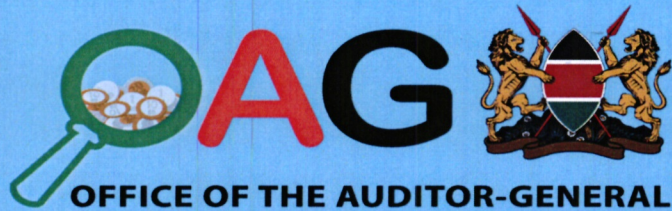


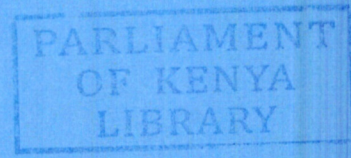
REPUBLIC OF KENYA



*Enhancing Accountability*

PAPERS LAID	
DATE	31/5/2023
TABLED BY	Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Chania

**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**ITEN TAMBACH WATER AND SEWERAGE  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2022**





---

**ITEN TAMBACH WATER AND SEWERAGE COMPANY LIMITED**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

OFFICE OF THE AUDITOR - GENERAL  
CENTRAL RIFT REGIONAL OFFICE

13 MAR 2023

**RECEIVED**

P. O. Box 2774 - 30100, ELDORET

---

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

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

***Iten Tambach Water and Sewerage company limited***  
***Annual Reports and Financial Statements***  
***For the year ended 30 June 2022.***

---

<b>Table Of Contents</b>	<b>Page</b>
I Key Entity Information .....	iv
II The Board Of Directors.....	vi
III Management Team.....	vii
IV Chairman's Statement .....	viii
V Report Of The Managing Director.....	ix
VI Statement Of Performance Against Predetermined Objectives For FY 2021/2022.....	xii
VII Corporate Governance Statement .....	xiv
VIII Management Discussion And Analysis.....	xv
IX Environmental And Sustainability Reporting.....	xvi
X Statement Of Directors Responsibility.....	xvii
XI Report Of Independent Auditors.....	xviii
XII Statement Of Profit Or Loss & Other Comprehensive Income For The Year Ended 30 June 2022...	1
XIII Statement Of Financial Position As At 30 June 2022.....	2
XIV Statement Of Changes In Equity For The Year Ended 30 June 2022.....	3
XV Statement Of Cash Flows For The Year Ended 30 June 2022.....	4
XVI Statement Of Comparison Of Budget & Actual Amount For The Period Ended 30 June 2022.....	5
XVII Notes To The Financial Statements.....	7
XVIII Appendices.....	28

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**i) KEY ENTITY INFORMATION**

**a) Background information**

The *Company* was established on 1<sup>st</sup> July, 2008 through the Water Act of Parliament of 2002 and incorporated on 1st July, 2008. At cabinet level, the *company* is represented by the Cabinet Secretary for Water and Irrigation who is responsible for the general policy and strategic direction of the *company*.

**b) Principal Activities**

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

**c) Directors**

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

<b>No</b>	<b>Name</b>	<b>Position</b>	<b>Date Of Appointment</b>
	Mr. Fredrick K. Kiyeng	Chairman	19 <sup>th</sup> June 2021
	Dr. Kiptoo Bilhah	Member	19 <sup>th</sup> June 2021
	Mr. Abraham Barsosio	Member	19 <sup>th</sup> June 2021
	Mr. Alan Chemursoi	Member	19 <sup>th</sup> June 2021
	Mr. Benson Cheboswony	Member	19 <sup>th</sup> June 2021
	Mr. Paul Yator	Secretary	Managing Director

**Iten Tambach Water and Sewerage Company Limited  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

---

**d) Addresses  
Registered Office**

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

**Corporate Contacts**

Telephone: 0743286175/0743286720  
E-mail: [itenwater@yahoo.com](mailto:itenwater@yahoo.com)/ [infoitwasco@gmail.com](mailto:infoitwasco@gmail.com)

**Corporate Bankers**

Kenya Commercial Bank  
P.O. Box 456,  
Iten- Kenya

Equity Bank-Iten Branch  
P.O. Box 75104-00200  
Nairobi

**Independent Auditors**



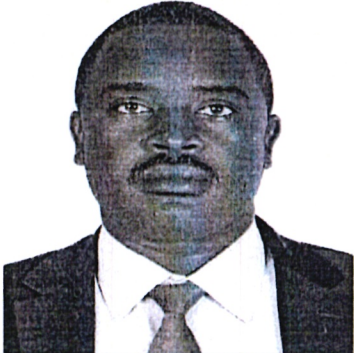



Auditor General  
The Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**Principal Legal Advisers**

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



**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

**II) The Board of Directors**

<b>PASSPORT</b>	<b>NAME</b>	<b>PROFESSION</b>	<b>QUALIFICATION</b>
	Mr. Fredrick K. Kiyeng	-Water Technologist by Profession -Currently working in Uasin Gishu County	-BSC in Science (Chemistry) -Diploma in Chemical Engineering.
	Mr. Alan Chemursoi	Nursing officer by profession -Representing profession.	-High Diploma in Mental Health -Registered Nurse
	Mr. Abraham Barsosio	-Environmentalist by profession -Representing County Government of Elgeyo Marakwet	-Doctor of philosophy in Environmental planning and monitoring- University of Eldoret -Master of Science, Natural Resources Management-Egerton University -Bachelors of Science, Eco tourism & Hospitality Management-Egerton University
	Dr. Kiptoo Bilhah	-Teacher by profession -Currently Lecture at University of Kabianga -Representing gender	-Masters of Philosophy-Edith Cowan University Australia -Bachelors of Education- Moi University
	Mr. Benson Cheboswony	-Hydrological Engineer by profession -Member of Hydrological Society of Kenya	-Post graduate Diploma in Hydrological Engineering -BSC in Hydromet.
	Mr. Paul Yator	-Degree in PPM -Diploma in Water Engineering -Higher diploma in HRM -Higher diploma in Entrepreneurship	Managing Director

**Iten Tambach Water and Sewerage Company Limited  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**III) MANAGEMENT TEAM**

PASSPORT	NAME	Qualification	Area of Responsibility
	Mr. Paul Yator	-Degree in PPM -Diploma in Water Engineering -Higher diploma in HRM -Higher diploma in Entrepreneurship	Managing Director
	Mr. Jeremiah K. Kigen	-CPA K	Commercial Financial Manager

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**IV) Chairman's Statement**

It gives me great pleasure to present to you the annual report and financial statements for the year ended 30 June 2022. The integrity, responsiveness and sheer determination of the company and its employees was integral in meeting the needs and the expectations of our interested parties in the provision of our product and services. The company was able attend to all its financial requirements and obligations in a timely manner despite budgetary constraints.

