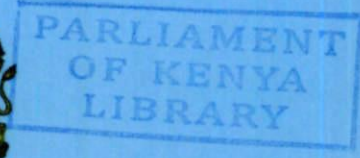
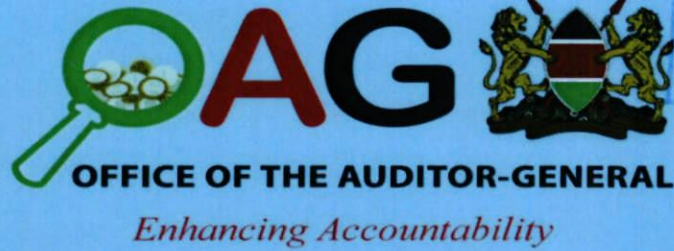


REPUBLIC OF KENYA



*Paper laid on  
7/9/2021 by  
the Senate  
Majority  
Leader*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MATHIRA WATER AND SANITATION  
COMPANY LIMITED**

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

*Scanned  
14/09/2021  
[Signature]*



OFFICE OF THE AUDITOR GENERAL  
CENTRAL HUB

21 FEB 2020

RECEIVED  
P. O. Box 267 - 10100, NYERI

# **MATHIRA WATER & SANITATION COMPANY LTD**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

Prepared in accordance with the accrual basis of accounting method under International Financial Reporting Standards (IFRS)

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Chairman – Mr. Reuel Kibugi Muriuki  
Board of Directors: Nicholas Mahihu, Mrs. Jane Purity W. Waithanji, Eng Maina Kimuhu  
Mr. John Muthuma, Mrs. Margaret Muthoni Kinyua, Simon Wachira Ngatia, Stanley Maina Mutuota  
Mr. David Gathogo - Managing Director.

**MATHIRA WATER AND SANITATION COMPANY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2019**

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**MATHIRA WATER AND SANITATION COMPANY LIMITED**  
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**ENDED 30<sup>TH</sup> JUNE 2019**

**CORPORATE INFORMATION**

The Board of Director's present their report together with the Audited Financial Statements for the year ended 30th June 2019 which disclose the state of affairs of the Company.

**MANDATE**

Efficient and economical provision of water and sewerage services, within Mathira Sub-County in Nyeri County and immediate environs as per the service agreement with Tana Water Services Board as mandated by the Water Act 2002

**VISION**

To be a model Water and Sanitation Services Company in Kenya.

**MISSION**

Ensure provision of quality, affordable, reliable, portable and sustainable water and sanitation services to all residents of Mathira and its environs.

**CORE VALUES**

- ❖ Integrity
- ❖ Quality
- ❖ Professionalism
- ❖ Customer friendly
- ❖ Team work
- ❖ Total efficiency
- ❖ Creativity and innovation
- ❖ Reliability

**STRATEGIC OBJECTIVES**

- ❖ Develop and operationalise a sustainable operation and maintenance programme for the assets under the management of the company.
- ❖ Expand sewerage services to cover unsewered areas.
- ❖ Improve and extend the infrastructure under Mathira Water and Sanitation Company Ltd.
- ❖ Achieve operational financial sustainability by reducing the recurrent expenditure by 10%.

**MATHIRA WATER AND SANITATION COMPANY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
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**INSTITUTIONAL DETAILS**

**REGISTERED OFFICE**

Ragati Water Offices

P. O. Box 1981 – 10101

**KARATINA**

Tel: 020-2659069

Email: mawasco56@yahoo.com

**BANKERS**

1 Co-operative Bank of Kenya

Karatina Branch

P. O. Box 931 - 10101

**KARATINA**

2 Family Bank of Kenya

Karatina Branch

P. O. Box 458 - 10101

**KARATINA**

**AUDITORS**

Auditor General,

Kenya National Audit Office,

Anniversary Towers,

P.O Box 30084,

**NAIROBI**

**COMPANY SECRETARY**

Gikuhi Kiana & Co

Certified Public Secretary,

Po Box 1271 -10100

**NYERI KENYA**

**MATHIRA WATER AND SANITATION COMPANY LIMITED  
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**LIST OF BOARD OF DIRECTORS**

The Board of Directors who held office during the year were:

<b>NAME</b>	<b>REPRESENTING INTEREST</b>
1. Mr. Reul Kibugi Muriuki	Representing Resident /Community Organizations
2. Mr. Peterson Muriuki Kigotho	Representing Business Community
3. Mr. Nicholas Mahihu	Representing Farmers Organizations
4. Eng Maina Kimuhu	Representing Professional Bodies.
5. Mr. John Muthuma	Representing Special Interest Group
6. Mrs. Margaret Muthoni Kinyua	Representing Gender Organizations
7. Mrs. Jane P. Warui Waithanji	Representing Commercial Consumers
8. Mr. Simon Wachira	Representing County Government of Nyeri
9. Mr. Stanley Mutuota	Representing County Government of Nyeri

**MATHIRA WATER AND SANITATION COMPANY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30<sup>TH</sup> JUNE 2019**

**Chairman, Board of Directors**

Mr. Reuel Kibugi Muriuki – Chairman

**Board Committees**

**1. Staff Finance and Administration Committee.**

Mrs. Jane P. Warui Waithanji - Chairperson  
Mr. Simon Wachira  
Mr. Peterson Muriuki Kigotho

**2. Technical Committee.**

Mr. Nicholas Mahihu - Chairman  
Mr. Stanley Mutuota  
Eng. Maina Kimuhu

**3 Audit Risk and Governance Committee**

Mrs. Margaret M. Kinyua – Chairperson  
Mr. John Muthuma  
Mr. Vincent Kachi.-Rep C.E.O TWWDA

**MATHIRA WATER AND SANITATION COMPANY LIMITED  
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**Board Of Directors**

1.



**Mr Reuel Kibugi Muriuki**

Representing Resident /Community Organizations

Holds B. A (Lands Economics)

**Chairman – Board of Directors**

2



Mr. Peterson Muriuki Kigotho

Representing Business Community

Holds O Level division 3

**Member - Staff, Finance and Administration Committee**

3



Nicholas M. Mahihu

Representing Farmers Organizations

Holds Dip in Hotel Mgt ,  
Corporate Governance

**Chairman –Technical Committee Meeting**

4







Mr. Simon Wachira

Representing County Government of Nyeri

Holds Masters and Bachelor Degree in Education

**Member – Staff, Finance and Administration Committee**

**MATHIRA WATER AND SANITATION COMPANY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
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5		<p>Mr. Stanley Mutuota</p> <p>Representing County Government of Nyeri</p> <p>Holds Bachelor Degree in Environmental Science</p> <p><b>Member – Technical Committee</b></p>
6		<p>Mrs. Jane Purity Waithanji</p> <p>Representing Commercial Consumers</p> <p>Holds Bachelor of arts Education.</p> <p><b>Chairperson – Staff, Finance and Administration Committee</b></p>
7		<p>Eng Maina Kimuhu</p> <p>Representing Professional Bodies. (Institute of engineers) A Level Div 2, Registered Eng Holds (B.S.C Mech. Eng)</p> <p><b>Member - Staff, Finance and Administration Committee</b></p>
8		<p>Mr. John Muthuma</p> <p>Representing Special interest Group Holds O Levels</p> <p><b>Member – Audit Committee</b></p>

**MATHIRA WATER AND SANITATION COMPANY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30<sup>TH</sup> JUNE 2019**

9



Mrs. Margaret Muthoni Kinyua

Representing Gender Organizations.

