Facilities)	To attain 75% sewerage coverage	50%	Increase sewerage connectivity. This will be fully achieved when the kiambu Ruaka Sewerage system is fully implemented.	15%
	Water Quality (Total number of tests carried out/number of tests planned according to Guideline and standards)	To attain a 100 % water quality.	>95%	Increase on the number of tests	96%

KPI Cluster	Strategic Pillar	Objective	KPI	Activities	Achievements
	Hours of Supply (Total Hours of Supply per month/30 days)	To attain 24 Hours of Supply	>22 Hours	Increasing water production.	18 Hours
Economic Efficiency	Personnel Expenditure as a percentage of O & M cost	To attain recommended 20% from the current 37%	<20%	Increase in water and sewerage distribution networks.	31%
	O & M Cost Coverage %	To attain 150 % from the current 97%.	>150 %	Increase in number of connections so as to increase on the monthly billing.	101%
	Revenue Collection Efficiency	To attain 98 % collection efficiency from the current 95%	>95%	Disconnection of non-paying customers as well as issuing them with payment demand letters.	86%
Operational Sustainability	Unaccounted for water (Water Produced/ Water Billed)	To attain a 25 % NRW for the current 40%	<25%	Replacement of dilapidated pipeline infrastructure, replacement of old consumer meters.	46%
	Staff Productivity (Staff per 1000 connections)no.	To attain a staff productivity of 5 employees per 1,000 connections.	<5	Increase the number of active water & sewerage connections.	7
	Metering Ratio (Number of metered and operational ratios/ total number of connections)	To retain a meter ratio of 100%	100%	Ensuring all new connections are metered	100%

CORPORATE GOVERNANCE

Kiambu Water and Sewerage Company is a semi-autonomous entity in accordance with the provisions of the Water Act 2002. The company is governed by a Board of Directors (BOD). Below the BOD, is the Managing Director (MD), followed by the top - management then, heads of departments. This is followed by other members of staff. The BOD including the MD have signed a Code of Conduct and the tenets therein, are adhered to as appropriate.

The BOD is directly accountable to the shareholders and every year the company holds an annual general meeting (AGM), the directors provide a report to shareholders on the performance of the company and its future plans. The objects of the company are defined in the Memorandum of Association and regulations are laid out in the Articles of Association. The board of directors' key purpose is to ensure the company is meeting its obligations by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues, the BOD deals with challenges the company is facing, and issues relating to corporate governance, corporate social responsibility and corporate ethics.

Below is a schedule of the Board meetings held during the year;

MEETING	DATES	AGENDAS
1. FULL BOARD		
5TH	1ST JULY 2019	1) Presentation of the Finance Committee Report 2) Presentation of the Human Resource & Administration Committee Report 3) Presentation of the Technical Committee Report 4) Presentation of the Risk and Audit Committee Report 5) Application to borrow from the Water Security Deposit by Ruiru Region 6) Confirmation of Board's Resolution following the Full Board Retreat 7) Confirmation of Minutes of the 4th Full Board Meeting held on 29th November, 2018
6TH	30TH SEPTEMBER 2019	1) Confirmation of Minutes of the Full Board Meeting Held on 9th July, 2019 2) Presentation of the Finance Committee Report 3) Presentation of the Human Resource & Administration Committee Report
4TH SPECIAL	31ST OCTOBER 2019	Presentation of the Payroll Expenditure Movement Report by the Finance Committee Report
5TH SPECIAL	22ND JUNE 2020	1) Preparation for the meeting with the Governor a) Discussion of the Paper by the Chairman on key areas of Progress in the merger process b) Discussion of the Report on performance on key areas of operations to be presented by the Managing Director 2)Discussion of the Report on performance on key areas of operations to be presented by the Managing Director

6TH SPECIAL	25TH JUNE 2020	1)Discussion of the Report on performance on key areas of operations to be presented by the Managing Director 2) Approval of Committees and Board work plans
7TH SPECIAL	30TH JUNE 2020	1) Presentation on the Board's expanded mandate 2) Setting up of the merger road map and the TOR for the Ad Hoc Committee on the Merger
2. **FINANCE COMMITTEE**		
4TH	23RD SEPTEMBER, 2019	Presentation of the Reports of the Financial Year ended on 30th June, 2019 (a) Ruiru Region report (b) Kiambu Region report (c) Karuri Region report (d) Githunguri Region report (e) Limuru Region report (f) Kikuyu Region report (g) Gatundu Region report Approval of the 2019/20 Procurement plan (a) Ruiru Region plan (b) Kiambu Region plan (c) Karuri Region report (d) Githunguri Region report (e) Limuru Region report (f) Kikuyu Region report (g) Gatundu Region report Confirmation of Minutes of the 3rd Finance Committee Meeting
3RD SPECIAL	7TH OCTOBER, 2019	Presentation of the salary harmonisation documents (a) Ruiru Region (b) Kiambu Region (c) Karuri Region (d) Githunguri Region (e) Limuru Region (f) Kikuyu Region (g) Gatundu Region
3. **HUMAN RESOURCE**		
3RD	30TH JULY 2019	Discussion of the Draft Salary Harmonisation Paper Discussing of the Company's Draft Strategic Plan Discussion of the visit to Githunguri Region
4TH	16TH AUGUST 2019	Review of the Draft Salary Harmonisation Paper Review of salary Harmonisation Paper for Ruiru Region De-briefing on the findings of the Committee during the visit to Githunguri Region Confirmation of minutes of the 2nd Human Resource Committee Meeting Confirmation of minutes of the 1st Special Human Resource Committee Meeting Confirmation of minutes of the 2nd Special Human Resource Committee Meeting Confirmation of minutes of the 3rd Special Human Resource Committee Meeting Confirmation of the Minutes of the 3rd Human Resource Committee Meeting
5TH	26TH SEPTEMBER 2019	Staff Distribution at Ruiru Region – Committee Paper No. HR/5/1/19 Performance Contracting Report for the 2018/19 Financial Year – Committee Paper No. HR/5/2/19 Confirmation of minutes of the 4th Human Resource Committee Meeting – Committee Paper No. HR/5/3/19

The duties and role of the Board of Directors are as stipulated in the Board Charter which includes the following:

- Strategic Management
- Identification and management of risks
- Company's financial oversight
- Succession planning and evaluation of management performance
- Oversight of communications and public disclosure
- In charge of corporate Governance

The following Board committee have been established with specific duties and meet quarterly as minimum

- Audit & Risk Management Committee
- The Finance and ICT Committee
- Technical Committee;
- Human Resource and Administration Committee

The remuneration of Directors is determined by the annual general meeting within the maximum approved by shareholders guided by the Government of Kenya Regulations (Water Services Regulatory Board) from time to time. The Chairman will be paid a monthly honorarium of Kshs. 80,000/-, monthly telephone allowance of Kshs. 20,000/-. The Chairman will be paid a sitting allowance of Kshs. 25,000 while attending Board meetings and other functions, workshops and trainings sponsored by the Company. While attending a meeting or such function within Kiambu County and its environs, the Chairman will be paid a lunch allowance of Kshs. 3,000 and transport allowance of Kshs. 2,000/-. Directors will be paid a sitting allowance of Kshs 20,000.00 while attending Board and committee meetings, and other functions, workshops and trainings sponsored by the Company. Where the meeting or function is within Kiambu County, the Directors will be entitled to a lunch allowance of Kshs 3,000.00 (where no lunch is provided) and transport allowance of Kshs 2,000.00. During the 2019/2020 financial year the company did not incur any expenditure in relation to the Board of Directors.

MANAGEMENT DISCUSSION AND ANALYSIS

Kiambu Water & Sewerage Company Limited management discussion and analysis provides an overview of the Company's financial and operational activities for the year ended June 30, 2020. The discussion also comprises of comparative performance for the last five years the current year being inclusive. Below are management discussions in relation to:

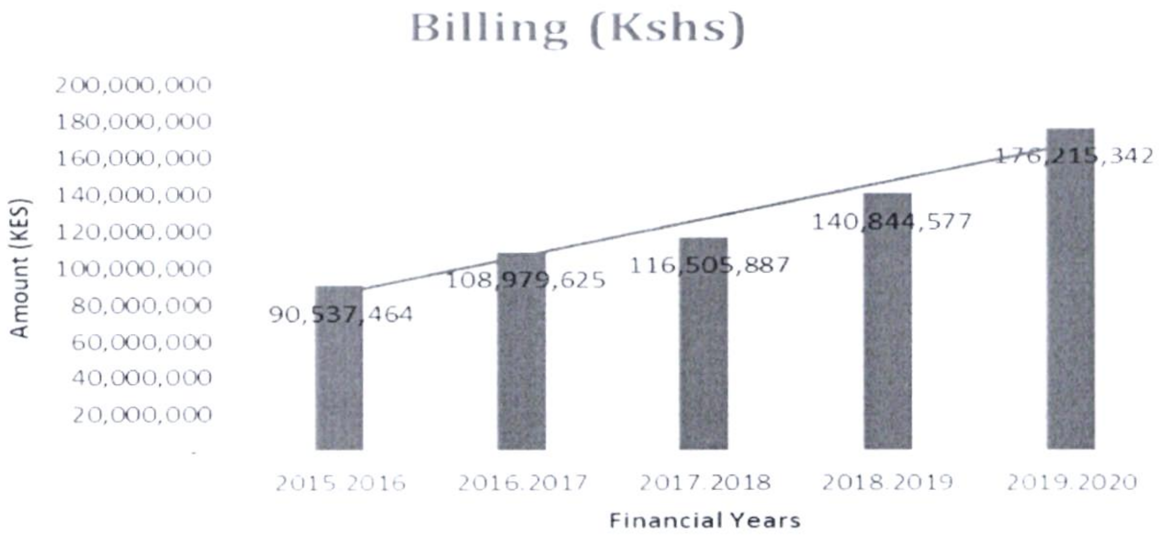
a) **Projects:**

ONGOING PROJECTS:
Athi Water Services Board is implementing a sewer upgrade project for Kiambu with funding from The African Development Bank. The project covers Ndumberi, Kiambu Town, Kirigiti, Kiamumbi and Thindigua. It entails: • Upgrading the existing sewerage treatment plant to operationalise the unused aerator and double the capacity of treatment. • Connecting Kiambu sewerage trunk with Nairobi Water sewer trunks in Kiamumbi and Thindigua. • Extending approximately 60 kilometres of sewer line. (7.0 Kilometres already done in Kiamumbi) • 17.7 kilometres of water distribution network in Ndumberi and Riabai. (1.9 Kilometres already done in Riabai) • Construction of two ablution blocks. • Drilling and equipping one borehole
UPCOMING PROJECTS
• Athi Water Services Board will be implementing Ruiru II water project projected to deliver 40,000 cubic meters of water to Kiambu town daily.