The passage of Kenya's 2010 Constitution has had a wide set of implications for the water sector. Primarily, the Constitution acknowledges access to adequate quantity of clean and safe water as a basic human right and assigns the responsibility for water supply and sanitation service provision to counties. The act recognizes that water related functions are a shared responsibility between the national government and the county government.

ITWASCO being a Water Service Provider operates in a regulated environment and keenly follows provision of Water Act of 2016, WASREB guidelines, Public –finance Management (PFM) Act of 2012, Public Finance Management Regulations 2015 and other applicable statutory laws and regulations. The company has operated in a stable environment within its area of jurisdiction. The company has aligned itself to the new provisions as envisioned in the constitution and continued to operate on the dictates as regulated by WASREB, Water Works Development Agencies (WWDA) and the County Government of Elgeyo Marakwet in ensuring commercial viability of its role in Water and sewerage services

The company will continue contributing towards the provision of Water services, which is central to the social and economic development of the country. The availability, or lack of water and sanitation services, thereof, impact on the quality of life of individuals. The key sectors of agriculture, livestock and fisheries, manufacturing and tourism depend on the availability and reliability. The company understands its strategic role to the achievement of the Sustainable Development Goals in water and sanitation by the year 2030.

The greatest desire of ITWASCO is the improvement of access to adequate potable water and sewerage services to the residents of Iten and Tambach town and its environs. Currently, water demand continued to outstrip supply hence necessitating the continuation of rationing programme. The company in its effort to meet its mandate has put in place plans with a view of increasing the water supply.


The Board highly appreciates the support given by our shareholders for the continued effort towards turning around the company in fulfilling its mandate. The support of the County Government of Elgeyo Marakwet has allowed the company to continue making critical investments and decisions to ensure future growth.

We also appreciate the role played by the Government of Kenya in policy, guidelines, regulations and financial support

We thank our stakeholders including employees, customers, suppliers, and financiers for their contribution consistent, unwavering support in pursuit of the mission and vision of the company despite the challenges.

We celebrate you all.

Thank you & God bless you all.

---

**Mr. Fredrick K. Kiyeng**  
Chairman

13/03/2023  

---

Date

**v) Report Of the Managing Director**

It is my pleasure to present an overview of our 2021/22 financial performance, operational highlights and outlook for 2021/22. Our strategy is firmly on course and we have been able to establish a strong footing in the provision of our product and services. We remain committed to strengthening our position in line with our strategy. The ITWASCO's performance in the year under review was underpinned by a continued focus on operational efficiency, sound corporate governance and a strong control framework.

In the year under review, the company realised a turnover of Kshs 32,235,663 from billing income, Kshs. 3,339,177 from non-billing income, Kshs. 3,526,323 from Conditional Liquidity Support Grant.

I am happy to note that over the period, the company maintained a positive cash flow position. The company achieved collection efficiency of an average 80% inclusive of arrears paid by County Government of Elgeyo Marakwet among others during the same period and the company fully complied with the existing regulatory and statutory requirements.

**(a) Customer Charter.**

During the year, 2012 the Company formulated a Customer Charter, which describes in a clear, concise and simplified way, the service standards customers can expect from us. The formulation of the Charter is a demonstration of the great importance we place on the provision of the highest quality service to customers. The charter expresses ITWASCO commitment to giving a courteous, efficient, professional, high quality customer service.

One of the cornerstones of our company's success is customer satisfaction, continuous improved operational efficiency and effectiveness. This calls for a clear understanding and appreciation of the flow and interaction of the process in our company, together with the outcome and parties involved at each stage.

**(b) Zoning Management Systems**

The company has developed Zoning System which came in effect in July 2012.

The Zoning Management System is expected to reduce Non-Revenue Water, enhance revenue collection, and improve efficiency in delivery of service to the customer in water distribution such as quick leakage repairs, disconnections & reconnections.

**(c) WSTF Grants**

Water Sector Trust Fund (WSTF) has been in progress since the start of 3<sup>rd</sup> Call whereby in the year 2012 for the last financial was kshs 17,149,407 2014/15 FY for the last financial year; we did not receive any funding from Water Sector Trust Fund. We expect to receive for this subsequent financial year.

This Financial year we managed to receive Conditional Liquidity Support Grants amounting kshs 3,526,323 to caution Covid-19 pandemic from Water Sector Trust Fund.

**(d) The New Sabor Water Project**

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**Report Of the Managing Director (Continued)**

The company received the completion of the Iten Tambach Sabor Water project phase I and II in December 2017. This enhanced a continual supply of water in Iten. At the completion of this project later last year, the Company managed to increase water production from 900 m<sup>3</sup> to 2,460 m<sup>3</sup> daily. The management through the Board of Directors employed extra security water quality personnel and water operator who were deployed to Sabor Treatment plant, Sabor intake and water tank opposite the Kenya Police post County Headquarters Iten

**(e) ICT Environment**

Pickpay ERP Software for billing and customer relationship management purpose.

**Challenges**

***Water Demand***

Water demand continues to outstrip supply hence necessitating the need for continuation of the water rationing programme. There is a shortage of 8,500m<sup>3</sup>/day in Iten Tambach and its environs. This situation is further aggravated by increased Infrastructural developments including construction and rehabilitation of roads, laying of fibre optic cables, and rehabilitation of storm water drains among others. These activities have caused widespread damages of water and sewerage infrastructure, thus resulting in huge losses to the company.

***Debtors***

The net outstanding debts stands at Kshs 36,5130,546 (water & cleansing) for the reporting period compared to Kshs 30,578,721 in the last financial year. A significant proportion of these outstanding debts relate to the standing charges. The company has a robust programme to follow up on the debts and has categorized the debtors for ease of follow up. Various other strategies have been developed including the enhancement of collection efforts, exploring more innovative approaches, bringing debt collectors on board among others. Provision for doubtful debts has being increased to Kshs. 3,651,355.

***Non- Revenue Water***

Currently, NRW stands at an average of 32% and the company has put a lot of effort with a view of achieving the benchmark target of 25%.

We will establish NRW unit, due to budget constraint we are to place a small allocation to enhance purchase of leak detectors, disciplinary action taken on errant employees, constant raids and arrests, asset management programmes, training, inspection and surveillance of all our existing distribution lines. We will also undertake a pilot programme on smart metering and installation of HDPE pipes within Iten town.

The company will also continue to invest on any emerging technologies and materials in an effort to alleviate the effects of NRW. We belief that reduction of NRW will lead the company to positively influence quality of services, increase in revenue collection, service coverage and essentially long-term commercial viability.