Holds O level Division II KCE

**Chairperson – Audit Risk and Governance Committee**

**Management Team**



David Gathogo Kamau

Holds B.A (Econ), MBA, CPA (K)

**Managing Director**



James Kinyoko Githige

Holds B.s.c – Water Engineering

**Technical Manager**

**MATHIRA WATER AND SANITATION COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR**  
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**STATEMENT BY THE CHAIRMAN OF THE BOARD**

Mathira Water & Sanitation Company Ltd (Mawasco) is mandated to provide water and sanitation services to residents of Mathira Sub-County, with clear goals, steady spirit and support from our stakeholders. MAWASCO has made substantial progress during the last 12 years of its existence. We have always emphasized service improvement and staff team work. Together we have and we will move forward. Our Strategic Plan which includes, Asset Management Plan, and Business Plan for the period 2015 to 2020 is designed to cater for the increased area of service of 320 km<sup>2</sup> with a population of 148,000 people (2009 census).

We take the challenges we are facing as opportunities to stabilize and strengthen our capacity to provide services. We are now concentrating on delivering operational excellence by continuing to provide affordable, safe and clean water and efficient and sustainable water supply system. In my opinion, the main issues which we should fully engage all our stakeholders from now onwards are:-

- i) Earmarking and protecting water sources for present and future generation of Mathira residents.
- ii) Expanding water and sewerage networks to cover the whole town of Karatina Urban Center.
- iii) Safe disposal of waste water including construction of new waste stabilization ponds to meet demand.

We are now working hard to solicit funds to enable these projects to be implemented. We have earmarked projects amounting to millions of shillings in order to improve the water and sewerage services to complement the booming economic growth of Mathira. Our aim is to make significant contribution to the development of the Mathira sub county by striving to accomplish our vision and mission.

MAWASCO promises to continue making these contributions while at the same time standing behind its mandate by delivering, quality and reliable services. We extend our deepest gratitude to all stakeholders and customers and we ask for your continued support and encouragement for the activities we engage in.



**MR. REUEL KIBUGI MURIUKI**

**BOARD CHAIRMAN**

**MATHIRA WATER AND SANITATION COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30<sup>TH</sup> JUNE 2019**

**MANAGING DIRECTORS STATEMENT**

Mawasco operates water and wastewater utilities. Its services include water production, treatment, and distribution; wastewater collection and treatment; customer services; and utility infrastructure construction management. After promulgation of the new constitution, the Company is now wholly under the County Government of Nyeri.

The Company's services as result of water production and distribution systems is the surface water production, water treatment and purification, meter reading, customer billing and collection, customer service and dispatch, 24-hour emergency response, water quality assurance and laboratory services, facility inspections, installation and maintenance, preventive and corrective maintenance, equipment installation, leak detection and repair of engineering services.

The services for wastewater collection and treatment systems comprise treatment plant operation and maintenance, sewer line cleaning, sewer line inspection and repair, inflow and infiltration analysis, bio-solids management , waste monitoring, compliance monitoring, and laboratory testing services.

MAWASCO has a Corporate Management Team headed by the Managing Director, Commercial Manager and Technical Manager. The Company has Administration Organization Structure headed by the Board of Directors, Managing Director and three Departments;

- a) The Technical Department headed by Technical Manager
- b) The Commercial Department headed by Commercial Manager
- c) The Human Resource and Administration Department headed Human Resources Officer.

**Recent Achievements**

1. Extension of water supply to Gathugu through the support of County government of Nyeri.
2. Procurement of more computers & establishment of computer laboratory.
3. Laying of 42.83 km pipeline for water supply in various target of operation,
4. Disilting and expansion of Ihwagi intake weir,
5. Construction of Gathugu tank through assistance from County Government of Nyeri,
6. Disilting and expansion of Ragati Intake Weir
7. Capacity building of staff on key and challenging issues such as culture change, customer care, staff motivation and result based management.

**Current Challenges**

Notwithstanding our stated achievements, we have some key challenges to address as we plan for the future of the company. These include:

**MATHIRA WATER AND SANITATION COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR**  
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1. Declining levels of Ragati River due to interference of water systems by community projects.
2. High Operational Costs due to dilapidated pipelines.
3. Low Supply Coverage
4. High Number of Inactive connections
5. High Non Revenue Water
6. Old dilapidated sewerage system and inadequate treatment sewer capacity.
7. Lack of treatment facilities for rural water supply
8. High maintenance cost of submersible pumps

**STATEMENT OF CORPORATE GOVERNANCE**

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

MAWASCO is committed to ensuring compliance with the provisions of Water Act 2002 and Service provision agreement granted by Tana Water Services Board among other regulatory and supervisory corporate governance requirements.

In ensuring that corporate governance is enhanced and that the power of MAWASCO is exercised in the stewardship of the company total portfolio of assets and resources with the objective of maintaining stakeholder value, the Boards of Directors have constituted the following committees:

**1. STAFF & FINANCE AND ADMINISTRATION COMMITTEE**

The Staff, Finance & Administration and Technical Committee are the overseer of the financial reporting process and sourcing of funds for Company's capital works.

MAWASCO makes cognizance of the fact that Human resources is one single asset in achieving the goals of the Company. It's the duty of the Finance and Administration Committee to ensure that MAWASCO has the right staff, at the right place and doing the right thing. More so, the Committee will ensure that staff welfare is guaranteed.

**2. TECHNICAL COMMITTEE**

The Committee is the overseer of the technical reporting process.

It shall ensure that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.

**3. AUDIT, RISK AND CORPORATE GOVERNANCE COMMITTEE**

In order to promote good corporate governance, MAWASCO has constituted an Audit Committee for purposes of

- Safeguarding of the assets.

**MATHIRA WATER AND SANITATION COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR**  
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- Scope and effectiveness of the internal controls.
- Review of the Annual financial statements.
- Compliance with all applicable regulatory requirements and accounting standards.

Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision making process, assessment and improvement of conformance.

**1.1 Ethical conduct:** As a public service company we have a responsibility to act as a good corporate citizen all around the county. As a company we recognize and perform the obligations we have towards our people, investors, customers, suppliers, competitors and the community as a whole. We believe our reputation, together with the trust and confidence of those with whom we deal, to be one of our most valuable assets. In order to keep this reputation and trust, we demand and maintain the highest ethical standards in carrying out our business activities. All of our employees are required to abide by our ethical policy, which outlines company core values and approach to doing business. The protection of our reputation is of fundamental importance, and employees are aware of the disciplinary implications of breaches of policy. The policy helps to uphold the reputation of our company and staff, and maintains public confidence.

**1.2 Customers:** We strongly believe that integrity in dealings with customers is a prerequisite for a successful and sustained business relationship. We operate a highly effective and efficient organization, focused on meeting customer objectives. Our aim is to provide products and services which give fair value and consistent quality, reliability and safety in return for fair reward. We operate policies of continual improvement, of both processes and the skills of our staff, to take best advantage of advances in technology. This safeguards our operations for the future, ensuring that we continue to add value to our customers' businesses.