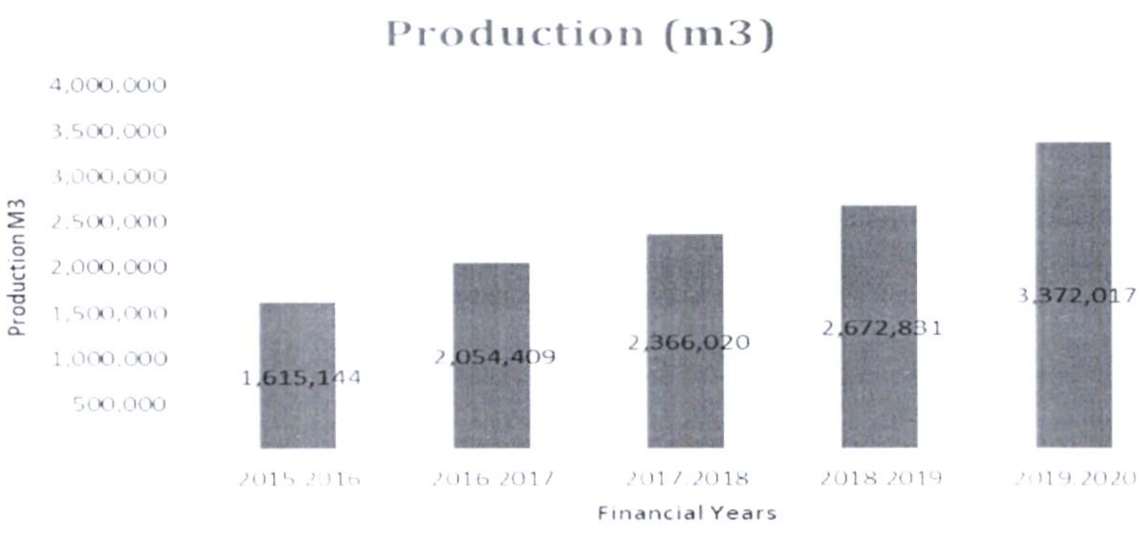
b) **Statutory Compliance:** During the financial year ended the region submitted and paid for the statutory deductions in time i.e. PAYE, NSSF, NHIF on 9th, 15th and 9th of the following months respectively thus ensuing total compliance.

c) **Comparative Analysis:** Below is a five-year analysis of Kiambu Water Financial performance as well as water production analysis.

Five Year Billing Analysis					
Year	2015.2016	2016.2017	2017.2018	2018.2019	2019.2020
Billing (Kshs)	90,537,464	108,979,625	116,505,887	140,844,577	176,215,342

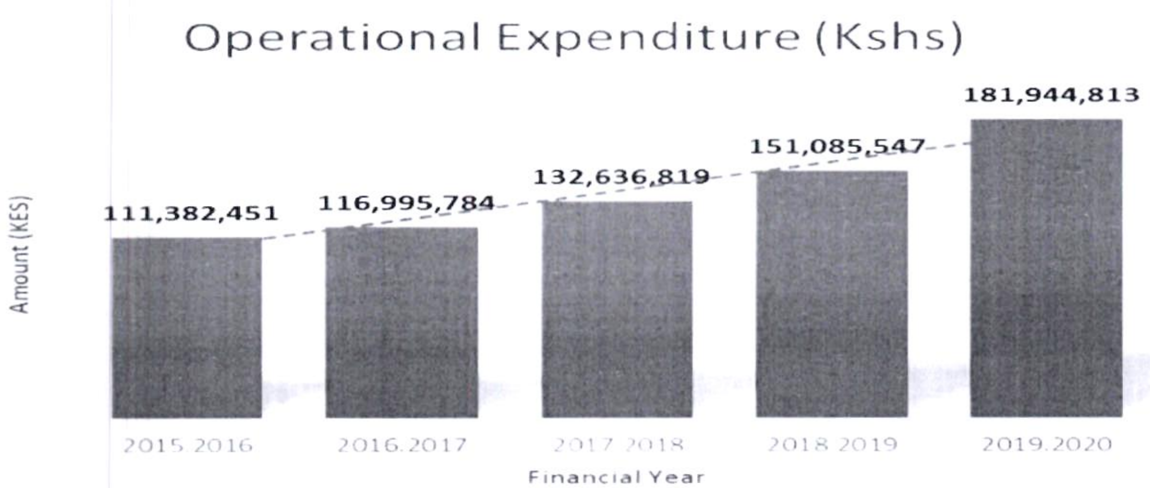


Five Year Water Production Analysis					
Year	2015.2016	2016.2017	2017.2018	2018.2019	2019.2020
Production (m3)	1,615,144	2,054,409	2,366,020	2,672,831	3,372,017

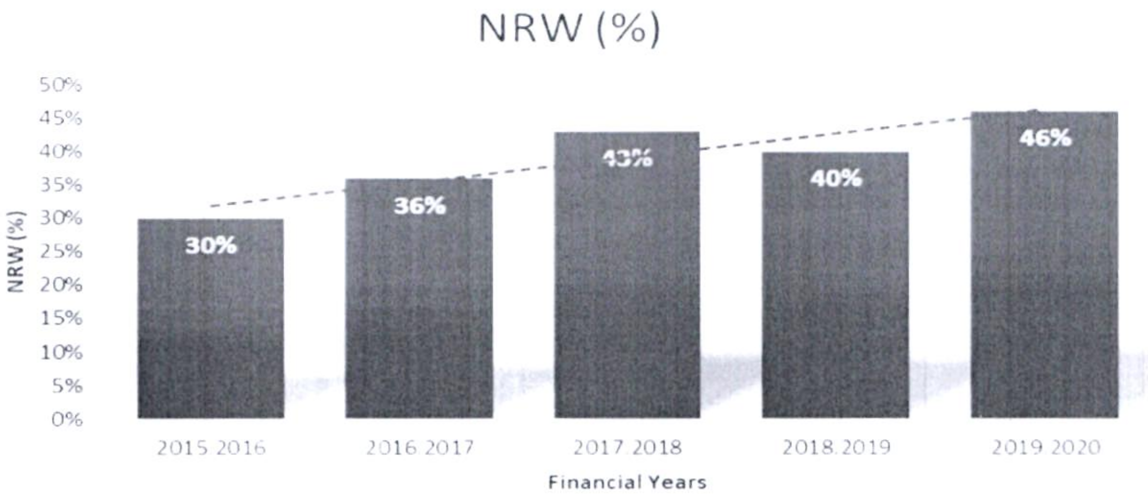


Five Year Miscellaneous Income Analysis					
Year	**2015.2016**	**2016.2017**	**2017.2018**	**2018.2019**	**2019.2020**
Miscellaneous Income (Kshs)	**7,735,761**	**3,824,588**	**4,584,104**	**4,284,300**	**4,161,090**

Five Year Operational Expenditure Analysis					
Year	**2015.2016**	**2016.2017**	**2017.2018**	**2018.2019**	**2019.2020**
Operational Expenditure (Kshs)	**111,382,451**	**116,995,784**	**132,636,819**	**151,085,547**	**181,944,813**



Five Year Non-Revenue Water Trend Analysis					
Year	2015.2016	2016.2017	2017.2018	2018.2019	2019.2020
NRW (%)	30%	36%	43%	40%	46%



CORPORATE SOCIAL RESPONSIBILITY

Kiambu Water & Sewerage Company Limited exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on KIWASCO pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

Sustainability strategy and profile –

To enhance Sustainability, the Company has been able to achieve the following over time:

- Development of two surface water sources on Rivers Riara and Kamiti.
- Drilling and equipping of boreholes in Indian Bazaar, Kihingo, Kirigiti and Ndumberi.
- Increased water production from 2,054 (2007) to 8,760 (2020) cubic meters per day.
- Increase in number of consumer connections from 2,252 (2007) to 9,491 (2020).
- Enhanced revenue collection from Kes 4.4 million (2007) to 13 million (2020) per month in 2020.
- Implementation of a cashless revenue collection by use of banking and Mpesa services. Cash is not collected in the office.
- Smart meter reading, in-house billing, incorporating sms billing, bill query (*483*85#) and customer complaint handling module.
- Pipeline extensions of various sizes in Kamiti, Mugumo, Kirigiti, Thathiini, Riabai, Kihingo, Gichocho, Ndumberi, Karunga, Kangoya, Indian Bazaar, Ruthiruini, and Kiambu Town.
- Received and utilized seventeen million (17) Kenyan shillings from Water Services Trust fund in 2013 to improve water services in Kihingo area and improve sanitation within lower Kiambu Town.
- Received and utilized twenty-six (26) million Kenyan Shillings from Water Services Trust Fund in 2014 to improve water services in Rockline and Indian Bazaar areas through construction of two (2) elevated steel tanks and extension of water pipeline (8.5 km).
- Improved working conditions for staff.