**Conclusion**


On behalf of the management and staff of ITWASCO, i extend our sincere appreciation to our Board, Shareholder, Customers, Regulators and other stakeholders. We shall

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

count on your continued support and commitment as we steer ITWASCO to even greater heights to improve on our product and services. The milestones outlined above would not have been possible without your support and understanding.

Thank you; God bless us all and ITWASCO.



---

**Paul Yator**  
**Managing Director**

13/03/2023

**Date**

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**VI. Statement Of Performance Against Predetermined Objectives For FY 2021/2022**

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

Iten Tambach Water and Sewerage Co. Ltd have 5 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2018/2019- FY 2023/2024. These strategic pillars/ themes/ issues are as follows:

- i) Water and sewerage infrastructure.
- ii.) Non-Revenue Water (NRW).
- iii.) Operational efficiency and Human Resources Management.
- iv.) Financial sustainability.
- v.) Corporate governance.

Iten Tambach Water and Sewerage Co. Ltd develop its annual work plans based on the above 5 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Iten Tambach Water and Sewerage Co. Ltd achieved its performance targets set for the FY 2020/2021 period for its 5 strategic pillars, as indicated in the below:

- i. Increased water coverage area from 53% in 2019 to 65% by 2022.
- vi. Increased revenue from Kshs. 21 million in 2019 to Kshs. 30 million
- vii. Improved collection efficiency from 85% in 2019 to 95%
- viii. Promote a positive corporate image.
- ix. Enhanced good corporate governance.

Theme	Objective	Strategy
1. Non-Revenue Water	To reduce the non-revenue water from 32% in 2019 to 25% by 2024	i. Rehabilitation of water distribution network
		ii. Pressure management
		iii. Meter Replacement /Servicing policy
		iv. Billing data and clean up exercise
		v. Enhance community involvement
		vi. Enhance staff capacity to deal with NRW
		Develop a NRW policy plan Reporting system/ customer care line/sms
2. a) Operational Efficiency	To reduce operational costs to total revenue ratio from 97% in 2019 to 80% by 2024	i. Streamlining business processes
		ii. Eliminate bottlenecks in handling customer fittings
		iii. Increase customer satisfaction from 70% in 2018 to 85% in 2024.
b) Human Resources Management	To attract and retain skilled and productive staff	i. Align staff establishment with business level
		ii. Staff capacity building

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

			iii. Enhance performance management
			iv. Provide a conducive working environment
			v. Organisational culture change
			Enhance innovation and knowledge management Improve staff motivation
			i. Enhance customer relationship management
<b>Theme</b>	<b>Objective</b>		<b>Strategy</b>
c) Customer Service	To increase customer satisfaction from 74% in 2018 to 85% in 2024		ii. Maintain a 24 hour water supply
3. Financial Sustainability	1. To increase revenue from Kshs. 21 million in 2019 to Kshs. 45 million by 2024		i. Review the water tariff
			ii. Increase the number of water connections.
			iii. Construction of Water Bottling Plant-Kabei spring.
			iv. Enhance revenue through water Quality laboratory analysis services.
	2. To improve collection efficiency from 85% in 2019 to 95% by 2024		i. Maintain a regular billing cycle
			ii. Enhance Debt Management
			iii. Efficient debt resolution mechanism
4. Corporate Image and Governance	1. To promote a positive corporate image		i. Enhance corporate brand visibility
			ii. Enhance Corporate Social Responsibility (CSR)
			iii. Initiate ISO Certification
	2. To enhance good corporate governance		i. Adherence to good corporate governance practices
			ii. Strengthen enterprise risk management (ERM)
			iii. Enhance internal controls

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**VII) Corporate Governance Statement**

Corporate governance is the process and structure used to direct and manage the business affairs of the Company towards enhancing prosperity and corporate accounting with the ultimate objective of realising shareholders' long-term value while taking into account the interest of other stakeholders. Directors are responsible for corporate governance practices of the Company. This statement sets out the main practices in operation during the year under review, unless otherwise indicated.

Directors and Management of the Company regard corporate governance as pivotal to the success of the business and are unreservedly committed to ensuring that good governance is practiced so that the company remain sustainable and viable business of the community stature. As part of this commitment, the Board fully supports best practices in corporate governance and has adhered to the Guideline Governance.

**a) Board of Directors**

The Board consists of five Directors and a Managing Director. The Directors' biographies are on **page IV**. Directors possess a broad range of skills, qualifications and experience required to direct the Company.

At least one third of the Board members are required to submit them for re-election each year during the Annual General Meeting. Any Director appointed by the Board during the year is required to retire and seek re-election at the next Annual General Meeting.

Business transactions with all parties, Directors or their related parties are carried out at arm's length.

**b) Responsibilities**

The primary responsibilities of the Board include: establishment of short and long-term goals of the Company and strategic plans to achieve those goals; ensuring preparation of the annual financial statements; approval and review of the annual budgets; setting and periodically reviewing key performance indicators and management performance; managing risks by ensuring that the Company has adequate systems of internal controls together with appropriate monitoring of compliance activities; and working with management to realise shareholders' value. To enable the Board to function effectively the Board is given full and timely access to relevant information. New Directors are also inducted through provision of necessary information pertinent to the Company's business, meetings with Management and training so as to enhance their understanding of the Company's legislative framework, its governance processes and the nature of the business and operations of the Company. Continuous training is provided. Towards this, six Directors have been trained on corporate governance by the Rift Valley Water works development agency. The Board meets at least once a quarterly or more often in accordance with requirements of the business.

**c) Board Work Plan and Meetings**

The Board work plan and calendar of meetings is prepared annually in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. The Board held a total of 4 meetings during the year, which were very well attended.

**d) Board Committees**

A number of standing committees exist in order to assist the Board and management fulfil their responsibilities. Each committee operates within the ambit of defined terms of reference assigned to it by the Board.

During the year, the Board had the following standing committees.

Finance/ Technical and General-purpose committee.

Audit committee.

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**VIII) Management Discussion Analysis**

The Directors submits their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the entity's affairs.

**a. Appointment of Directors.**

Under the Corporate Governance Guidelines which informs the recruitment of Directors for all Water Service Companies in the Country and the regulations issued by the Water sector regulator, Water Services Regulatory Board (WASREB), it is a requirement that only two categories of directors should be appointed to sit in the boards of water companies. These are:

Two directors to be appointed from Executive arm of the County Governments.  
The other stakeholders' directors to be recruited competitively from the stakeholders.

For Iten Tambach Water and Sewerage Company Limited, the only vacancies available and which were advertised to be filled competitively by the stakeholders' directors were three. The other two directors to be appointed from the Executive arm of the County Government.