**1.3 Business partners and suppliers:** As with our relationships with our other stakeholders, we aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. We believe one of our major strengths is our approach to alliances and partnerships with suppliers. Many of our new contracts come through these alliances and our partners' contributions help us to deliver the solutions required by our customers and the market.

**1.4 Environment:** The Company believes that, by their nature, our operations have a minimal impact on the environment. However, we acknowledge that there are inevitable environmental impacts associated with daily operations. We aim to minimize any harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. It is anticipated that by adopting simple,

# **MATHIRA WATER AND SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

environmentally friendly initiatives, the company will raise awareness amongst stakeholders and the wider community

## **CORPORATE SOCIAL RESPONSIBILITY**

Mathira water and sanitation company ltd practices corporate social responsibility within its area of jurisdiction. . The company in liaison with the office of the assistant chiefs has identified persons living with disabilities.

The company has connected such identified persons with water.

The work involves:-

1. Free cost of installation for metered service lines
2. Free water consumption
3. Free maintenance of such connections

The company also sponsors Mathira education fund which is a kitty meant to benefit less privileged students in the society

The company makes an annual visitation to children home within its area of jurisdiction where it provides social amenities to them. In addition the company provides free tree planting seedlings to local communities to enhance a forestation.

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of Mathira Water And Sanitation Company Ltd affairs.

### **Principal activities**

The principal activity of the Company is to provide water and sanitation services to residents of Mathira East and Mathira West in Nyeri County

### **Results**

The results of the entity for the year ended June 30, 2019 are set out on page 17

### **Directors**

The members of the Board of Directors who served during the year are shown on page 4-6 In accordance with Regulation of Mathira Water and Sanitation Company Ltd Articles of Association.

**MATHIRA WATER AND SANITATION COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30<sup>TH</sup> JUNE 2019**

**Auditors**

The Auditor General is responsible for the statutory audit of Mathira Water and Sanitation Company Ltd in accordance with the Public Finance Management (PFM) Act, 2012,

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81(i) of the Public Finance Management Act, 2012 and public audit Act require the Directors to prepare financial statements in respect of that MAWASCO, which give a true and fair view of the state of affairs of the MAWASCO at the end of the financial year 2018-2019 and the operating results of the MAWASCO for that year 2018-2019. The Directors are also required to ensure that the MAWASCO keeps proper accounting records which disclose with reasonable accuracy the financial position of the MAWASCO. The Directors are also responsible for safeguarding the assets of the company.

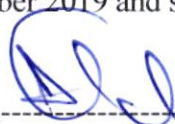
The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial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

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

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

**Approval of the financial statements**

Mathira Water and Sanitation Company financial statements were approved by the Board on 30<sup>th</sup> September 2019 and signed on its behalf by:

Sign  Date 21/02/2020  
MANAGING DIRECTOR

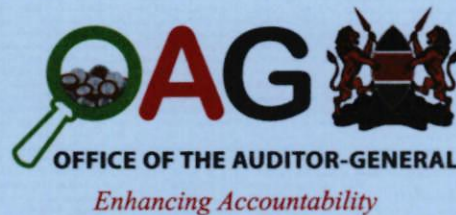
Sign  Date 21/02/2020  
CHAIRMAN

**MATHIRA WATER AND SANITATION COMPANY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30<sup>TH</sup> JUNE 2019**

**AUDITORS REPORT.**

# REPUBLIC OF KENYA

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



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

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

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Mathira Water and Sanitation Company Limited set out on pages 15 to 40, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

#### Basis for Qualified Opinion

##### 1. Capital Reserves

The statement of financial position reflects capital reserves of Kshs.65,904,745 which includes development grants amounting to Kshs.41,597,900. However, as previously reported, only grants amounting to Kshs.32,673,194 were supported by a listing of the Government of Kenya funded projects undertaken before the inception of the Company, resulting in a variance of Kshs.8,924,706 which had not been explained as at 30 June, 2019.

##### 2. Accuracy of the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects a total income of Kshs.123,855,942 against a budget of Kshs.131,765,406, resulting to a performance difference of Kshs.7,909,464 which was erroneously shown as Kshs.24,459,811. The

statement further reflects acquisition of assets budget of Kshs.8,580,000 which varies with the approved budget amount of Kshs.2,000,000 by Kshs.6,580,000. In addition, the statement does not present the total expenditure budget performance difference as required by the reporting template.

Consequently, the accuracy of the statement of comparison of budget and actual amounts and compliance with the reporting template could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Information**

The Directors are responsible for the other information, which comprises the Chairman's Statement, Managing Director's Statement, the Statement of Corporate Governance, Report of the Directors and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

## **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-Revenue Water**

During the financial year under review, the Company produced a total of 3,822,317 cubic meters of water, out of which only 1,960,087 cubic meters (or about 51%) was billed to

customers, leaving a balance of 1,862,230 (or about 49%) of the total volume of water produced as non-revenue water, which is 24% over and above the allowable loss limit of 25% as provided by the Water Services Regulatory Board Guidelines. The non-revenue water of 49% resulted in a loss of sales estimated at Kshs.122,907,180.

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.

## **2. Unmetered Water Connections**

As disclosed in Note 2 to the financial statements, the income amount of Kshs.123,288,642 reflected in the statement of comprehensive income includes revenue totalling Kshs.115,580,768 from three revenue streams arising from billing of customers. However, the statement of comparison of budget and actual expenditure indicates that in the year under review, the Company had budgeted to receive revenue totalling Kshs.131,765,406 from billing of customers but realized Kshs.115,580,768 or about 88%.

No plausible explanation was provided for the shortfall of Kshs.16,184,638.

Further, analysis of customer records indicates that although the Company had a total of 5,270 connections as at 30 June, 2019, only 739 (or about 14%) were metered, each being charged a flat rate of Kshs.500 per month, irrespective of actual consumption. No explanation was provided for failing to meter all the 5,270 connected customers and charge them according to actual amount of water consumed in order to maximize on revenue.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating

effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and those Charged with Governance**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, and for maintaining effective internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, the Directors are responsible for assessing the ability of Mathira Water and Sanitation Company Limited to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors are aware of an intention to either liquidate the Company or to cease operations.

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Mathira Water and Sanitation Company Limited to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Mathira Water and Sanitation Company Limited 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.