However, the company is faced by the below mentioned challenges;

- High unaccounted for water (non-revenue water) due to aged supply network and water theft. We have adopted a policy of ensuring that any reported burst or leak is addressed in the shortest time possible, all customers are metered and aged systems are rehabilitated systematically. We intend to overhaul the current distribution system within Kiambu town and its environs as a remedy. Project proposals have been sent to Water Services Trust Fund and World Bank (through Water Services Regulatory Board).
- Interruption of water supply due to breakdown of boreholes (motors and pumps).
- Lack of water supply infrastructure in some areas.
- Old and dilapidated water supply infrastructure that requires upgrading.

- Destruction of water pipelines during road construction works.
- Theft of manhole covers, water meters and pipes.
- An overstretched sewer treatment plant which has outlived its design capacity which was constructed in 1974 when Kiambu was a small town.

Environmental performance

During the year the company partnered with the community and Water Resource Users Associations (WRUAs) on planting of indigenous tree seedlings in an effort to conserve the environment and protect the catchment areas.

Employee welfare

The company is guided by the Human Resource Policy as well as the Collective Bargaining Agreement signed between the company and the Federation of Kenya Employers. The two documents take into account the hiring process where gender ration is well explained. The company provide a comprehensive medical cover to all its employees renewable after every year. The company also pays for short courses in collaboration with other institutions to improve on the employees' skills. The company also organises for medical clinics where the medical test for respective employees are done at will.

Market place practices-

The company always ensures steady supply of clean and treated water to the customers as well as ensuring the sewerage plant is in operation for twenty-four hours to ensure proper management of waste water. The company engages with the suppliers having followed all the necessary required procurement procedures and also maintains a good supplier relationship where the supplies are paid within 90 days upon delivery of good and services.

Community Engagements-

During the year the company supplied the community with tanks and established various washing points as directed by the Ministry of Health to curb the spread of Corona Virus. The company also supported the county government of Kiambu by donating Kshs. 250,000 geared toward buying of food and personal protective equipment to most vulnerable areas all aimed at fighting the spread of Corona Virus

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of Kiambu Water and Sewerage Company affairs.

Principal activities

The principal activities of the entity are to ensure the economical provision of water and sewerage services in Kiambu Sub County.

Results

The results of the entity for the year ended June 30, 2020 are set out on page 23 to 55.

Dividends

The Directors do not recommend the payment of dividend for the year.

Directors

The members of the Board of Directors who served during the year are shown on page 5-6.

Auditors

The Auditor General is responsible for the statutory audit of KIWASCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board,

Josephine Muritu

Company Secretary

Date: 19/04/2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of KIWASCO's financial statements, which give a true and fair view of the state of affairs of KIWASCO 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 the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of KIWASCO; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for KIWASCO's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that KIWASCO's financial statements give a true and fair view of the state of KIWASCO's transactions during the financial year ended June 30, 2020, and of KIWASCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for KIWASCO's, which have been relied upon in the preparation of KIWASCO's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

KIWASCO's financial statements were approved by the Board on 19/04 2021 and signed on its behalf by:

Board Chairman

Ag. Managing Director

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KIAMBU WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kiambu Water and Sewerage Company Limited set out on pages 23 to 53, which comprise of the statement of financial position as at 30 June, 2020, statement of 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kiambu Water and Sewerage Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Disclose Material Uncertainty in Relation to Going Concern

The Company recorded an operating loss of Kshs.1,568,381 during the financial year ended 30 June, 2020 (2019 - loss of Kshs.5,952,670), which further depleted its revenue reserves from negative Kshs.86,042,104 as at 30 June, 2019 to negative Kshs.88,386,909 as at 30 June, 2020. In addition, the statement of financial position reflects current liabilities of Kshs.205,048,954 which exceeded the current assets of Kshs.112,916,013 thus resulting into a negative working capital of Kshs.92,132,941 as at 30 June, 2020.

The material uncertainty which cast significant doubt on the Company`s ability to continue as a going concern and cannot meet its obligations as and when they fall due. Management has not made any disclosure on this material fact in the notes to the financial statements or any mitigating measures put in place by the Company's Directors to reverse the trend.

In the circumstances, the existence of the company as a going concern is dependent on financial support from the County Government and its creditors.

2. Non-Disclosure and Valuation of Property, Plant and Equipment

The statement of financial position as at 30 June, 2020 reflects property, plant and equipment balance of Kshs.10,043,635. However, a review of the fixed assets records revealed that plant and equipment valued at Kshs.5,572,619 were not included in the fixed assets register.

Further, the balance of property, plant and equipment as at 30 June, 2020 includes a parcel of land measuring 0.045 hectares listed in the asset register at a value of Kshs.1,343,200. However, as previously reported, ownership documents and valuation report or cost records were not presented for audit review.

As a result, the accuracy and completeness of property, plant and equipment balance of Kshs.10,043,635 as at 30 June, 2020 could not be confirmed.

3. Irregular Provision for Bad and Doubtful Debts

The statement of financial position reflects trade and other receivables net balance of Kshs.89,953,550 as at 30 June, 2020 which as disclosed in Note 15 to the financial statements includes net water debtors of Kshs.76,721,466 after a provision for bad debts of Kshs.4,037,972. However, review of records indicates that the provision for bad debts was based on a flat rate of 5% of gross water debtors instead of graduated rates as provided by the Company Finance Policy where only Kshs.2,856,443 ought to have been provided based on the aging analysis leading to a difference of Kshs.1,181,529 which has not been explained.

Consequently, the accuracy of the provision for bad debts for the water debtors amounting to Kshs.4,037,972 included in the trade and other receivable balance of Kshs.89,953,550 reflected in statement of financial position could not be ascertained.

4. Unremitted Assessed Actuarial Deficit

As reported in the previous year, the statement of financial position reflects an amount of Kshs.8,066,643 which as disclosed in Note 20 to the financial statements includes an amount of Kshs.3,015,865 in respect of actuarial (superannuation scheme). As previously reported, the balance represents unremitted pension (employer contribution) in respect of nine employees seconded from National Water Conservation and Pipeline Corporation.

Although Management of the Company was asked by the Corporation to provide a way forward on how to clear the deficit during the 2014/2015 financial year, the liability had not been paid as at 30 June, 2020. No explanation was given for failure to pay the debt which has been outstanding since 2015 or for continued classification of the long outstanding amount of Kshs.3,015,865 under current liabilities.

In the circumstances, Management failure to pay the liabilities in time may attract penalties and interests.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kiambu Water and Sewerage Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAIs 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

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: AG.4/16/3 Vol.1(9) dated 24 June, 2020.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the Company's information, corporate governance and the report of Board of Directors as required by the Companies Act, 2015. The other information does not include the financial statements and the auditor's report thereon.

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 conclusion thereon.

In connection with my audit of the Company's 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. If, based on the work I have performed, I conclude that there is a 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. Non-Compliance with Ethnic Composition

Review of human resource records showed that during the year under review, the Company had a total of fifty-five (55) employees out of which forty-three (43) or 78% were from one dominant ethnic community. This is contrary to the requirements under Section 7(2) of the National Cohesion and Integration Act, 2008, which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that at least 30% of the employees be from other ethnic communities.

In the circumstances, Management is in breach of law.

2. Use of Unapproved Water Rates to Bill Customers

During the financial year under review, Kiambu Water and Sewerage Company Limited billed customers for water supplied worth Kshs.176,215,342. However, it was noted that Management had applied the existing tariffs gazetted on 25 July, 2014 vide Kenya Gazette Notice No. 5141 which was effective between 1 August, 2015 to 30 June, 2017 and therefore had expired. No explanation or evidence was provided indicating that the Company Management sought extension of the approved rates billed to water consumers during the financial year under review as per Clause 72(1)(b) of the Water Act, 2016.

In the circumstances, Management is in breach of law.

3. Excessive Non-Revenue Water

During the year under review, the Company produced a total of 3,372,017 cubic meters (m3) of water out of which 1,830,869 cubic meters (m^3) of water was sold (billed) to customers. The difference of 1,061,434 cubic meters (m^3) represents Non-Revenue water being 46% which is 21% over and above the allowable loss of 25% set by Water Services Regulatory Board (WASREB) Guidelines. The non-revenue water of 46% may have resulted in a loss of sales estimated at Kshs.92,344,758.

The significant level of non-revenue water is an indication of inefficiency and ineffectiveness in the use of water and public resources and may negatively impact on the Company's profitability and its ability to sustain services in the long run.

In the circumstances, Management is in breach of law.

4. Irregular Staff Cost

The statement of financial performance reflects an amount of Kshs.58,805,633 in respect of staff costs which, as disclosed in Note 21 to the financial statements constitutes an amount of Kshs.2,843,111 comprising gross salary and employer contribution to pension scheme of Kshs.2,485,836 and Kshs.354,875, respectively in respect of a Managing Director who was suspended in 2015.