**b. Principal activities**

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

**c. Results**

On the financials, ITWASCO reported an increase in turnover, increase in administrative expenses and increase in production cost by 2.8%, 4.4 % and 0.4 % respectively. The net profit/(loss) decreased by kshs 338,466

The above increased turnover, increase in administrative cost and increase in production has resulted because of constant supply of water and increase in area of coverage, the production in Iten increased from 900 cubic per day since the year 2012 to 2460m<sup>3</sup> per day because of completion of Sabor Iten-Tambach gravity Water project and consumers have increased. The challenge above is associated with Corona virus experienced from March 2020 to date which affected the operations of the company.

Also, operational and maintenance increased due to pressure variance exerted on the old polyvinyl pipe (UPVC) pipes in relation to the high density polyethylene pipe (HDPE) pipes and roads upgrading by the county government, furthermore the area of coverage increased hence increase in the cost of transport.

The company managed to comply with all statutory requirements and maintained a positive balance in the bank accounts.

The results of the entity for the year ended 30 June, 2022 are set out on page 1.

**d. Auditors**

The Auditor General is responsible for the statutory audit of the company in accordance with Section 149 (2) k of the Public Finance Management (PFM) Act, 2012.

Name Paul Yator

Signature.....

Date. 13/03/2022.....

Secretary to the Board

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**IX) Environmental And Sustainability Reporting**

In recognition of its obligations as a responsible corporate entity, the Board of Directors and management sustained the Company's participation in corporate activities that enhance the social, economic and environmental interests that affect its internal stakeholders.

The Environment Our business has been a major beneficiary of wood products. We have, therefore, undertaken to contribute towards national afforestation initiatives in collaboration with the Forest Department. Since 2012, the Company has sustained a tree-planting programme at Sabor Forest Block-Kitany area water catchment area and Yokot Water catchment Forest where our main source of water is coming with seedlings propagated at Singore Zonal office tree nursery of Kenya forest service (KFS). Also, further encouragement to individual farmers to planted trees along the upstream.

**a. Stakeholder Awareness.**

Operate and, consequently, we have endeavoured to contribute to initiatives that impact on improvement of their social well-being.

In order to facilitate awareness and understanding of various aspects and nature of our service, we carried out various awareness campaigns through print and electronic media and also organised face-to-face meetings with a view to reach a wide cross section of our customers and other stakeholders.

**b. Our Human Capital**

It is in our interest to continue investing in the development of our human capital as a prerequisite to meeting expectations of our employees and customers. Consequently, we continued to offer various groups of our employees training opportunities to learn new skills and develop careers, locally. All employees also undergo an annual performance appraisal, which includes identification of training and development needs.

**c. Stakeholders**

As a service provider that is well aware of its obligations to its customers, we drafted a Customer Charter detailing our obligations to them. We invited customers under the umbrella of resident associations and other interest groups to a meeting to debate and suggest how to enhance our services. Consequent to this interaction and in recognition of the value of partnerships and dialogue in order to better understand the needs of our customers.

**d. Education**

Our support to education-related initiatives stems from the fact that the pool of skilled manpower that help to drive the success of our Company are a product of the country's education system. We, therefore, continued to provide opportunities for attachment for Kenya Water Institute, Rift valley Technical institute of science and Technology students and those from tertiary institutions, to enable them acquire a hand- on experience and fulfil a requirement for graduation. During the year under review, 30 students went through the attachment programme at ITWASCO, but it was disrupted by Covid-19.

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**X) Statement Of Directors' Responsibilities**

Section 149 (2) k of the Public Finance Management Act, 2012 and section 194 of the State Corporations Act, require the Directors to prepare financial statements in respect of that *company*, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the *ITWASCO's* financial statements, which give a true and fair view of the state of affairs of the *ITWASCO* for and as at the end of the financial year (period) ended on June 30, 2022. 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 the *ITWASCO*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *ITWASCO'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 and the State Corporations Act. The Directors are of the opinion that the *ITWASCO's* financial statements give a true and fair view of the state of *company's* transactions during the financial year ended June 30, 2022, and of the *ITWASCO'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 *ITWASCO'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 *ITWASCO* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *ITWASCO's* financial statements were approved by the Board on 13/03/2023 and signed on its behalf by:



**Signature**

**Fredrick Kiyeng**

**Chairperson of the Board**



**Signature**

**Paul Yator**

**Managing Director**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON ITEN TAMBACH WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022**

---

### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Iten Tambach Water and Sewerage Company Limited set out on pages 1 to 33, which comprise the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other

---

*Report of the Auditor-General on Iten Tambach Water and Sewerage Company Limited for the year ended 30 June, 2022*

comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Iten Tambach Water and Sewerage Company Limited as at 30 June, 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1.0 Property, Plant and Equipment**

#### **1.1 Unconfirmed Value and Ownership of Land**

The statement of financial position reflects property, plant and equipment balance of Kshs.5,601,615 which includes buildings balance of Kshs.1,275,853, as disclosed in Note 12(a) to the financial statements. However, the value of land on which these buildings have been put up has not been disclosed in the financial statements. Further, the title deed to confirm ownership of the land by the Company was not provided for audit verification.

#### **1.2 Un-Transferred Work-In-Progress**

The statement of financial position reflects work-in-progress (un-transferred) balance of Kshs.16,880,122 as disclosed in Note 12(b) to the financial statements. Review of supporting documentation revealed that the work in progress relates to assets which were financed by the Water Services Trust Fund. According to the financing agreement between Water Services Trust Fund, Rift Valley Water Services Board (RVWSB) and Iten Tambach Water and Sewerage Company Limited (ITWASCO) dated 25 July, 2012, ITWASCO was the implementor of the project while Rift Valley Water Service Board (RVWSB) was to acquire the ownership of the new assets developed. Rift Valley Water Services Board requested for the transfer of the completed work in progress to the Board as per the terms of the financing agreement. However, at the time of audit, the project had not been transferred and therefore the completed assets are wrongly classified in the financial statements as work in progress and are not being depreciated although they are in use.

#### **1.3 Property, Plant and Equipment with Nil Book Values**

The statement of financial position reflects property, plant and equipment balance of Kshs.5,601,615 as disclosed in Note 12(a) to the financial statements. However, the balance excludes property, plant and equipment with historical cost of Kshs.3,422,300

which had been fully depreciated/amortized but was still in use, and had neither been revalued nor disposed as at 30 June, 2022 as detailed below;

No.	Description	Historical Cost (Kshs.)
1.	Office Equipment, Furniture and Fittings	59,996
2.	Plastic Chairs	3,850
3.	Bulk Meters	197,520
4.	Tender and Quotation Boxes	6,800
5.	Weighing Machine	2,375
6.	Meters and Equipment	1,281,755
7.	Intangible Assets	1,930,000
8.	<b>Total</b>	<b>3,482,296</b>

In the circumstance, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.5,601,615 could not be confirmed.