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**12 August, 2021**



**MATHIRA WATER AND SANITATION COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED**  
**30 JUNE 2019**

	Notes	2018/2019 Kshs	2017/2018 Kshs
<b>INCOME</b>	2	123,288,642	106,228,882
<b>EXPENDITURE</b>			
Personnel Costs	3	50,625,828	45,619,691
Directors Costs	4	3,859,400	2,837,800
Administration Expenses	5	22,775,772	15,690,109
Operation & Maintenance Costs	6	44,817,465	44,029,794
Finance Costs	7	1,721,118	117,571
<b>TOTAL</b>		<b>123,799,583</b>	<b>108,294,965</b>
<b>SURPLUS / (DEFICIT)</b>		<b>(510,941)</b>	<b>(2,066,083)</b>



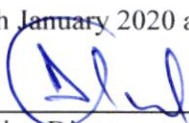
**MATHIRA WATER AND SANITATION COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED**  
**30 JUNE 2019**

12

**'STATEMENT OF FINANCIAL POSITION**

	Notes	2018/2019 Kshs	2017/2018 Kshs
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	8	22,417,919	15,363,988
		<b>22,417,919</b>	<b>15,363,988</b>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalent	9	38,805,818	22,993,080
Inventories	10	6,964,214	10,601,101
Receivables	11	42,976,167	42,621,894
Deffered Tax Asset	12	1,518,875	995,426
		<b>90,265,074</b>	<b>77,211,501</b>
<b>CURRENT LIABILITIES</b>			
Payables	13	53,920,974	54,702,530
Accruals	14	2,564,000	2,164,000
		<b>56,484,974</b>	<b>56,866,530</b>
<b>Working Capital</b>		<b>33,780,100</b>	<b>20,344,971</b>
<b>TOTAL NET ASSETS</b>		<b>56,198,018</b>	<b>35,708,959</b>
<b>LIABILITIES</b>			
Long term Liabilities	15	23,000,000	2,000,000
		<b>23,000,000</b>	<b>2,000,000</b>
<b>FINANCED BY</b>			
Retained Earnings	16	(32,806,727)	(32,295,786)
Capital Reserves	17	65,904,745	65,904,745
Authorised and Issued Share Capital	18	100,000	100,000
		<b>33,198,018</b>	<b>33,708,959</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>56,198,018</b>	<b>35,708,959</b>

The financial statements on pages 15 to 22 were approved for issue by the Board of Directors on 15th January 2020 and were signed on its behalf by:

  
 \_\_\_\_\_  
 Managing Director

  
 \_\_\_\_\_  
 Chairman Board of Directors.



**MATHIRA WATER AND SANITATION COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED**  
**30 JUNE 2019**

**13 STATEMENT OF CHANGES IN EQUITY**

	Share Capital	Retained Earnings	Capital Reserves	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30 th June 2018</b>	<b>100,000</b>	<b>(32,295,786)</b>	<b>65,904,745</b>	<b>33,708,959</b>
Supplus/Deficit		(510,941)		(510,941)
Prior Years Adjustment				
<b>At 30th June 2019</b>	<b>100,000</b>	<b>(32,806,727)</b>	<b>65,904,745</b>	<b>33,198,018</b>
<b>At 30th June 2017</b>	<b>100,000</b>	<b>(30,229,703)</b>	<b>65,904,745</b>	<b>35,775,042</b>
Supplus/Deficit		(2,066,083)		(2,066,083)
<b>At 30th June 2018</b>	<b>100,000</b>	<b>(32,295,786)</b>	<b>65,904,745</b>	<b>33,708,959</b>



**MATHIRA WATER AND SANITATION COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED**  
**30 JUNE 2019**

14

**'STATEMENT OF CASH FLOWS**

		2018/2019	2017/2018
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
Surplus/deficit during the year	2	(510,941)	(2,066,083)
Armotisation			
Add back:			
Depreciation	8	2,901,461	2,788,300
<b>Total from Operating Activities</b>		<b>2,390,520</b>	<b>722,217</b>
<b>Working capital Changes</b>			
(Increase)/Decrease in Inventories	10	3,636,887	(1,111,633)
(Increase)/Decrease in Recievables	11	(354,273)	5,108,143
Increase/(Decrease) Payables	13	(781,556)	13,501,230
Short Term loan			(413,269)
Increase/(Decrease) Accruals		400,000	(64,000)
Increase/(Decrease) Deffered Tax	12	(523,449)	(515,408)
<b>Cash generated from operations</b>		<b>2,377,609</b>	<b>16,505,063</b>
<b>Net cash generated from operating activities</b>		<b>4,768,129</b>	<b>17,227,279</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(9,955,391)	(1,341,550)
<b>Net cash used in investing activities</b>		<b>(9,955,391)</b>	<b>(1,341,550)</b>
<b>Cash flows from financing activities</b>			
Longterm liabilities	15	21,000,000	
Capital Grant	17	0	
<b>Net cash flow from financing activities</b>		<b>21,000,000</b>	<b>0</b>
Net (decrease)/increase in cash and cash equivalents		15,812,737	15,885,729
<b>Cash and cash equilents at the start of the year</b>		<b>22,993,080</b>	<b>6,748,950</b>
<b>Cash and cash equivalent at the end of the year</b>		<b>38,805,818</b>	<b>22,993,080</b>



**MATHIRA WATER AND SANITATION CO LTD**  
**STATEMENT OF BUDGET COMPARISON AND ACTUAL EXPENDITURE FOR THE PERIOD ENDED**  
**30 JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs
<b>2. INCOME</b>					
Sales are recognised upon billings to the customer					
Water sales	92,240,058		92,240,058	81,485,864	-10,754,194
Sewer	28,176,139		28,176,139	23,891,871	-4,284,268
Other Services(i.e) water and sewer reconnection,Surcharges, Water fittings,Disc owners request	11,349,209		11,349,209	10,203,033	-1,146,176
Bank loan Grant			0		0
<b>TOTALS</b>	<b>131,765,406</b>	<b>0</b>	<b>131,765,406</b>	<b>115,580,768</b>	<b>(16,184,638)</b>
<b>Other Income</b>					
Salary grant			0	567,300	-567,300
Revenue Grant Vitens Evides				1,521,403	-1,521,403
Revenue Grant SNV Netherlands dvpt Org				350,000	-350,000
Salary Grant				567,300	-567,300
WSTF Grant				5,269,171	-5,269,171
<b>TOTAL INCOME</b>	<b>131,765,406</b>		<b>131,765,406</b>	<b>123,855,942</b>	<b>(24,459,811)</b>
<b>3. PERSONNEL COSTS</b>					
Staff -Salaries	50,600,000		<b>50,600,000</b>	49,748,503	851,497
Ministry staff salary			<b>0</b>	567,300	-567,300
Casual wages	360,000		<b>360,000</b>	310,025	49,975
<b>TOTALS</b>	<b>50,960,000</b>		<b>50,960,000</b>	<b>50,625,828</b>	334,172
<b>4. DIRECTORS COSTS</b>					
Sitting Allowance	3,600,000		<b>3,600,000</b>	3,859,400	-259,400
<b>TOTALS</b>	<b>3,600,000</b>		<b>3,600,000</b>	<b>3,859,400</b>	-259,400
<b>5. ADMINISTRATIVE COSTS</b>					
Travelling & Subsistence	1,680,000		<b>1,680,000</b>	1,514,840	165,160
Printing and Stationery	480,000		<b>480,000</b>	697,644	-217,644
Advertising and Public Relations	750,000	350,000	<b>1,100,000</b>	782,793	317,207
Corporate social responsibility	200,000		<b>200,000</b>	213,720	-13,720
Newspaper & Periodicals	180,000		<b>180,000</b>	104,700	75,300
Entertainment	680,000		<b>680,000</b>	521,490	158,510
Staff Welfare expense			<b>0</b>	308,968	-308,968
Functions celebrations expense	750,000		<b>750,000</b>	778,370	-28,370
Insurance	4,000,000		<b>4,000,000</b>	4,135,301	-135,301
Training	1,200,000		<b>1,200,000</b>	1,022,456	177,544
Consultancy	720,000		<b>720,000</b>	588,980	131,020
Legal services	600,000	700,000	<b>1,300,000</b>	1,169,729	130,271
Electricity	2,400,000		<b>2,400,000</b>	2,186,645	213,355
Cleaning Materials	180,000		<b>180,000</b>	188,476	-8,476
Seminars	900,000		<b>900,000</b>	940,150	-40,150
Uniforms	500,000		<b>500,000</b>	465,435	34,565
Security Services	4,320,000	200,000	<b>4,520,000</b>	4,508,123	11,877
Telephone and internet	600,000	200,000	<b>800,000</b>	771,639	28,361
Fire fighting Equipment	120,000		<b>120,000</b>		120,000
Tax Audit Cost			<b>0</b>		0