However, the suspended Managing Director had sued the Company vide suit number 829 of 2016, and the case has not been determined hence continue to earn salary from the Company. A total of Kshs.18,400,946 had been paid as of 30 June, 2020 since 2015 to the suspended Managing Director.

In a meeting held on 6 July, 2015, the Board of Directors appointed the then Commercial Manager to act as a Managing Director for a period of three months. However, the employee is still on an acting capacity more than five years since his appointment and exceeding the period specified in the board resolution. No evidence of a new resolution by the Board was provided for on the payments amounting to Kshs.17,031,579 to the officer while acting as a managing director beyond the approved time.

In the circumstances, Management is in breach of 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 matter 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

Lack of a Functional Board of Directors

As was reported in the previous years, review of records revealed that the Company did not have a functional Board of Directors. Records indicates that the Directors were all appointed on 26 March, 2019. However, the appointment letters show that the Directors were appointed to act on behalf of Kiambu County Water and Sewerage Company, which is a separate entity from Kiambu Water and Sewerage Company Limited. As a result, there has been a lack of review and formulation of the Company's new policies, strategies, goals evaluation of present and future opportunities, risks and threats, and procedures. Further, execution of the functions of the Board general oversight, finance and audit committee functions among others may have not been implemented.

In absence of a functional Board, I am unable to the confirm effectiveness of the general direction and overall governance in the Company.

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 Kenyan Companies Act, 2015, I report based on my audit, that:

(i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of 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 the accounting records and returns.

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, the 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 financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 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

11 February, 2022

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

KIAMBU WATER & SEWERAGE CO. LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2020.

	Notes	2020	2019
		Kshs	**Kshs**
REVENUE			
Turnover	7	176,215,342	140,844,577
Cost of Sales	8	40,511,158	47,483,163
Gross Profit		135,704,184	93,361,414
Other Income			
Miscellaneous Income	9	4,161,090	4,284,300
TOTAL REVENUES		**139,865,274**	**97,645,714**
EXPENSES			
Staff Costs	21	58,840,872	55,952,524
Administrative expenses	22	14,876,734	11,037,049
Finance cost	23	645,445	508,611
Board Expenses	24	-	260,000
Operational Costs	25	58,293,763	27,218,958
Levis & Licence Remuneration	26	8,776,840	8,621,241
		141,433,655	103,598,384
Operating profit		(1,568,381)	(5,952,670)
Profit/(Loss) before tax		(1,568,381)	(5,952,670)
Net Profit/(Loss)		(1,568,381)	(5,952,670)

STATEMENT OF FINANCIAL POSITION

KIAMBU WATER & SEWERAGE CO. LTD

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Notes	2020	2019
		Kshs	Kshs
Non-current assets			
Property, plant and equipment	6	10,043,635	9,794,778
		10,043,635	**9,794,778**
Current assets			
Trade and other receivables	15	89,953,550	59,950,390
Cash and cash equivalents	16	16,826,169	12,007,472
Inventory		6,136,294	5,321,791
Total current assets		**112,916,013**	**77,279,653**
Total Assets		**122,959,648**	**87,074,431**
FINANCED BY:			
Capital and reserves			
Ordinary Share capital		100,000	100,000
Donated Equity		5,141,083	5,141,083
Revaluation reserve		1,056,520	783,332
Accumulated Revenue Reserves		(88,386,909)	(86,042,107)
Shareholders' funds		**(82,089,306)**	**(80,017,692)**
Current liabilities			
Trade & Other payables	17	185,137,516	146,393,812
Customer Deposits	19	11,844,795	10,178,125
Payroll Liabilities	20	8,066,643	10,520,186
Total Current Liabities		205,048,954	167,092,123
		122,959,648	**87,074,431**

The financial statements were approved by the Board on 19/04/2021 and were signed on its behalf by:

Name: Boniface Mbugua Kabue Ag. Managing Director Signature:	Name: Gideon K. Ndichu Accountant Signature: .... ICPAK M/NO: 8849.	Name: Prof. Eng. Bernard Njoroge Chairman of the Board Signature: ....

STATEMENT OF CHANGES IN EQUITY

KIAMBU WATER & SEWERAGE CO. LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2020

	Share Capital Kshs	Donated Equity Kshs	Revaluation Reserve Kshs	Revenue Reserves Kshs	Total Kshs
Balance at 1st July 2019	100,000	5,141,083	783,332	(86,042,104)	(80,017,689)
Change in Revaluation	-	-	273,188	-	273,188
Year Adjustments	-	-	-	(776,424)	(776,424)
Surplus (Deficit)	-	-	-	(1,568,381)	(1,568,381)
Balance as at 30 June 2020	100,000	5,141,083	1,056,520	(88,386,909)	(82,089,306)
Balance at 1st July 2020	100,000	5,141,083	1,056,520	(88,386,909)	(82,089,306)
Balance as at 30 June 2020	100,000	5,141,083	1,056,520	(88,386,909)	(82,089,306)

KIAMBU WATER & SEWERAGE CO. LTD

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

	Share Capital Kshs	Donated Equity Kshs	Revaluation Reserve Kshs	Revenue Reserves Kshs	Total Kshs
Balance at 1st July 2018	100,000	5,141,083	656,251	(68,657,985)	(62,760,651)
Change in Revaluation	-	-	127,081	-	127,081
Year Adjustments	-	-	-	(11,431,448)	(11,431,448)
Surplus (Deficit)	-	-	-	(5,952,671)	(5,952,671)
Balance as at 30 June 2019	100,000	5,141,083	783,332	(86,042,104)	(80,017,689)
Balance at 1st July 2019	100,000	5,141,083	783,332	(86,042,104)	(80,017,689)
Balance as at 30 June 2019	100,000	5,141,083	783,332	(86,042,104)	(80,017,689)

KIAMBU WATER & SEWERAGE CO. LTD

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2020

	2020	2019
	Kshs	Kshs
Cashflow From Operating Activities		
a) Operating profit before working capital changes	(1,568,381)	(5,952,670)
Depreciation	1,082,370	547,296
Operating profit/deficit before working capital changes	(486,011)	(5,405,374)
Decrease/increase in trade and other receivables	(29,221,612)	(10,127,722)
Decrease(increase) in prepayments and deposits	(2,230,690)	73,881
Decrease(increase) Stock inventories	(814,503)	9,508,881
(Decrease)/increase in payables and accruals	37,739,307	26,769,954
change in working capital	5,472,502	26,224,995
Net cashflow from Operating Activities	**4,986,491**	**20,819,621**
b) Investing activities		
Purchase of additional assets	(1,058,040)	(1,920,782)
Accumulated Depreciation	-	-
Net cashflow from investing activities	**(1,058,040)**	**(1,920,782)**
c) Financing activities		
Customer Deposits	1,666,670	1,539,000
Members Equity	(776,424)	(11,431,448)
Net cashflow from financing activities	**890,246**	**(9,892,448)**
Net Increase / (Decrease) in cash and cash equivalents	4,818,697	9,006,391
Movement in cash and cash equivalents		
At start of year	12,007,473	3,001,082
Increase / (Decrease) in cash and cash equivalents	4,818,697	9,006,391
At end of year	**16,826,170**	**12,007,473**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

KIAMBU WATER AND SEWERAGE COMPANY LTD					
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS					
FOR THE PERIOD JUNE 30, 2020					
Item Description	**Budget**	**Actual**	**Variance**	**% Variance**	**Notes**
REVENUE:					
Water Sales	141,444,455	128,700,655	(12,743,800)	-9%	
Sewer	47,148,152	47,514,687	366,535	1%	
Miscellaneous	2,750,000	4,161,090	1,411,090	34%	
Total Income	**191,342,607**	**180,376,432**	**(10,966,175)**	**-6%**	1
COST OF SALES					
Bulk Water Supply	19,200,000	31,947,834	12,747,834	66%	
Chemicals	3,000,000	2,052,748	(947,252)	-32%	
Electricity - operations	10,800,000	6,510,576	(4,289,424)	-40%	
Total Cost of Sales	**33,000,000**	**40,511,158**	**7,511,158**	**23%**	2
Gross Surplus (Deficit)	**158,342,607**	**139,865,274**	**(18,477,333)**	**-12%**	
EXPENDITURE:					
Staff Cost					
Staff Salaries & Wages	59,296,000	55,244,509	(4,051,491)	-7%	
Medical Expenses	4,800,000	3,596,363	(1,203,637)	-25%	
Total Staff Cost	**64,096,000**	**58,840,872**	**(5,255,128)**	**-8%**	3
Administration Expenses					
Rent & Rates	90,000	42,000	(48,000)	-53%	
Electricity Office	240,000	293,331	53,331	22%	
Telephone & Postage	396,000	394,210	(1,790)	0%	
Printing & Stationery	480,000	655,594	175,594	37%	
IT Costs	780,000	482,619	(297,381)	-38%	
Travelling allowance	2,160,000	1,882,129	(277,871)	-13%	
Staff training & workshops	1,260,000	868,275	(391,725)	-31%	
Security	942,000	768,000	(174,000)	-18%	
Uniforms & Medical items	1,020,000	659,157	(360,843)	-35%	
Staff welfare	1,800,000	987,979	(812,021)	-45%	
Fees & Commissions - Insurance	600,000	170,644	(429,356)	-72%	
Membership to Professional Association	240,000	388,300	148,300	62%	
General Office Expenses	1,320,000	1,434,239	114,239	9%	
Office repairs & Maintenance	360,000	401,524	41,524	12%	
AGM Expenses	300,000	-	(300,000)	-100%	
Advertisements	300,000	256,360	(43,640)	-15%	
Audit Fees	240,000	232,008	(7,992)	-3%	
Water & Sewerage	24,000	39,540	15,540	65%	
Depreciation	1,020,000	1,082,370	62,370	6%	
First Aid Kitty	60,000	-	(60,000)	-100%	
WASCO Games	1,200,000	1,245,858	45,858	4%	
Provision for Doubtful Debts	-	1,449,146	1,449,146	100%	
Contribution to Merger Fund	3,480,000	-	(3,480,000)	-100%	
Environmental Conservation	240,000	202,990	(37,010)	-15%	
Performance reward System	240,000	-	(240,000)	-100%	
CSR	775,000	751,905	(23,095)	-3%	
Legal Fees	600,000	188,556	(411,444)	-69%	
Total Administration Costs	**20,167,000**	**14,876,734**	**(5,290,266)**	**-26%**	4
Finance Cost					
Bank Charges	540,000	645,445	105,445	16%	
Total Finance Cost	**540,000**	**645,445**	**105,445**	**16%**	5