## 2. Non-recoverability of Trade and Other Receivables

The statement of financial position reflects trade and other receivables amount of Kshs.32,862,191 as disclosed in Note 14(a) to the financial statements which includes water debtors. However, included in the amount are bills amounting to Kshs.27,996,390 whose credit period has expired or exceeded the normal credit period of fifteen (15) days and therefore contravening section 12.4 of the Iten Tambach Water and Sewerage Company Limited Finance Regulations and Procedures Manual 2019 which states that normal credit period shall be fifteen (15) days from the date of billing.

In the circumstances, the recoverability of the outstanding debts amounting to Kshs.27,996,390 could not be confirmed.

## 3. Unsupported Authorized Share Capital of the Company

The statement of financial position reflects share capital of Kshs.100,000 in respect of 5000 shares with a par value of Kshs.20 each and as disclosed in Note 17(a) to the financial statements. However, the Management did not provide share certificate and share register to enable confirmation of ownership of the shares.

In the circumstances, the ownership and value of the authorized share capital of Kshs.100,000 could not be confirmed.

## 4. Lack of Policy on Payables, Provisions and Accruals

The statement of financial position reflects payables, provisions and accruals amount of Kshs.27,292,292 which include provision for audit fees amount of Kshs.2,552,000 owed to the Auditor-General, regulatory levies amount of Kshs.17,823,710, board of directors' allowances of Kshs.233,000 and Internal borrowings from customer deposits amount of Kshs.4,554,200 which are outstanding, as detailed in Note 18 to the financial statements. However, an approved policy document detailing the nature and rates of provisions was not provided for audit.

In the circumstances, the validity and adequacy of the payables, provisions and accruals balance of Kshs.27,292,292 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Iten Tambach Water and Sewerage Company Limited Management in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts had an approved final receipts budget of Kshs.42,126,323 against actual receipts of Kshs.39,101,163 resulting in an under-receipt of Kshs.3,025,160 or 7% of the approved budget.

Similarly, out of the approved final expenditure budget of Kshs.41,894,719, the Company realized an actual expenditure of Kshs.36,512,693 leading to an under-expenditure of Kshs.5,382,026 or 13% of the approved budget.

The underperformance may have negatively affected the planned development projects and service delivery to the public.

#### **2. Unresolved Prior Year Audit Issues**

In the report of the previous year, several issues were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the matters remained unresolved as Management did not provide any evidence to support action taken to resolve the prior year reported issues contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding

### **Other Information**

The Directors are responsible for the other information, which comprises Key Company Information, Chairman's statement, Report of the Managing Director, Corporate Governance Statement, Management Discussions and Analysis, Environmental and Sustainability Reporting, 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**

The statement of profit or loss and other comprehensive income reflects water sales revenue balance of Kshs.32,235,663 as disclosed in Note 4 to the financial statements. Records provided for audit indicated that the Company produced a total of 1,100,600 cubic meters (M<sup>3</sup>) of water. However, out of this volume, only 748,404 cubic meters (M<sup>3</sup>) was billed to customers at Kshs.32,235,663. The balance of 352,196 cubic meters (M<sup>3</sup>) or approximately 32% of the total volume represented Non-Revenue Water (or Unaccounted for Water (UFW) which is 7% over and above the acceptable loss of 25% of the total production as per guidelines published by the Water Services Regulatory Board (WSRB). Management has not justified the high volume of Non-Revenue Water.

In the circumstances, the significant level of Non-Revenue Water may negatively impact on the Company's profitability and its long-term sustainability. In addition, the management is in breach of the regulations.

#### **2. Lack of Staff Establishment**

The statement of profit or loss and other comprehensive income reflects staff cost of Kshs.13,747,952 as disclosed in Note 7 to the financial statements. Review of the Human resource operations revealed that the Company has a total workforce of forty-nine (49) staff serving on permanent, contract and temporary terms. However, the Company has not developed and approved a staff establishment, and therefore determination of the optimal level of staffing needs and competencies for the Company could not be confirmed.

In the circumstances, the effectiveness and productivity of the Company's staff could not be determined.

#### **3. Noncompliance with Staff Ethnic Composition Requirement**

Examination and analysis of the human resource records of the company indicated that, the company had five (5) members of the board all from one dominant community, four (4) senior management staff also from the dominant community and twenty-seven (27)

other permanent and pensionable and contractual staff all of which were from the dominant community. The staff composition contravenes Section 7(1) and (2) of National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of staff from the same ethnic community.

In the circumstance, the Management was in breach of the law.

#### **4. Failure to Convert Terms of Employment from Casual to Permanent**

The statement of profit or loss and other comprehensive income reflects staff costs balance of Kshs.13,747,952 as disclosed in Note 7 to the financial statements. Included in this amount are wages to temporary employees amounting to Kshs.7,541,696. Review of records provided including the monthly payrolls revealed that the casual and temporary employees have been engaged for more than one year without being absorbed to permanent basis or contracts being renewed during the year contrary to Section 35 of the Employment Act. Further, the Company is operating without an approved scheme of service to guide the issues relating to engagement of staff.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 effective processes and systems of internal controls, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit.
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those books; 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 and the requirements of the Companies Act, 2015 and for maintaining effective internal controls 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 assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how 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 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 controls 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 controls 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 controls 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 controls.
- 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 Managements' use of the applicable 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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

25 April, 2023

***Iten Tambach Water and Sewerage company limited***  
***Annual Reports and Financial Statements***  
***For the year ended 30 June 2022.***

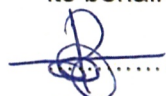
<b>XII) Statement Of Profit Or Loss And Other Comprehensive Income For The Year Ended June 30, 2022</b>			
	<b>Note</b>	<b>2021/2022 Kshs</b>	<b>2020/2021 Kshs</b>
<b>REVENUES</b>			
Water sales	4	32,235,663	28,717,440
Other income	5	3,339,177	2,587,947
Grants from National Government.	6	<u>3,526,323</u>	<u>6,735,393</u>
<b>Total Revenue</b>		<b>39,101,163</b>	<b>38,040,780</b>
<b>Expenses</b>			
Staff Costs	7	13,747,952	12,898,199
General and Operating expenses	8	12,147,743	11,655,214
Board Expenses	9	2,011,283	2,689,160
Maintenance Expenses	10	8,022,375	6,605,380
Depreciation and Amortization expense	11	583,340	1,265,891
<b>Total Expenses</b>		<b>36,512,693</b>	<b>35,113,844</b>
<b>Profit/ (Loss) Before Taxation</b>		<b>2,588,470</b>	<b>2,926,936</b>