**MATHIRA WATER AND SANITATION CO LTD STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs	2018-2019 Kshs
Postage	120,000		<b>120,000</b>	99,230	20,770
General office expenses	300,000		<b>300,000</b>	539,506	-239,506
sports	650,000		<b>650,000</b>	837,544	-187,544
Provision for audit fee	480,000		<b>480,000</b>	400,000	80,000
<b>TOTALS</b>	<b>21,810,000</b>		<b>21,810,000</b>	<b>22,775,739</b>	<b>-965,739</b>
<b>6. OPERATION &amp; MAINTENANCE COSTS</b>					
Meter workshop Expenses	220,000				0
Fuel and lubricant	2,400,000		2,400,000	2,400,928	-928
Motor vehicle & bikes running cost - Maintenance	900,000		900,000	1,165,982	-265,982
Repair & Maintenance - Computers	630,000		630,000	34,484	595,516
Maintenance of Pumps and generators	360,000		360,000	223,500	136,500
Ground maintainance	120,000		120,000	167,700	-47,700
Repair & Maintenance -Furnitures, Building /Structures	900,000		900,000	1,702,261	-802,261
Software Maintenance	2,000,000		2,000,000	714,000	1,286,000
Water Meters and Fittings	3,600,000		3,600,000	1,152,875	2,447,125
Renewal of Water permit license & subscription			0	410,000	-410,000
Maintenance of water supply system	6,000,000		6,000,000	3,076,438	2,923,562
Sewerage system Maintenance	1,600,000	2,000,000	3,600,000	3,275,611	324,389
Chemicals	1,800,000		1,800,000	2,525,800	-725,800
<b>TOTALS</b>	<b>20,530,000</b>	<b>2,000,000</b>	<b>22,310,000</b>	<b>16,849,579</b>	<b>5,460,421</b>
<b>MINOR INVESTMENTS</b>					
NRW Management Projects	87,819,851		87,819,851	9,837,513	77,982,338
Pipework Extension	7,200,000		7,200,000	2,151,250	5,048,750
GIS & survey Works	1,200,000		1,200,000	524,200	675,800
Tanks and intakes rehabilitation	1,200,000		1,200,000	1,418,922	-218,922
<b>TOTALS</b>	<b>97,419,851</b>	<b>0</b>	<b>97,419,851</b>	<b>13,931,885</b>	<b>83,487,966</b>
<b>WARER LEVIES AND ABSTRACTION COSTS</b>					
Wasreb levy	1,317,654		1,317,654		1,317,654
Board administration /lease fee	11,858,887	(5,000,000)	6,858,887		6,858,887
Warma levy	2,400,000		2,400,000	1,560,000	840,000
Wrua	60,000		60,000		60,000
<b>TOTALS</b>	<b>15,636,541</b>	<b>-5,000,000</b>	<b>10,636,541</b>	<b>1,560,000</b>	<b>9,076,541</b>
Provision for Specific bad debts			0	2,261,904	-2,261,904
<b>TOTALS</b>	<b>267,172,784</b>	<b>-6,000,000</b>	<b>260,732,784</b>	<b>66,944,832</b>	<b>193,787,952</b>



#### 7. FINANCE COSTS

Bank Charges and commissions	180,000	1,300,000	1,480,000	117,121	1,362,879
Bank Loan Interest	120,000		120,000	286,712	-166,712
Bank loan repayment	300,000		300,000		300,000
Loan Processing fee				1,317,285	-1,317,285
<b>TOTALS</b>	<b>600,000</b>	<b>1,300,000</b>	<b>1,900,000</b>	<b>1,721,118</b>	<b>178,882</b>

#### 8. ASSET ACQUISITION

Office Furniture	900,000		900,000		900,000
Tools and equipment /Pump	2,720,000		2,720,000	<b>3,148,075</b>	-428,075
Computer and accessories	960,000		960,000		960,000
Sewerage Pump	2,000,000		2,000,000		2,000,000
Motor vehicles	1,000,000		1,000,000		1,000,000
Motor Cycles	1,000,000		1,000,000		1,000,000
<b>TOTALS</b>	<b>8,580,000</b>		<b>8,580,000</b>		<b>8,580,000</b>

#### Notes

	<b>Budgeted</b>	<b>Actual</b>
<b>a) Income</b>	<b>131,765,406</b>	<b>115,580,768</b>
i) Decrease revenue due to Projection of grant to rehabilitate karatina urban water supply within the year which was granted near year end		
ii) Migration of customers to irrigation projects especially upon disconnection negatively affecting revenue.		
iii) Uncontrolled abstraction of water from ragati river by irrigation projects affecting production at intakes		
iv) High NRW due to illegal connections and interconnections by irrigation projects.		
v) Increased disputes by customers on billing as a result of insufficient water supply .		
<b>a) Printing and Stationery</b>	<b>Budgeted</b>	<b>Actual</b>
Increased due to increased prices of cartiridges and other printing materials	480,000	697,644
<b>b) Repair and Maintenance of Computers</b>	<b>Budgeted</b>	<b>Actual</b>
There has been minimum repair cost in computers maintenance	630,000	34,484
<b>d) Maintenance of Pumps and generators</b>	<b>Budgeted</b>	<b>Actual</b>
There has been minimum cost on pump repairs after installation of a new sewer pump	360,000	223,500
<b>e) Repair &amp; Maintenance -Furnitures, Building /Structures</b>	<b>Budgeted</b>	<b>Actual</b>
There has been un projected cost on Repair of ihwagi treatment works which was affected by fire	900,000	1,702,261