KIAMBU WATER AND SEWERAGE COMPANY LTD					
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS					
FOR THE PERIOD JUNE 30, 2020					
Item Description	**Budget**	**Actual**	**Variance**	**% Variance**	**Notes**
Operational Costs					
Water Quality Testing	600,000	191,680	(408,320)	-68%	
Water abstraction charges	2,160,000	1,628,226	(531,774)	-25%	
Bill & Other Support Services	210,000	617,856	407,856	194%	
Water Source Management	500,000	-	(500,000)	-100%	
Operational repairs & Maintenance	33,306,600	54,238,802	20,932,202	63%	
Maintenance of Buildings	420,000	408,316	(11,684)	-3%	
Planning & Designs	1,020,000	688,451	(331,549)	-33%	
Fuel & Lubricants	1,860,000	981,864	(878,136)	-47%	
Vehicle Maintenance	1,140,000	1,166,794	26,794	2%	
Total Operational Costs	**41,216,600**	**59,921,988**	**18,705,388**	**45%**	6
Board Expenses					
Capacity Building	360,000	-	(360,000)	-100%	
Travel & Accommodation	840,000	-	(840,000)	-100%	
Board Honorarium	171,500	-	(171,500)	-100%	
Medical Expenses	48,000	-	(48,000)	-100%	
Board Allowances	644,000	-	(644,000)	-100%	
Total Board Expenses	**2,063,500**	**-**	**(2,063,500)**	**-100%**	7
Levies & License Expenses					
Lease Fees AWSB	6,000,000	-	(6,000,000)	-100%	
Regulatory fee	7,700,000	7,048,614	(651,386)	-8%	
NEMA - license Application	100,000	100,000	-	0%	
Total Regulatory Expenses	**13,800,000**	**7,148,614**	**(6,651,386)**	-48%	8
Total Expenses	**141,883,100**	**141,433,654**	**(449,446)**	**-0.3%**	9
Surplus / (Deficit)	**16,459,507**	**(1,568,381)**	**(18,027,888)**	**-110%**	
Capital Budget	**3,882,200**	**1,058,040**	**(2,824,160)**	**-73%**	**10**

NOTES TO COMPARATIVE BUDGET

1. **Revenue:** The deficit variance of 6 % as attributed by disruption of our water treatment plant at Kamiti by the neighbouring residents thus resulting to a decrease in production and hence forth a decrease on the billing. There was also destruction of our major pipelines by the grader during road upgrading where the customers were not supplied with water during those incidents thus affecting the volumes billed.
2. **Cost of Sales:** These relates to cost as Purchase of bulky water from Nairobi Water for resale, purchase of chemicals used in the company's treatment plants as well as electricity used during the period. In over all the actual total cost of sales was 23% more than the budgeted amount. This was caused by estimated readings from Nairobi water as the meter serving Tinganga areas have been faulty and the same has been reported to Nairobi Water where they are starting that efforts to replace the meter has been curtailed by the owner of the land parcel where he has

denied then access to the meter. There was also interruption by Githiga Residents of one of the company's source of water thus forcing the company to use more of the bulk water from Nairobi water so as to ensure efficient delivery of services to the customers.

3. **Staff Costs:** During the 2019.2020 financial year the company had 55 employees who were provided with comprehensive medical cover. The actual amount spent was 8% less of the budgeted-d amount thus it was within the acceptable level of 10%.
4. **Administrative Expenses:** During 2019.2020 financial year the company spent 26 % less of the budgeted amount. The reported under expenditure was as a result of, in some of the budget lines no expenditure was incurred i.e. AGM expenditure, First aid kitty, contribution towards merger fund and performance reward system.
5. **Operational Costs:** The major cost was for Billing and support services and operational expenses. The company overspent Billing support services as it resulted to sending numerous SMS reminders as from the outbreak of Corona Virus the company was not disconnecting non-paying customers but rather sending reminders thus the increased cost. Also the numerous SMS were for the creation of awareness to all our customers on the existence of Corona virus and ways to curb its spread. Operational cost increased by 63% of the budgeted amount as result of repairs and replacement of pipelines destroyed by Graders during road construction in the following areas; Kiambu Catholic Slip road, Riabai Sodom area, rehabilitation of existing network due to road works & frequent bursts in areas of Thathi-ini, extension of Kangoya Kiawanganyo line.
6. **Board Expenses:** The Company did not incur expenditure in relation to Board expenses.
7. **Levies & Licence Fees:** There was an expenditure of 48 % as in comparison to the budgeted amount. The company never incurred an expenditure in relation to Lease fees payable to Athi water services board as the company no longer accrues toward the lease fees. Regulatory fees payable was increased from 1 % to 4% of the monthly billing.
8. **Capital Financing:** The Company realised under expenditure of 73% of the budgeted amount as only Rugged Smart phones, three motor bikes and three tablets were bought during the year. The non-achievement of 100% purchase of the budgeted amount was as a result of Corona Virus outbreak which greatly affected the collection to a level of 86% from 96% from the previous year thus effecting the ability to pay.

1. GENERAL INFORMATION

Kiambu Water & Sewerage Company Ltd entity was established in 2006 and derives its authority and accountability from by Company's Act (Cap 486). The entity is wholly owned by the County Government of Kiambu and is domiciled in Kenya. The entity's principal activity is to ensure efficient and economical provision of water and sewerage services within Kiambu Sub County is to ensure efficient and economical provision of water and sewerage services within Kiambu Sub County.
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 accrual basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kiambu Water & Sewerage Company Ltd.

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)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. This was not applicable for Kiambu Water & Sewerage Company Ltd.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure pre-payable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Revenue recognition

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

i) **Revenue from the sale of goods and services** is recognized in the year in which the Kiambu Water & Sewerage Company Ltd 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 recognized in the year in which the Kiambu Water & Sewerage Company Ltd 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 recognized in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

v) **Rental income** is recognized in the income statement as it accrues using the effective lease agreements.

vi) **Other income** is recognized as it accrues.

2. In-kind contributions

In-kind contributions are donations that are made to Kiambu Water & Sewerage Company Ltd 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, Kiambu Water & Sewerage Company Ltd 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.

3. Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 recognized in profit or loss in the income statement.

4. 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 costt of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized 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 or the unexpired lease period
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 recognized 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

5. Intangible assets

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

6. Amortization and impairment of intangible assets

Amortization 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. 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.

8. 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 recognized 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 recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

9. 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.

10. 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.

11. Unquoted investments

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

12. Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. **Trade and other receivables**

Trade and other receivables are recognized 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.

14. **Taxation**

a) ***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.

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.

b) 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.
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.

15. **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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

16. **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 amortized cost using the effective interest rate method. Amortized 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 capitalized as part of the cost of the project.

17. **Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortized 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.

18. **Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2006. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The Employer contributes 15% of both the basic and house allowance where the employees contributes 12% of the same for the permanent and pensionable employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

19. **Provision for staff leave pay**

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

20. **Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

21. **Comparative figures**

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

22. **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.

4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY.

The preparation of Kiambu Water & Sewerage Company Ltd 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.

In the application of the Company's accounting policies, which are described above, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the periods of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Critical Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Revenue recognition
Water revenue includes an assessment of water supplied to customers between the date of the last meter reading and the year end. The water sales is estimated using historical consumption patterns taking into account the total water usage by the customer.

Water deposits
Money received from water customers as deposit is held as a non- current liability because the Company will continue to offer services to the customers for the foreseeable future and the customers are not expected to discontinue their use of water in the short run.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Property Plant & Equipment
Critical estimates are made by the Directors in determining depreciation rates of property plant & equipment. Property and equipment is depreciated over its useful life taking into account residual values, where appropriate.

Provision for doubtful debts
The estimated provision for doubtful debts is based on the period for which the debt was outstanding. General provisions are established where full recovery of the principal is considered doubtful which is made against finalized customer accounts net of deposits. The company has made a general provision of 5%.