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

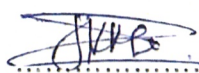
**XIII) Statement Of Financial Position As At 30 June 2022**

	Notes	2021/2022 Kshs	2020/2021 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property Plant and Equipment	12 (a)	5,601,615	6,184,955
Work-In-Progress (Un-transferred)	(b)	<u>16,880,122</u>	<u>16,880,122</u>
<b>Total Non-current assets</b>		<b><u>22,481,737</u></b>	<b><u>23,065,077</u></b>
<b>Current Assets</b>			
Trade Receivables	14 (a)	32,862,191	27,520,849
Prepayments	(b)	200,804	22,794
Cash & cash Equivalent	15	642,048	459,317
Performance Guarantee	16	<u>213,940</u>	<u>0</u>
Total current assets		<u>33,918,983</u>	<u>28,002,960</u>
<b>Total Current Assets</b>		<b><u>56,400,720</u></b>	<b><u>51,068,037</u></b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Capital &amp; Reserves</b>			
Authorised share capital (5000 shares each kshs 20)	17 (a)	100,000	100,000
Capital Reserves	(b)	3,976,885	3,976,885
WSTF Grants	(c)	17,149,407	17,149,407
Retained Earnings	(d)	<u>7,882,136</u>	<u>5,293,666</u>
<b>Total Capital and Reserves</b>		<b><u>29,108,428</u></b>	<b><u>26,510,958</u></b>
<b>Current liabilities</b>			
Payable Provision & accruals	18	<u>27,292,292</u>	<u>24,548,079</u>
<b>Total Equity &amp; Liabilities</b>		<b><u>56,400,720</u></b>	<b><u>51,068,037</u></b>

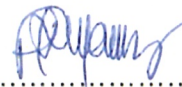
The financial statements were approved by the Board on 13/03/2023 and signed on its behalf by:



**Name**  
**Paul Yator**  
**Managing Director**



**Name**  
**Jeremiah K. Kigen**  
**Head of Finance**



**Name**  
**Fredrick Kiyeng**  
**Chairman of the Board**

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**XIV) Statement Of Changes In Equity For The Year Ended June 30, 2022**

	Ordinary share capital	Capital reserves	Retained earnings	WSTF Grants	Total
<b>Notes 8</b>					
<b>As at July 1, 2020</b>	100,000	3,976,885	2,366,730	17,149,407	23,593,022
Profit and loss for the year	-	-	<u>2,926,936</u>	-	<u>2,926,936</u>
WSTF Grants	-	-	-	-	-
<b>As at June 30, 2021</b>	<b><u>100,000</u></b>	<b><u>3,976,885</u></b>	<b><u>5,293,666</u></b>	<b><u>17,149,407</u></b>	<b><u>26,519,958</u></b>
<b>As at July 1, 2021</b>	100,000	3,976,885	5,293,666	17,149,407	26,519,958
Profit and loss for the year	-	-	<u>2,588,470</u>	-	<u>2,588,470</u>
<b>As at June 30, 2022</b>	<b><u>100,000</u></b>	<b><u>3,976,885</u></b>	<b><u>7,882,136</u></b>	<b><u>17,149,407</u></b>	<b><u>29,108,428</u></b>

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**XV) Statement Of Cash Flows For The Year Ended June 30, 2022**

	Notes	2021/2022 Kshs	2020/2021 Kshs
<b>OPERATING ACTIVITIES</b>			
Cash generated from/ (used in) operation	19	182,731	1,203,594
<b>Cash Changes in Working Capital</b>		<b><u>182,731</u></b>	<b><u>1,203,594</u></b>
<b>Investing activities</b>			
Computers and printers		0	(391,600)
Meters from Wstf		0	(1,431,000)
Thermal printer			0
<b>Net Cash generated from investing activities</b>		<b><u>182,731</u></b>	<b><u>(619,006)</u></b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Net Cash Flow from Financing Activities</b>		<b><u>0</u></b>	<b><u>0</u></b>
<b>INCREASE/ (DECREASE) IN CASH &amp; CASH EQUIVALENT</b>		<b><u>182,731</u></b>	<b><u>(619,006)</u></b>
<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR.</b>		<b>459,317</b>	<b>1,078,323</b>
<b>CASH AND CASH EQUIVALENT AT THE END OF THE YEAR.</b>	15	<b><u>642,048</u></b>	<b><u>459,317</u></b>

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

**XVI) Statement Of Comparison Of Budget And Actual Amounts For The Period**  
**Ended June 30, 2022**

FY 2021/2022						
<b>BUDGET ESTIMATE</b>						
ITEM	APPROVED 2021/2022	BUDGET	ADJUSTMENT (BORROWED)	Actual 2021/2022	BALANCE	% Change
REVENUE	kshs	KSHS		kshs		
Water Sales	34,800,000			32,235,663	2,564,337	7
Other Income	3,800,000			3,339,177	460,823	12
GRANTS	3,526,323			3,526,323	-	0
<b>Total Income</b>	<b>42,126,323</b>			<b>39,101,163</b>	3,025,160	7
<b>EXPENSES</b>					-	
<b>Production coat</b>					-	
Staff cost	14,042,576			13,747,952	294,624	2
Board expenses	2,240,000			2,011,283	228,717	10
General and operations Expenses	14,048,803			12,147,743	1,901,060	14
Maintenance Expense	8,230,000			8,022,375	207,625	2.5
Depreciation and Amortization Expenses	583,340			583,340	0	0
Total Recurrent Expenditure	39,144,719			36,512,693	2,632,026	
Profit or Loss	2,981,604			2,588,470		
<b>4)CAPITAL EXPENDITURE</b>						
a) Photocopier/ printer	150,000			-	150,000	100
b) Purchase of computer hardware	200,000			-	200,000	100
c) Tools & materials	200,000			-	200,000	100
d) Lab equipment/ Reagents	200,000			-	200,000	100
f) Abolution Block & Septic tank	2,000,000			-	2,000,000	100
<b>Capital Expenditure</b>	<b>2,750,000</b>			<b>-</b>	<b>2,750,000</b>	<b>100</b>
<b>Total Expenditure</b>	<b>41,894,719</b>			<b>36,512,693</b>		

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**Notes**

- Water Sales and other income missed the target due to prolonged drought and also post covid 19 challenges
- General operation and expense included provision of Audit fees of kshs 232,000 and provision of regulatory levies of kshs 1,892,120 which was not paid due to insufficient funds
- Capital expenditure was not done during the financial year due to lack of funds.