<b>f) Water Meters and Fittings</b>	<b>Budgeted</b>	<b>Actual</b>
	3,600,000	1,152,875
We had last financial year stock balance that was in use in the current financial year.		
<b>g) Chemicals</b>	<b>Budgeted</b>	<b>Actual</b>
	1,800,000	2,525,800
There was increased usage of chemical due to increased turbidity due to heavy rains		
<b>h) NRW Management Projects</b>	<b>Budgeted</b>	<b>Actual</b>
	87,819,851	9,837,513
The amount relates to OBA project in which the whole amount had not been disbursed during year end		
<b>i) Pipework Extension</b>	<b>Budgeted</b>	<b>Actual</b>
	7,200,000	2,151,250
The company had been extending pipework by using pipes bought in the previous financial year		
<b>j) GIS &amp; survey Works</b>	<b>Budgeted</b>	<b>Actual</b>
	1,200,000	524,200
The company had been financed under the OBA project		
<b>k) Board administration /lease fee</b>	<b>Budgeted</b>	<b>Actual</b>
	6,858,887	0
The board fee had been removed under the water new act 2016		
<b>l) Bank Charges and commissions</b>	<b>Budgeted</b>	<b>Actual</b>
	1,480,000	117,121
The bank charges was budgeted on assumption that OBA project was to be funded during the year fully.		
<b>m) Motor vehicles</b>	<b>Budgeted</b>	<b>Actual</b>
	<b>1,000,000</b>	<b>0</b>
The company had budgeted for new vehicle which was not bought due to financial constraints		
<b>n) Motor Cycles</b>	<b>Budgeted</b>	<b>Actual</b>
	<b>1,000,000</b>	<b>0</b>
The company had budgeted for purchase of new fleet of motor cycles which were not bought due to financial constraints		
<b>o) Office Furniture</b>	<b>Budgeted</b>	<b>Actual</b>
	<b>900,000</b>	<b>0</b>
The company had budgeted for purchase of New furnitures which were not bough		

**MATHIRA WATER AND SANITATION COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE**  
**YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**NOTES TO THE FINANCIAL STATEMENTS**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES SUMMARY OF**  
**SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Statement of compliance and basis of preparation**

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Mawasco and all values are rounded to the nearest thousand (Kshs'000).

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.

**2. Revenue recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to Mawasco 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 Mawasco activities, and when specific criteria have been met for each of Mawasco activities as described below.

- i) **Revenue from the sale of goods and services** is recognized in the year in which Mawasco 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 Mawasco actually receives such grants.
- 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.

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iv) **Other income**

Is recognized as it accrues.

In-kind contributions are donations that are made to Mawasco 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, Mawasco 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.

Increases in the carrying amounts of assets arising from re-evaluation 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 costs 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 **reducing balance 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:

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a) The annual rates of the depreciation used are as follows:-

▪ Motor Vehicles and Motor bikes	25%
▪ Buildings	2.5%
▪ Computer Equipment	30%
▪ Furniture, Fixtures, Fittings and Office Equipments	12.5%
▪ Plant, Equipments and Meters	33.3%
▪ Computer soft ware	20%

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 reducing 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.

**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 and depreciation is carried out on reducing balance.

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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 Mawasco 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 reducing 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. 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.

**10. 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 a 5% General Provision on receivables shall be provided

**11. Taxation**

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

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

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**12. 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 financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

<b>j) Cash and Bank balances</b>	2018-2019	2017-2018
Cash at bank	38,712,328	22,931,190
Cash in hand	93,490	61,890
	<b><u>38,805,818</u></b>	<b><u>22,993,080</u></b>

**13. 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.

**14. 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 Mawasco or not, less any payments made to the suppliers.

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**15. Retirement benefit obligations**

Mawasco operates a defined contribution scheme for all Permanent employees from. The scheme is administered by registered pension scheme and funded by contributions from both the company and its 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 15% employer and 12 % employee of pensionable pay.

**16. Provision for staff leave pay**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**17. Comparative figures**

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

**18. Subsequent events**

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

**19 Contingent liabilities**

There is no any contingent liability either inform of Bank guarantees or legal claim expected.

**20 Related party disclosure**

**(a) County Government of Nyeri**

The county government of Nyeri owns substantial shareholdings in the company hence help in making company policies it also owns number of water connections.

**(b) Tana Water Services Board**

**(TWSB)** Act as the regulator and is paid administration fee by the company for usage of assets. The company owed Kshs. **29,110,607** at year end to the board.

**21 Budget information**

Budget is prepared on accrual basis of all income and expenditures expected during the year any material variance is explained.

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**22 Application of new and revised International Financial Reporting Standards (IFRSs)**

Relevant new standards and amendments to published standards effective for the year ended 30 June 2019. The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

**Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities** The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’. The amendments require retrospective application. The application of the new standard has not had any impact on the disclosures or the amounts recognized in these financial statements as the Group does not have any offsetting arrangements

**Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets** The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. The amendments require retrospective application. The application of the new standard has not had any impact on the disclosures or the amounts recognized in these financial statements as the Group does not have any goodwill or other intangible assets with indefinite useful lives

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<p>Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting</p>	<p>The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the Novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application.</p> <p>The application of the new standard has not had any impact on the disclosures or the amounts recognized in these financial statements as the Group does not have any derivatives.</p>
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<p>Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities</p>	<p>The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment Mawasco investment activities.</p> <p>To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is an investment entity when it:</p> <ul style="list-style-type: none"> <li>• obtains funds from one or more investors for the purpose of providing them with investment management services;</li> <li>• commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and</li> <li>• measures and evaluates performance of substantially all of its investments on a fair value basis.</li> </ul> <p>Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities. The application of the new standard has resulted in more extensive disclosures in the consolidated financial statements.</p>
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IFRIC 21 Levies

IFRIC 21 addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. IFRIC 21 requires retrospective application.

The application of the new standard has not had any impact on the disclosures or the amounts recognized in these financial statements as the Group did not have any levies accounted for as a liability

- (ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9	1 January 2018
IFRS 14	1 January 2017
IFRS 15	1 January 2017
Amendments to IAS 16 and IAS 38	1 January 2017
Amendments to IFRS 11	1 January 2017

The directors of the company do not anticipate that the application of the standard will have a significant impact on the company's financial statements

- (iii) Early adoption of standards

The company adopted new standards in 2016.

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**FINANCIAL RISKS**

**Credit or Default Risk** - is the risk that a company or individual will be unable to pay the contractual interest or principal on its debt obligations. Customers might default payment of water consumed and the company could fail to pay its loan obligation i.e. principal and interest.

**Interest Rate Risk** - is the risk that an investment's value will change as a result of a change in interest rates this will affect the company borrowing powers.

**Political Risk** - represents the financial risk that the company could be affected by country's government suddenly change its policies

**Market Risk** - This is the volatility, of market prices due to entrant of new players in the market i.e. community projects.

**Key projects and investment decisions the entity is planning/implementing**

Due to increased need to serve the people of Mathira East and west Sub counties the company intends to facilitate.

1. (Extension of water supply to Gathugu through the support of County Government of Nyeri.
2. Procurement of more computers & establishment of computer laboratory.
3. Laying of 42.83 km pipeline for water supply in various target of operation,
4. Disilting and expansion of Ihwagi intake weir,
5. Construction of Gathugu tank through assistance from County Government of Nyeri,
6. Disilting and expansion of Ragati Intake Weir
7. Capacity building of staff on key and challenging issues such as culture change, customer care, staff motivation and result based management.

The project will be implemented using internally generated funds .the company will be able to sustain the above projects due to increased revenue.

**Inter Entity transfer**

There is no inter entity transfer that has taken place during the year.

**Recording of Transfer from other government entities**

There is no transfer recorded from other government entities as the company revenue is internally generated.