6 PROPERTY, PLANT AND EQUIPMENTS

	LAND	COMPUTER EQUIPMENT	FURNITURE & FITTINGS	PLANTS & EQUIPMENTS	MOTOR VEHICLES	TOTAL
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost or Valuation						
Cost						
At 1st July 2019	1,343,200	5,010,482	382,067	7,118,926	3,396,212	17,250,887
Additions	-	428,040	-	-	630,000	1,058,040
Revaluation	-	-	-		479,016	479,016
Revaluation Gain/ (loss)	-	-	-	0	(205,828)	(205,828)
Disposals		-	-	-	-	-
At 30th June 2020	1,343,200	5,438,522	382,067	7,118,926	4,299,400	18,582,115
Depreciation						
At 1st July 2019	-	3,731,280	382,067	1,246,883	2,095,880	7,456,110
Acc Dep Adjustment					-	-
Charge for the year	-	595,846	-	299,424	187,100	1,082,370
Disposal		-	-		-	-
At 30th June 2020	-	4,327,126	382,067	1,546,307	2,282,980	8,538,480
Net book amount						
At 30th June 2020	1,343,200	1,111,396	-	5,572,619	2,016,420	10,043,635
At 30th June 2019	1,343,200	1,279,202	-	5,872,043	1,300,332	9,794,777

a The company has a lease agreement with Athi Water Services Board to use on Lease basis, Boreholes and other Operational equipment. These assets are not included in the above schedule.

b The company revalued KBB 760T, KBR 010 U, KBR 012 U and KBR 013 U in June 2020 as per the requirement of our insurance company-The valuers were Link Valuers & Assers and a valuation report was issued.

		2020	2019
7	**TURNOVER**	Kshs	Kshs
	Sewer Fees	47,514,687	35,229,062
	Meter Rent	4,077,800	3,792,000
	Water Sales	124,622,855	101,823,515
		176,215,342	140,844,577
8	**COST OF SALES**		
	Electricity	6,510,576	9,276,295
	Bulky water for Resale	31,947,834	36,438,676
	chemicals	2,052,748	1,768,192
	Total Cost Of Sales	40,511,158	47,483,163
9	Miscellaneous Income		
	Project Supervisory fees	61,000	99,900
	Reconnection Request fees	25,600	8,000
	Change of Name fees	27,500	21,000
	New Material Fittings	1,866,790	1,821,400
	Sewer Service fees	96,500	86,380
	Meter Replacement fees	57,300	104,200
	Disconnection Request Fees	13,400	7,000
	Application fees	667,000	643,500
	Illegal Connection Charges	30,000	94,020
	Skilled labour Charges	1,227,600	1,270,000
	Reconnection Fees	88,400	128,900
	Total Miscellaneous Income	4,161,090	4,284,300

		2020	2019
		Kshs	Kshs
10	**OPERATING PROFIT**		
	The following items have been charged in arriving at operating profit		
	Depreciation on property, plant and equipment (Note)	1,082,370	547,354
	Auditor's remuneration	232,008	232,008
	Director's remuneration	0	260,000
	Staff costs	58,840,872	55,952,524
		60,155,250	56,991,886
11	**TRADE & OTHER RECEIVABLES**		
	Water debtors	80,759,438	51,776,518
	Provision for doubtfull debts	(4,037,972)	(2,588,826)
		76,721,466	49,187,692
12	**PREPAYMENTS AND DEPOSITS**		
	Kamwai Ltd	20,000	-
	Prepaid Motor vehicle Expenses	-	113,888
	Rent deposit	260,000	260,000
	Prepaid Staff Medical Cover(PA)	133,438	149,755
	Prepaid Medical Cover (NHIF)	3,845,552	2,164,759
	Prepaid motor vehicle and office insurance	71,779	64,182
	Prepaid I.T Costs	-	67,500
	Deposit Nairobi Water	52,500	52,500
	Water Deposit Paid to Amon Nderi	165,000	165,000
	KPLC prepaid	100,000	100,000
	Staff debtors	1,089,044	1,100,808
	KPLC prepaid	720,005	-
	Deposit paid to **Watija Enterprises** for Bulk water purchase	50,000	50,000
		6,507,318	**4,288,392**
13	VAT Tax Receivable	6,424,491	6,424,491
		6,424,491	**6,424,491**
14	Due from Other WSPs		
	Gatundu Water	**125,230**	-
	Kikuyu Water	**32,080**	-
	Limuru Water	**93,150**	-
	Karuri Water	**49,815**	**49,815**
	Total Dues	**300,275**	**49,815**
15	***TOTAL TRADE & OTHER PRECEIVABLES***	***89,953,550***	***59,950,390***
16	**CASH AND CASH EQUIVALENTS**		
	Family Bank - Customer Deposits Account	11,835,541	10,181,961
	KCB Operations Account	4,415,510	(843,733)
	MPESA ACCOUNT	39,663	1,029,392
	Equity Revenue Account	214,123	65,113
	Family Bank Revenue Account	48,297	165,938
	Cash in hand	13,573	2,822
	Post Bank	145,980	275,378
	National Bank of Kenya	113,483	1,130,600
		16,826,169	12,007,472

		2020	2019
		Kshs	Kshs
17	**TRADE AND OTHER PAYABLES**		
	Ambu Enterprises Ltd	10,080	-
	Amua Water Systems Ltd	86,673	28,331
	Aquatreat Solutions Ltd	72,947	719
	ATHI M/V INS	202,218	202,218
	Athi Water Services Board	38,951,362	39,187,022
	BABS SECURITY SERVICES LTD	62,063	62,063
	Banjo Business Supplies	2,104,397	391,058
	Brookside Dairy Ltd	58,860	-
	Chancery Wright Insurance Brokers Limited	7,482	7,562
	Conservancy charges payable to KMC	808,350	808,350
	CPF Financial Services Ltd	-	6,000
	Damasaff & Sons Agencies	4,188,108	937,052
	Damwotech Engineering Co	16,238	-
	Danco Capital Ltd	9,452,684	1,071,186
	Dawamwa Agencies	7,710	7,710
	Diamond Chemicals Ltd	692,656	344,524
	Doshi & Co. (Hardware) Ltd	5,482	
	EDCON Enterprises	-	-
	EL ROHI SECRETARIES & REGISTRARS	3,293	3,293
	ELEVETUS TECHNOLOGIES	4,032	726,008
	Emirates Electrical And Suppliers	17,965	17,965
	Equipment Sales Kenya Ltd.	-	3,738
	Getrio Insurance Brokers Ltd	-	-
	Equatorial Hawk Investments	30,800	
	Eslon plastics of Kenya Ltd	5,497,442	117,016
	Gichiru Water Projects	43,900	43,900
	HENCY INVESTMENT		1,516
	Hency Tyres Limited	74,266	267
	Heritage Plumbing Works	42,768	42,769
	Intersect Hardware and services	-	-
	Jamak Office Suppliers	7,903	139,139
	Johnson kamau Njuguna	-	
	Kaminndi Super Market	-	-
	Kenya National Audit Office	1,124,031	1,192,023
	Kenya Power & Lighting Company Ltd	1,581,412	1,482,462
	Kiambu Senior Club	31,100	
	KIAMBU TIMBERLAND GENERAL	26,946	55,500
	KINETIC ENGINEERING	3,086,471	444,273
	LeeWays Control Systems	168,898	58,804
	Losagi Insurance Brokers Ltd	133,438	133,478
	Mahavira Impex Ltd	112,752	112,752
	Manasses, Mwangi & Associates	88,556	
	Maxcom general Suppliers	96,000	96,000
	Mwams Collection	-	4,397
	Mona Promotions	1,800	
	Nairobi Iron Mongers	76,950	-
	Nairobi Water Company ltd	100,915,402	89,167,568
	National Oil Cooporation of Kenya	81,698	94,940
	Ngaywa Ngigi &Kibet Advocates	131,250	131,250
	Ngochi Hardware paints and Tools	-	
	NUTHU & ASSOCIATES	10,007	10,007
	Oil Seals & Bearing Center	8,456	8,456
	paloma Holdings	14,240	
	Pluma Hardware Stores	130,113	109,951
	POA Internet Kenya Limited	9,000	
	Polypipes ltd	31,300	31,300
	Postal Corporation	220,900	220,900
	Rosewood Furniture Manufacturers Ltd	-	16,121
	Samura Eng ltd	10,668	10,668
	Security Yard Investigators	908	3,305
	Sematime Ltd	56,753	
	Shamco Industries Ltd	-	30,000
	Suwagi Business Ventures	439,267	19,166
	The Ikon Media	6,612	
	Thika Water & Sewerage Company Ltd	217,520	217,520
	Toyota Kenya Ltd	-	-
	Trabran Enterprises Ltd	94,953	94,953
	TUSQEE SYSTEMS LTD	5,405	5,408
	Water Companies Sports Orgnisation	70,000	70,000
	Water Resources Management Authority	434,974	804,561
	Water Service Providers Associations	-	154,999
	Water Services Regulatory Board	9,940,176	6,791,562
		181,807,636	145,721,729
	Due to Water debtors	3,329,880	672,082
	Other Current Liabilities	-	-
	Provision for Bad & Doubtful Debts	-	-
	TOTAL TRADE & OTHER PAYABLES	***185,137,516***	***146,393,812***