## **XVII) NOTES TO THE FINANCIAL STATEMENT**

### **1. General Information**

Iten Tambach Water and Sewerage Company Ltd is established by and derives its authority and accountability from Water Act. The Company is wholly owned by the Elgeyo Marakwet County Government and is domiciled in Kenya. The Company's principal activity is Water Service provision

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

### **2. Statement of Compliance and Basis of Preparation**

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act (*include any other applicable legislation*), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

***Iten Tambach Water and Sewerage company limited***  
***Annual Reports and Financial Statements***  
***For the year ended 30 June 2022.***

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. Application of New and Revised International Financial Reporting Standards (IFRS)**

**i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022**

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous; the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with	The amendments are effective for annual periods beginning on or after January 1, 2022.

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

Title	Description	Effective Date
Adopter	an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

***The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....***

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Application of New and Revised International Financial Reporting Standards (IFRS)**

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments	The amendments, applicable to annual	The amendments are

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

Title	Description	Effective Date
to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies	effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

*The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements OR The directors have elected to early adopt xxx and they expect xx to be the impact of the adoption of the entity financial statements.*

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2021/20222

**NOTES TO THE FINANCIAL STATEMENT (Continued)**  
**Summary of Significant Accounting Policies**

**a) Revenue recognition**

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

- I. **Revenue from the sale of water** is recognised in the year in which the *company* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- II. **A government grant income** is recognised when there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received also grants are recognised in the statement of comprehensive income on systematic basis over the period in which the entity recognises as expenses the related cost for which the grants are intended to compensate
- III. **Other income** is recognised on accrual basis.

**b) Property Plant and Equipment.**

All categories of Property Plant and Equipment (*PPE*) 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-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**NOTES TO THE FINANCIAL STATEMENT (Continued)**

**Summary of Significant Accounting Policies**

**c) 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 on-going but incomplete works on buildings and other civil works and installations.

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

Furniture	12.5% (8 years)
Computers and Printers	33.3% (3 years)
Motor cycle	25 % (4 years)
Network extension	2.5% (40 years)
Tools	33.3% (3 years)
Meters & Equipment	12.5% (8years)
Graded Filter	10% (10 years)
Building	2.5% (40 years)

A full year's depreciation charge is recognised in the year of asset purchase but not in the year of asset disposal.

Full life of computer software of three years.

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

**NOTES TO THE FINANCIAL STATEMENT (Continued)**

**Summary of Significant Accounting Policies**

**d) Intangible assets**

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

**e) Inventories**

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

**f) Trade and other receivables**

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

**g) 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 imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**h) Trade and other payables**

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

**i) Comparative figures**

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

**j) 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, 2022

**NOTES TO THE FINANCIAL STATEMENT (Continued)**

**Summary of Significant Accounting Policies**

**k) Risk Management Policies**

The financial risk management objectives and policies are as outlined below:

• **Credit risk**

The Company's credit risk is primarily attributable to its trade receivable and bank deposits. The amounts presented in the balance sheet 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.

In addition, the Company has no significant concentration of credit risk, with exposure spread over a large number of customers.

The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

• **Liquidity risk**

The risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments has been and continues to be addressed by Management, by re-negotiating with water regulators' bodies for tariff adjustment, county and national government for grants.

**l) Retirement Benefits Obligations (IAS 19)**

The Company does operate a defined retirement benefits scheme for all employees. Company 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 obligations under the scheme are limited to specific contributions legislated from time to time and are currently at Kshs. 200 per employee per month. The company contributes to Local Authority Provident Fund. These operate and are defined contribution schemes registered under the RBA Act. The company's obligation under the schemes is limited to specific contributions legislated from time to time.

**m) Bad Debt Provision**

Annual provisions for bad debts shall be an equivalent to the proportion of debts aged above three (3) years or 10% of the outstanding debts whichever is higher.

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**4. Operating Revenues**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Water Sales	<u>32,235,663</u>	<u>28,717,440</u>
<b>Total</b>	<b><u>32,235,663</u></b>	<b><u>28,717,440</u></b>

**5. Grants Income**

Salaries for seconded staff CLSG-WSTF	0	578,240
<b>Total</b>	<b><u>3,526,323</u></b>	<b><u>6,157,153</u></b>

**6. Other Income**

Meter Replacement cost	1,412,150	1,357,300
Late payment penalty	498,500	484,000
Water charge	73,000	56,000
Bulky water	1,120,527	690,647
Illegal payment penalty	<u>235,000</u>	<u>0</u>
<b>Total</b>	<b><u>3,339,177</u></b>	<b><u>2,587,947</u></b>

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. Staff Costs**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries for permanent staff	3,849,444	3,607,536
Wages of temporary employees	7,541,696	7,653,757
Compulsory national security scheme	103,600	102,800
Top up for seconded staff	0	36,000
Gratuity	765,747	0
Salaries for seconded staff	0	578,240
Provision for pension scheme	358,319	234,468
Acting allowances	107,396	132,648
Nita	0	27,000
Staff Weekend allowance	849,750	359,750
Staff Bonus	172,000	166,000
<b>Total</b>	<b><u>13,747,952</u></b>	<b><u>12,898,199</u></b>

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8. General and Operations Expenses**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Chemicals	907,970	1,340,519
Electricity	1,689,800	1,248,300
Fuel, oil, lubricant and gases	1,663,947	1,513,912
Office Supplies	402,340	486,160
Uniform and protecting clothing	0	521,200
Telecommunication	361,970	599,400
Insurance	32,000	32,000
Domestic Travelling and subsistence	2,332,580	1,482,490
Staff training and development	307,940	85,500
Banks Charges	93,236	110,742
Provision for Audit fees	232,000	232,000
Legal fees	45,000	0
Licensing and levies	1,892,120	2,603,006
Stakeholders expenses	199,500	226,100
Hospitality expenses	315,590	261,520
Conservation expenses	0	85,000
Provision for doubtful debt	593,483	513,980
Annual subscription	208,800	201,800
Covid 19	25,000	111,250
Forest Land Rent	835,200	0
Kra penalty	9,267	335
<b>Total</b>	<b><u>12,147,743</u></b>	<b><u>11,655,214</u></b>

**9. Board Expenses**

Directors allowance	1,646,283	1,221,560
Chairman Honoraria	240,000	240,000
Board of Directors Retreat	<u>0</u>	<u>1,102,600</u>
Christmas token	<u>125,000</u>	<u>125,000</u>
<b>Total</b>	<b><u>2,011,283</u></b>	<b><u>2,689,160</u></b>