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	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>2. INCOME</b>		
Sales are recognised upon billings to the customer		
Water sales	81,485,864	72,953,929
Sewer	23,891,871	22,557,883
Other Services(i.e) water and sewer reconnection,Surcharges,Water fittings,Disc owners	10,203,033	10,210,042
Interest Income		
<b>Billing</b>	<b>115,580,768</b>	<b>105,721,854</b>
<b>Other Income</b>		
Revenue Grant Vitens Evides	1,521,403	
Revenue Grant SNV Netherlands dvpt Org	350,000	
Salary Grant	567,300	507,028
WSTF Grant	5,269,171	
	<b>7,707,874</b>	<b>507,028</b>
<b>TOTAL INCOME</b>	<b>123,288,642</b>	<b>106,228,882</b>
<b>3. PERSONNEL COSTS</b>		
Staff -Salaries	49,748,503	44,930,713
Ministry staff salary	567,300	507,028
Casual wages	310,025	181,950
	<b>50,625,828</b>	<b>45,619,691</b>
<b>4. DIRECTORS COSTS</b>		
Sitting Allowance	3,859,400	2,837,800
	<b>3,859,400</b>	<b>2,837,800</b>
<b>5. ADMINISTRATIVE COSTS</b>		
Travelling & Subsistence	1,514,840	1,256,246
Printing and Stationery	697,644	804,140
Advertising and Public Relations	782,793	741,676
Corporate social responsibility	213,720	290,170
Newspaper & Periodicals	104,700	108,780
Entertainment	521,490	220,578
Staff Welfare expense	308,968	487,060
Functions celebrations expense	778,370	989,840
Insurance	4,135,301	523,659
Training	1,022,456	951,738
Consultancy	588,980	
Legal services	1,169,729	231,610
Electricity	2,186,645	1,537,476
Cleaning Materials	188,476	197,171
Seminars	940,150	676,120
Uniforms	465,435	137,823
Security Services	4,508,123	4,072,200



	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Telephone	771,639	793,362
Postage	99,230	82,210
General office expenses	539,506	417,990
sports	837,544	770,260
Provision for audit fee	400,000	400,000
<b>TOTALS</b>	<b>22,775,772</b>	<b>15,690,109</b>

	<b>Kshs</b>	<b>Kshs</b>
<b>6. OPERATION &amp; MAINTENANCE COSTS</b>		
Board admin fee		9,192,120
Motor vehicle & bikes running cost - Fuel & Oil	2,400,928	2,055,980
Motor vehicle & bikes running cost - Repairs	1,165,982	1,146,362
Renewal of Water permit license & subscription	410,000	379,050
Maintenance of Pumps	223,500	20,050
Maintenance of water supply system	3,076,438	3,160,375
Maintenance of sewerage systems	3,275,611	1,013,640
Repair & Maintenance -Equipment, Building	1,702,261	1,450,798
Repair & Maintenance - Computers	34,484	93,350
Software Maintenance	714,000	694,540
Manhole covers	401,490	
Engineering design & maps	524,200	152,900
Service Lines Rehabilitation	6,251,250	6,061,578
Pipes & Fittings	9,837,513	9,861,092
Chemicals	2,525,800	1,500,205
Ground maintainance	167,700	6,950
Loose tools and equipments	1,152,875	307,338
Depreciation	2,901,461	2,788,300
Armotization Soft ware		358,400
Tanks rehabilitation and intakes	1,418,922	
Other levies and fees	109,000	108,000
Provision for bad debts	1,437,357	821,547
Wasreb levy	3,526,693	1,057,219
Warma levy	1,560,000	1,800,000
<b>TOTALS</b>	<b>44,817,465</b>	<b>44,029,794</b>

<b>7. FINANCE COSTS</b>		
Bank Charges	117,121	86,026
Bank Loan Interest	286,712	31,545
Loan Processing fee	1,317,285	
<b>TOTALS</b>	<b>1,721,118</b>	<b>117,571</b>



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**8 Property, Plant and Equipment**

	Buildings	Motor Vehicles & cycles	Furniture and Fittings	Computers and Accessories	Plant and Equipment	WIP	Total
COST OR VALUATION	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs
Cost As at 30 June 2017	9,780,555	12,513,621	1,830,729	5,169,355	13,579,922		42,874,182
Additions during the year				186,050	1,155,500		1,341,550
Cost As at 30 June 2018	9,780,555	12,513,621	1,830,729	5,355,425	14,735,422	-	44,215,732
<b>Depreciation</b>							-
As at 30 June 2017	992,849	8,610,893	917,791	4,265,074	11,276,837		26,063,444
Charge for the year	219,693	975,682	114,117	327,099	1,151,709		2,788,300
As at 30 June 2018	1,212,541	9,586,575	1,031,908	4,592,173	12,428,546	-	28,851,744
NBV as at 30 June 2017	8,787,706	3,902,728	912,938	904,281	2,303,085	-	16,810,738
NBV as at 30 June 2018	8,568,014	2,927,046	798,821	763,252	2,306,876	-	15,363,988

	Buildings	Motor Vehicles & cycles	Furniture and Fittings	Computers and Accessories	Plant and Equipment	WIP	Total
COST OR VALUATION	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs
Cost As at 30 June 2018	9,780,555	12,513,621	1,830,729	5,355,425	14,735,422	-	44,215,732
Additions during the year				642,200	1,995,200	7,317,991	9,955,391
Cost As at 30 June 2019	9,780,555	12,513,621	1,830,729	5,997,625	16,730,622	7,317,991	54,171,123
<b>Depreciation</b>							-
As at 30 June 2018	1,212,541	9,586,575	1,031,908	4,592,173	12,428,546	-	28,851,744
Charge for the year	214,200	731,761	99,853	421,636	1,434,011		2,901,461
As at 30 June 2019	1,426,742	10,318,337	1,131,761	5,013,809	13,862,557	-	31,753,205
NBV as at 30 June 2018	8,568,014	2,927,046	798,821	763,252	2,306,876	-	15,363,988
NBV as at 30 June 2019	8,353,813	2,195,284	698,968	983,816	2,868,065	7,317,991	22,417,919



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	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>9 CASH &amp; CASH EQUIVALENTS</b>		
<b>COOP BANK</b>		
Savings Account No 01100059779200	2,643,175	13,097,921
Customers Deposit Account 01100059779201	10,733,582	9,734,318
Current Account No 0113659779200	42,635	(137,589)
<b>Totals</b>	<b>13,419,393</b>	<b>22,694,650</b>
<b>FAMILY BANK</b>		
Savings Account No 056000020157	171,787	
Customers Deposit Account 056000020158	540,031	
Current Account No 056000020173	(627,295)	
Escrow Account No 056000020172	5,269,171	
Project Account No 056000021270	15,682,009	
<b>Totals</b>	<b>21,035,702</b>	<b>0</b>
<b>M-pesa</b>	<b>4,257,233</b>	<b>236,540</b>
Cash at Hand	93,490	61,890
<b>Totals</b>	<b>38,805,818</b>	<b>22,993,080</b>
<b>10 INVENTORIES</b>		
This represents Pipes for repairs and maintenance of water supply systems and Chemicals in the stores as at 30th June 2019		
i Chemicals	15,000	62,100
ii stationery , Consumables and loosetools	1,902,006	910,655
iii meters	37,100	2,000,800
iv Water pipes and Fittings	5,010,108	7,627,545
<b>Totals</b>	<b>6,964,214</b>	<b>10,601,101</b>
<b>11 TRADE RECEIVABLES</b>		
Debtors	47,238,071	43,443,441
Receivables write Off	2,000,000	
	<b>45,238,071</b>	<b>43,443,441</b>
General Provision 5%	2,261,904	824,547
<b>Totals</b>	<b>42,976,167</b>	<b>42,621,894</b>
<b>12 DEFFERED TAX</b>		
	<b>1,518,875</b>	<b>995,426</b>