		2020	2019
18	As at 30th June 2020 Ageing analysis of gross trade Payables was as follows		
	Less than 30 days	14,145,530	11,361,770
	Between 30 and 60 days	5,714,723	4,851,957
	Between 60 and 90 days	8,961,639	3,524,024
	Over 90 days	152,985,743	125,983,977
		181,807,636	**145,721,729**
19	Customer deposits		
	Customer deposits	**11,844,795**	**10,178,125**
20	Payroll Liabilities	**8,066,643**	**10,520,186**
21	**STAFF COSTS**		
	The following items are included within staff costs:		
	Salaries and wages	51,805,633	48,960,705
	Staff medical cover (PA)	3,596,363	4,685,162
	Casual Wages	3,438,876	1,316,232
		58,840,872	54,962,099
22	**ADMINISTRATIVE EXPENSES**		
	Rent & Rates	42,000	-
	CSR	751,905	-
	Legal Fees	188,556	-
	Provision for Doubtful Debts	1,449,146	344,374
	Envronmental Conservation	202,990	126,760
	Office repairs & Maintainance	401,524	-
	Staff welfare	987,979	990,427
	WASCO Games	1,245,858	591,900
	General Office Expenses	1,434,239	2,071,553
	Uniforms & Medical items	659,157	194,517
	Publication & Book Expense	-	64,862
	Travelling allowance	1,882,129	2,812,353
	Membership to Proffessional Association	388,300	214,000
	Staff training & workshops	868,275	1,017,155
	Advertisements	256,360	13,155
	Audit Fees	232,008	232,008
	Electricity Office	293,331	148,027
	Water & Sewerage	39,540	80,312
	Security	768,000	942,396
	Depreciation	1,082,370	547,296
	Fees & Commissions - Insurance	170,644	73,544
	IT Costs	482,619	713,700
	Printing & Stationery	655,594	370,407
	Telephone & Postage	394,210	255,430
	First Aid Kitty	-	58,300
	Merger Fund expenses	-	165,000
		14,876,734	12,027,476
23	**FINANCE COST**		
	Bank Charges	645,445	508,611
24	**Directors Remuneration**		
	Board Allowances	-	260,000
		-	260,000
25	**OPERATIONAL COSTS**		
	Maintainance of Buildings	408,316	
	Bill & Other Support Services	617,856	-
	Water Quality Testing	191,680	52,800
	Planning & Design	688,451	69,600
	Operational repairs & Maintenance	52,484,528	24,009,140
	Maintenance of Motor Vehicles	2,148,658	2,584,356
	Water Source Management	-	24,000
	Maintainance of Sewer System	1,754,274	479,062
		58,293,763	27,218,958
26	**LEVIES & LICENCE REMUNERATION**		
	Water remuneration fees	-	2,380,439
	Regulatory fee	7,048,614	4,325,927
	Water abstraction charges	1,628,226	1,914,875
	NEMA Licence fees	100,000	-
		8,776,840	8,621,241
	Total Expenditure	**141,433,655**	**103,598,385**

28. FINANCIAL RISK MANAGEMENT

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

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

i) Credit risk

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

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

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Receivables from Water Debtors	80,759,434	65,869,328	10,852,134	4,037,972
Other Receivables	13,232,084	6,507,318	6,724,766	-
Bank balances	16,826,169	16,826,169	-	-
Total	**110,817,687**	**89,202,815**	**17,576,900**	**4,037,972**
At 30 June 2019				
Receivables from Water Debtors	51,776,518	41,421,214	7,766,478	2,588,826
Other Receivables	10,762,698	4,288,392	6,474,306	-
Bank balances	12,007,472	12,007,472	-	-
Total	**74,546,688**	**57,717,078**	**14,240,784**	**2,588,826**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from Kiambu District Hospital.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) **Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Trade payables	14,145,530	5,714,723	161,947,383	181,807,636
Employee benefit obligation	4,613,964	-	3,452,679	8,066,643
Total	**18,759,494**	**5,714,723**	**165,400,062**	**189,874,279**
At 30 June 2019				
Trade payables	11,361,770	4,851,957	129,508,001	145,721,728
Employee benefit obligation	1,338,172	-	9,182,014	10,520,186
Total	**12,699,942**	**4,851,957**	**138,690,015**	**156,241,914**

iii) **Capital Management**

The water business is currently in a major expansion phase driven by a rise in demand and Government policy. The funding of additional transmitting and other distribution capacity is to be obtained from cash generated by the business and Government support. The adequacy of water tariffs allowed by WASREB and the level of Government support are key factors in the sustainability of the Company.

29. RELATED PARTY DISCLOSURES

a) Nature Of Related Party Relationships

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

Kiambu Water Sewerage Co. Ltd is related to:

(i) The County Government of Kiambu (CGK)
(ii) Water Service Trust Fund (WSTF)
(iii) Water Services Regulatory Board (WASREB)
(iv) Water Resources Management Authority (WARMA)
(v) Athi Water Services Board (AWSB)
(vi) Key Management
(vii) Board of Directors
(viii) Nairobi Water Company Ltd
(ix) Ruiru Water & Sewerage Company Ltd
(x) Gatundu Water & Sanitation Company Ltd
(xi) Karuri Water & Sewerage Company Ltd
(xii) Kikuyu Water & Sewerage Company Ltd
(xiii) Githunguri Water & Sewerage Company Ltd.
(xiv) Limuru Water & Sewerage Company Ltd

	2020	2019
Related Party Transaction		
Key management Remunerations		
Directors	-	260,000
Key management compesation	6,437,472	8,107,704
	6,437,472	8,367,704
Due to Related Parties		
Due to WASREB	9,940,176	6,791,562
Due to Athi Water Services Board	38,951,362	39,187,022
Due to Nairobi Water	100,915,402	89,167,568
Due to WARMA	434,974	804,561
	150,241,914	135,950,712

Due from Related Parties	**2020**	**2019**
Due From Kiambu County Government (Departments)	34,463,451	24,072,632
Due from Karuri Water & Sewerage Company Ltd	49,815	49,815
Due from Gatundu Water & Sewerage Company Ltd	125,230	-
Due from Kikuyu Water & Sewerage Company Ltd	32,080	-
Due from Limuru Water & Sewerage Company Ltd	93,150	-
	34,763,726	24,122,447

b) County Government of Kiambu

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

30. CONTINGENT LIABILITY

As at 30th June 2020 Kiambu Water & Sewerage Company Ltd had a pending lawsuit which relating to legal claims by a former employee. The Judgment in respect of these cases had not been determined as at 30th June 2020. The amounts have not been provided for in these financial statements as it was not possible to accurately quantify the potential liability arising from all of them.

The Directors are of the opinion that any outstanding litigation in this respect will not have a material effect on the financial position or results of the organization.

31. INCOPORATION

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

32. EVENTS AFTER THE REPORTING PERIOD

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

33. CURRENCY

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

APPENDIX

1. RELATED PARTY TRANSFERS

	KIAMBU WATER & SEWERAGE COMPANY LTD			
	Breakdown of related party Transfers			
	FY 2019/2020			
a.	**Direct Payments**			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	Ruiru Juja & Sewerage Company ltd			
		30-Jun-20	18,000	Being Bacteriological Analysis (3319-3314) & Full Chemical Analysis (1887-1888)
		27-May-20	6,000	Bacteriological anaysis samples (3151 & 3155)
		21-Apr-20	34,000	Bacteriological analysis samples No3181 & 3187
		25-Feb-20	12,000	Bacteriological anaysis samples (4043-4048)
		27-Jan-20	22,000	Bacteriological analysis samples No3090 & 30)
		17-Dec-19	12,000	Bacteriological analysis samples No2995-3000).
		28-Oct-19	27,000	Bacteriological analysis samples No2945-2950)
		28-Aug-19	22,000	Bacteriological analysis samples No2853-2858)
		15-Aug-19	12,000	Bacteriological analysis samples No(2733-2738)
	Total Direct Payments		165,000	
b.	**Direct Receipts**			
	Ruiru Juja & Sewerage Company ltd	18-Sep-19	32,080	HQ Furniture purchase cost shared.
	Karuri Water & Sewerage Company ltd	6-Dec-19	32,080	HQ Furniture purchase cost shared.
	Total Direct Receipts		64,160	

2. AUDIT PROGRESS

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)
1. Unaccounted for water	During the year under review, the Company produced a total of 2,672,831 cubic meters (m3) of water. However out of this volume 1,611,397 cubic meters (m3) of water was sold (billed) to customers. The difference between the total volume of water produced and the total volume of water billed amounting to 1,061,434 cubic meters (m3) represents unaccounted for water being 39.7%, which is 14.7% above the allowable loss of 25% set by Water Services Regulatory Board (WASREB) Guidelines. The unaccounted-for water may have resulted into loss of sales estimated at Kshs. 92,774,916. The significant level of non-revenue water has a negative impact on the Company's profitability and its ability to sustain services. No evidence was provided of any efforts by the Company to address the situation.	Unaccounted for water (UFW) is as a result of physical losses and commercial losses. • Physical losses constitute 40% of the UFW i.e. 424,574m3 of the water lost- these are the losses as a result of both visible and invisible leaks as well as storage overflows. The company has continuously ensured timely repairs of the bursts and replacement of pipelines prone to bursts which is done in phases. To contain overflow on the main line from the storage tanks the company has installed floating balls to shut the supply once the tanks fills. The tanks levels are also closely monitored 24hrs a day. The company has been continuously replacing old and dilapidated pipes with high quality HDPE. • The company has made deliberate efforts to cut down on consumption of water from NWSC account 2194279 as the meter is suspected to be malfunctioning. The same has been reported to NWSC and their efforts has been thwarted by the purported owner of the parcel where the meter lies and issuing demand of the meter to be removed from the private land which when the instigations were carried out it was established that the meter and the pipeline are laid on the road reserve thus they are continuing with the effort to replace the meter. This source has been supplemented with water from Kamiti source but on a rationing basis. • Commercial losses constitute 60% of the UFW i.e. 636,860m3 of the water lost - these are losses as a result of stuck meters, water bypasses before the meter and meter tampering. The company has frequently encouraged the staff to survey, inspect and report possible illegal connections where there is imposition of penalties to those customers who have connected the water illegally as per the guidelines provided for by WASREB. There is also a regular servicing of the meters on a monthly basis and replacement of old meters which are more than ten years old especially those inherited from the municipal council. • The company has formed a non - revenue team consisting of an artisan and a meter reader which is able to analyze water production and water consumed in the various zones and has also been trained on the same. They also analyze on building which are large consumers for discrepancy detection and recommend the billing to be done using one main master meter. Among the building analyzed include the following. O Derby building O Peter Mbuthia Building O Gachuchu Building O Zipporah Wairimu Building O Peflo Town Building O Peflo Indian Bazaar Building O Shequel Building Blocks A and B O Notts Apartments O Nyakiambi Women Group Building O Waithima House Building O K K Towers O Kiambu Mall O Kairuthi Housing Building • The company is continuously installing check meters in buildings with more than one meter to monitor any discrepancy from the various meters	Simon Mbugua - NRW Team Leader	Not Solved