**13 PAYABLES**

General Creditors	41,360,939	42,832,477
Credits payments	151,068	724,810
Customer Deposit	12,408,967	11,145,242
<b>Totals</b>	<b>53,920,974</b>	<b>54,702,530</b>

**14 ACCRUALS**

<b>Totals</b>	<b>2,564,000</b>	<b>2,164,000</b>
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**15 LONG TERM LIABILITIES**

Advance -County Govt Nyeri /Defunct Municipal Council of Karatina		2,000,000
Loan-OBA Family Bank	23,000,000	
<b>Totals</b>	<b>23,000,000</b>	<b>2,000,000</b>

**16 RETAINED EARNINGS**

<b>Totals</b>	<b>(32,806,727)</b>	<b>(32,295,786)</b>
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**17 CAPITAL RESERVE**

Capital Reserves b/f Prior Years Adjustment	65,904,745	65,904,745
<b>Totals</b>	<b>65,904,745</b>	<b>65,904,745</b>

**18 SHARE CAPITAL**

Authorised and paid up issued Share Capital	<b>100,000</b>	<b>100,000</b>
5,000 Ordinary Shares@Ksh20	<b>100,000</b>	<b>100,000</b>



Details	FY 2017	FY 2018	Permanent Difference	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018
	Asset base	Asset base		Qualifying NBV	Qualifying NBV	Tax Base	Tax Base	Temporary Difference	Temporary Difference	Deferred Tax (Asset)/Liability	Deferred Tax (Asset)/Liability		
Building	8,787,706	8,568,014	0	8,787,706	8,568,014	6,049,871	5,444,884	-2,737,835	-3,123,130	-821,351	-936,939		
Motor Hevicles	3,902,728	2,927,046	0	3,902,728	2,927,046	3,902,728	2,927,046	0	0	0	0		
Furnitures and Fittings	912,938	798,821	0	912,938	798,821	911,376	797,453	-1,562	-1,368	-469	-410		
Computers	904,281	763,232	0	904,281	763,232	824,045	707,067	80,236	-56,165	24,071	-16,850		
Plant and Equipt	2,303,085	1,546,496	0	2,303,085	1,546,496	5,954,372	5,223,638	3,651,287	3,677,142	1,095,386	1,103,143		
Audit fee provision	400,000	400,000	0	400,000	400,000			400,000	400,000	120,000	120,000		
Provision Specific debts	1,437,357	821,547	0	1,437,357	821,547			1,437,357	821,547	431,207	246,464		
<b>Total</b>	<b>18,648,095</b>	<b>15,825,156</b>	<b>0</b>	<b>18,648,095</b>	<b>15,825,156</b>	<b>17,642,392</b>	<b>15,100,088</b>	<b>2,829,483</b>	<b>1,718,026</b>	<b>848,845</b>	<b>515,408</b>		

**Deferred Tax Asset Note**

FY 2018 Shs FY 2017 Shs  
 Balance b/f 848,845 848,845  
 (Charge)/Credit for the year 515,408  
 Prior year adjustment -  
 Balance c/f 1,364,253 848,845

Details	FY 2018	FY 2019	Permanent Difference	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019
	Asset base	Asset base		Qualifying NBV	Qualifying NBV	Tax Base	Tax Base	Temporary Difference	Temporary Difference	Deferred Tax (Asset)/Liability	Deferred Tax (Asset)/Liability		
Building	8,568,014	8,353,813	0	8,568,014	8,353,813	5,444,884	4,900,396	-3,123,130	-3,453,417	-936,939	-281,082		
Motor Hevicles	2,927,046	2,195,284	0	2,927,046	2,195,284	2,927,046	2,195,285	0	1	0	0		
Furnitures and Fittings	798,821	698,968	0	798,821	698,968	797,453	697,771	-1,368	-1,197	-410	-123		
Computers	763,232	983,816	0	763,232	983,816	707,067	994,487	-56,165	10,671	-16,850	-5,055		
Plant and Equipt	1,546,496	2,868,065	0	1,546,496	2,868,065	5,223,638	7,189,296	3,677,142	4,321,231	1,103,143	330,943		
Audit fee provision	400,000	400,000	0	400,000	400,000			400,000	-400,000	120,000	36,000		
Provision Specific debts	821,547	1,437,357	0	821,547	1,437,357			821,547	-1,437,357	246,464	73,939		
<b>Total</b>	<b>15,825,156</b>	<b>16,937,304</b>	<b>0</b>	<b>15,825,156</b>	<b>16,937,304</b>	<b>15,100,088</b>	<b>15,977,235</b>	<b>1,718,026</b>	<b>-960,069</b>	<b>515,408</b>	<b>154,622</b>		

**Deferred Tax Asset Note**

FY 2019 Shs FY 2018 Shs  
 Balance b/f 1,364,253 417,638  
 (Charge)/Credit for the year 154,622 515,408  
 Balance c/f 1,518,875 933,046

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**18: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1	Long Term Liabilities Ksh 2million county Government of Nyeri Loan	The amount has been written off through set off against receivables from County Government of Nyeri. This is as was resolved by County's Executive Committee meeting held on 27 <sup>th</sup> January 2020. Consequently; the financial statements have been amended accordingly.	N/A	Resolved	N/A
2	Capital Reserves	Variance has been supported.	N/A	Resolved	N/A
3	Non-Revenue Water (NRW) 51.4%	The main cause of high NRW in the company has been due to the old dilapidated supply network that was inherited at the inception and rampant water theft by consumers especially in the rural scheme through illegal connections and meter by-passes. To mitigate these, a dedicated NRW team and who have been specially trained. Some of the achievements of the team in the recent past include; Creation of District Metering Areas (DMAs), installation of check meters in all high-rise buildings and rehabilitation of lines with massive irregularities. Rehabilitation of Karatina Urban Water Supply network with the support from World Bank under Out Based Aid (OBA) program at a cost of Kshs. 108M is expected to reduce the NRW levels to below 25% in the Scheme ( and to below 40% overall)	James Githige Technical Manager	Not resolved	30/06/2023

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**19: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1 Karatina Urban Rehabilitation	1	Wstf /World Bank	18 Months	60% subsidy of total cost	YES	YES

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Karatina Urban Rehabilitation	Ksh 108,957,510	Ksh 7,317,991	6.72%	Ksh 108,957,510	Ksh 7,317,991	Wstf /World Bank

Sign   
Managing Director

Date 26/06/2020