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)
		• The company has also embarked on the use of Diehl meters as opposed to the normal meters which has an advantage over the later because it has the following characteristics. u R200 which enable them to register even very low flows as opposed to the initial meters that registered a flow greater than 1.5m3 u Durability test of 15 years – i.e. meters has a life span of 15years u Dry dial to enable easy taking of readings despite the varying weather conditions, this has reduced estimated bills from invisible meters u Tampers proof seal to avoid meter tampering using magnets or clamps u Strainers before the meter reduce chances of meter blockages		
2. Use of Unapproved Water Rates to Bill Customers	During the financial year 2018-2019, Kiambu Water and Sewerage Company Limited billed customers for water supplied worth Kshs 140, 844,577. However, it was noted that the existing tariffs gazette on 25 July 2014 vide Kenya Gazette notice number 5141 were effective 1 August 2015 to 30 June 2017 and therefore had expired. No explanation or evidence was provided indicating that the Company management sought extension of the approved rates billed to water consumers during the financial year under review as per Clause 72(1) (b) of the Water Act 2016	• The company is in the process of acquiring a valid license from WASREB, an application has been done and a public participation was held in February on 30th January 2020 where all the customers were invited to give out their view which is one of the basic requirement. Once the license application process is completed the company will be able to negotiate for a valid tariff with the regulator. The company has submitted a draft fully filled in revised master tariff to WASREB for technical review	**Boniface Mbugua - Ag Managing Director.**	**Partially Solved**
3. Irregular Staff Costs	Disclosed in Note 23 to the financial statements are staff costs of Kshs 55, 952,524 which includes an amount of Kshs 2, 840,712 comprising gross salary and employer contribution to pension scheme of Kshs 2, 485,836 and Kshs 354, 876, respectively in respect of a managing director who was suspended in 2015 vide letter dated 6 July 2015, reference Kiwasco per 0041 129 and Kiwasco per 0040 89. The suspended managing director sued the Company vide suit number 829 of 2016, and the case has not been determined hence continue to earn salary from the Company. A total of Kshs. 11,362,848 had been paid as of 30 June 2019 since 2015 to the suspended managing director. Further, the board of directors at a meeting held on 6 July 2015 appointed the then commercial manager to act as a managing director for a period of three months. However, the employee is still on an acting capacity more than four years since his appointment and exceeding the period specified in the board resolution. No evidence of a new resolution by the board was provided on the payments to the officer while acting as a managing director beyond the approved time	• There is an ongoing legal litigation in court and any alteration to the terms set will be seen as a contempt of the court which may have negative repercussions to the company. There was a court hearing on February 26, 2020 and the next court hearing will be on May 12, 2020	**The Board of Directors**	**Not Solved**

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)
4. Payroll Liabilities	Disclosed in Note 22 to the financial statements are payroll liabilities balance of Kshs 10,520,186 which includes an amount of Kshs 3,015,865 14 in respect of actuarial (superannuation scheme) The balance represents unremitted pension (employer contribution) in respect of nine employees of Kiambu Water and Sewerage Company seconded from National Water Conservation and Pipeline Corporation Although the management of the Company was asked to provide a way forward on how to clear the deficit vide letter dated 15 June 2015 (ref NWCPC HRA/SFIL23/VOL XIII/100), the liability had not been paid as at 30 June 2019 No explanation was given for failure to pay the debt which has been outstanding since 2015 or for continued classification of the long outstanding amount of Kshs 3, 015,865 14 under current liabilities	• The company ensures timely submission and payment of the statutory deduction to the respective statutory bodies i e PAYE, NHIF and NSSF (on or before 9th, 9th and 15th of the following moth respectively) The stated amount of Kshs 3, 015,865 related to actuarial deficit which was accrued in to our books in 2016 as inherited statutory deduction from National water The management is in a wide consultation with the regulating bodies as this does not relate to Kiambu Water & Sewerage company ltd but rather to National water where the deductions were effected then and was the pay point for the respective staff, thus this should not be a liability relating to Kiambu Water which ought to be have submitted by the employer (National Water) of the time	**WASREB and The Board of Directors.**	**Not Solved**
5.Outstanding Audit Fees	Disclosed in Note 19 to the financial statements under trade and other payables are outstanding audit fees of Kshs 1,482,462 as at 30 June 2019 (2018 – Kshs 814,586) owed to the Office of the Auditor General (Kenya National Audit Office) No explanation was given for failure to pay the audit fees contrary to the requirements under section 41 (1) (c) of the Public Audit Act, 2015	The audit fees as recorded on the financial statements is a yearly provision of kshs 232, 000 The company received the last fees note numbered 10739 on 20 12 2018 where the company did the respective payment The company hardly receives the required fees note from KNAO thus making it difficult to make payment based on estimated amount as may be misleading in the computation of the respective withholding taxes	**Accountant**	**Partially Solved**
6. Failure to Disclose Material Uncertainty in Relation to Going Concern	During the year 2018/2019 the Company reported a loss of Kshs 5, 952,670 (2017/2018 a loss of Kshs 4 964,398) This further depleted the accumulated revenue reserves from negative Kshs 68, 657,986 as at 30 June 2018 to negative Kshs 86, 042,107 as at 30 June 2019 In addition, the current liabilities of Kshs 167,092,123 exceeded the current assets balance of Kshs 77,279,653 and thereby, resulting in a negative working capital of Kshs 89,812,470 as at 30 June 2019	• The company has embarked on the use of the surface water from Riara and Kamiti dams leading to less usage of boreholes thus reducing the cost of electricity used for pumping water from the respective bores holes But however during dry seasons our service water sources dries up thus end up purchasing bulk water from Nairobi Water which is a major contributor to the rapid increase on the payables The company also faces a great challenge as it s not able to meet the demand due to limited connection networks The company has so far established a way of connecting those customers who entirely rely on bulk water from Nairobi water to water from Riara dam This will greatly increase our connection network and avoid over reliance of bulk water from Nairobi water This will as a result help in the reduction of accumulated Nairobi water debts thus improving on our working capital • The company also set up payment plan for most of the outstanding creditors e g a monthly commitment fees of Kshs 650,000 payable to Water Service Regulatory Board, a monthly commitment fees of Kshs 300,000 payable to lap trust to ensure reduction of the accrued actuarial deficit, Kshs 2,000,000 payable to Nairobi water over and above the monthly bills The company has continuously ensured that the recurrent creditors are kept to the minimum level possible by ensuring that the payments are done within the stipulated given credit period • The company has formed a revenue collection team whose daily duties are disconnecting of all the accounts in arrears and reconnecting back to the customers who have paid the amount outstanding This helps in improving the revenue collection	**Boniface Mbugua - Ag. Managing Director** **Beth Muigai - Technical Manager.** **Gideon Ndichu - Accountant ,** **Joachim Wambuku- Commercial Officer**	**Partially Solved**

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)
7. Property, Plant and Equipment	The statement of financial position as at 30 June 2019 reflects property, plant and equipment balance of Kshs 9,794,778. However, a review of the fixed assets records revealed the following issues i. Plant and equipment valued at Kshs 5,872,043 were not included in the fixed assets register and these financial statements ii. The balance of property, plant and equipment as at 30 June 2019 includes a parcel of land measuring 0.045 hectares listed in the asset register at a value of Kshs 1,343,200. However, valuation report or cost records were not presented for audit review. In the absence of the valuation report, the basis of the value of the parcel of land could not be ascertained iii. The property, plant and equipment balance of Kshs 9,794,778 as at 30 June 2019 also includes computer equipment with a net book balance of Kshs 1,279,202 as disclosed in Note 6 to the financial statements. This net book balance is at variance with the fixed assets register figure of Kshs 1,746,557. The resultant difference of Kshs 467,355 was not reconciled nor explained. In view of the foregoing, the accuracy of property, plant and equipment balance of Kshs 9,794,778 as at 30 June 2019 could not be confirmed	• The company has minimal number of fixed assets as most of the assets belongs to Athi Water Services Board who still hold the ownership documents hence not recognizing them in our books of accounts. But however for the few assets owned by Kiambu Water & Sewerage Company Ltd the company maintains a fixed asset register through the accounting system which clearly shows the date of purchase of the Asset, the cost of the Assets and the respective accumulated depreciation. The company also maintains a separate fixed asset listing register for comparative purposes • Plant and equipment were not included in the fixed asset register as this related to assets owned by county government of which the company has no ownership documents only the right of usage. The management is contemplating on writing off plants & Equipment owned by third party from our books of accounts so as to reflect the true position of the company assets upon approval from the Board of Directors	**Gideon Ndichu - Accountant**	**Partially Solved**