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**10. Maintenance Expenses**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Operational & maintenance of water supplies	6,725,015	5,205,025
Motor cycle & Vehicles maintenance	669,760	858,725
Ground Maintenance	261,250	200,000
Electrical Maintenance	166,600	209,930
Office Maintenance	199,750	131,700
<b>Total</b>	<b><u>8,022,375</u></b>	<b><u>6,605,380</u></b>

**11. Depreciation and Amortization Expenses**

Property, Plant and Equipment	583,340	621,271
Intangible Assets	0	644,620
Christmas token	<u>583,340</u>	<u>1,265,891</u>

**Allowance for uncollectable debts**

Accumulated allowance B/F	3,057,872	2,543,892
Accumulated allowance C/F	<u>3,651,355</u>	<u>3,057,872</u>
Increase / Decrease in allowance		
<b>Total</b>	<b><u>(593,483)</u></b>	<b><u>(513,980)</u></b>

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12.(a) Property Plant and Equipment**

2021-2022	Filter Media	Network extension	Meters & equipment 's	Computers and related equipment	Office equipment furniture & fittings	Building	Total
Cost Or Valuation	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs
At July 1 2020	752,000	3,605,720	1,281,755	113,794	630,056	1,546,490	7,929,815
Additions				-	-	-	
Transfers		-	-	-	-	-	-
Disposals			-	-	-	-	-
<b>At 30 June 2021</b>	<b>752,000</b>	<b>3,605,720</b>	<b>2,712,755</b>	<b>505,394</b>	<b>630,056</b>	<b>1,546,490</b>	<b>9,752,415</b>
<b>Depreciation</b>							
At July 2021	607,867	568,527	1,460,631	244,327	454,134	231,974	3,567,460
Charge For The Year	75,200	90,143	178,875	130,533	69,926	38,663	583,340
Impairment Loss	-	-	-	-	-	-	-
Eliminated On Disposal				-	-	-	-
<b>At June 30, 2022</b>	<b>683,067</b>	<b>658,670</b>	<b>1,639,506</b>	<b>374,860</b>	<b>524,060</b>	<b>270,637</b>	<b>4,150,800</b>
<b>Net Book Value At June 30, 2022</b>	<b>68,933</b>	<b>2,947,050</b>	<b>1,073,249</b>	<b>130,534</b>	<b>106,334</b>	<b>1,275,853</b>	<b>5,601,615</b>

**Note: Non-Current Assets**

- The office equipment, furniture and fittings of kshs 59,996 have been fully depreciated to zero but have not been revaluated.
- The plastic chairs of kshs 3,850 have been fully depreciated to zero but have not been revaluated.
- The bulk meters and weighing machine of kshs 197,520 and 2,375 have been fully depreciated to zero but have not been fully revaluated or disposed.
- Tender and quotation boxes of kshs 6,800 have been fully depreciated to zero but have not been revaluated or disposed.
- & Meters and equipment of kshs 1,281,755 have fully depreciated but have not been revaluated or disposed.

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Work in Progress (Un-Transferred)

**WORK IN PROGRESS- Water Services Trust Fund**

**Work In Progress- Water  
Services Trust Fund**

<b>COST</b>	<b>2021/2022 Kshs</b>	<b>2020/2021 Kshs</b>
At July 1 2020	16,880,122	16,880,122
Addition	0	
Transfer	0	
As at June 2021	16,880,122	16,880,122
Addition	0	
As at June 2022	16,880,122	16,880,122

**13. Intangible Assets**

- Billing software was financed by customers' deposit which supposed to be refunded within a period of 5 years.
- The billing software of Kshs 1,930,000 was fully amortised.

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**14.a) Trade and Other Receivables**

	2021/2022	2020/2021
	kshs	Kshs
Trade receivables	36,513,546	30,578,721
Less specific provision for bad and doubtful debts	<u>(3,651,355)</u>	<u>(3,057,872)</u>
<b>Total</b>	<b><u>32,862,191</u></b>	<b><u>27,520,849</u></b>

**b) Prepayment**

Fuel and Oil	112,617	17,564
Telkom	6,960	5,230
Electricity	<u>81,227</u>	<u>0</u>
<b>Total</b>	<b><u>200,804</u></b>	<b><u>22,794</u></b>

**15. Analysis of cash and cash equivalents**

KCB Customers Deposit	225,439	298,124
KCB Revenue account	32,930	62,736
KCB Expenditure	308,766	27,700
M-Pesa utility account	23,880	21,380
Equity revenue	50,486	48,831
CLSG – Equity	<u>547</u>	<u>546</u>
<b>Total</b>	<b><u>642,048</u></b>	<b><u>459,317</u></b>

**16. Guarantee performance**

Guarantee performance	213,940	0
<b>Total</b>	<b><u>213,940</u></b>	<b><u>0</u></b>

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17. Ordinary Share Capital**

**a) Authorised**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>(Kshs)</b>	<b>(Kshs)</b>
5000 ordinary shares of Kshs 20 par value each	100,000	100,000
<b>Issued and fully paid:</b>		
5000 ordinary shares of Kshs20 par value each	100,000	100,000

**b) Capital Reserve**

The capital reserve is kshs 3,976,885

**c) Water Service Trust Fund of kshs 17,149,407**

**d) Retained Earnings of kshs 7,882,136**

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

**18. Payable Provision And Accruals**

	<b><u>2021/2022</u></b>	<b><u>2020/2021</u></b>
	<b><u>kshs</u></b>	<b><u>kshs</u></b>
Regulatory levies	17,823,710	16,176,526
Provision for audit fees	2,552,000	2,320,000
Customers deposit	1,857,000	1,623,000
Internal borrowing (customers deposit)	4,554,200	4,254,200
Land rent	45,200	0
Electricity	702	626
Board of Directors	233,000	0
Prepaid water sales	<u>226,480</u>	<u>173,727</u>
<b>Total</b>	<b><u>27,292,292</u></b>	<b><u>24,548,079</u></b>

- Water services regulatory board percentage was increased from 1% to 4% of the billings with effect from 1<sup>st</sup> November 2019.
- Customers deposit was used to finance billing software from Pickpay ERP and procure chemicals.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19. Statement Of Cash Flows**

Reconciliation of operating profit/ (loss) to Cash generated from/ (used in) operations

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>kshs</b>	<b>kshs</b>
Operating profit/loss	2,588,470	2,926,936
Operating profit/loss	2,588,470	2,926,936
Add depreciation	583,340	621,271
Amortisation	0	644,620
Operating profit before working capital changes	<b>3,171,810</b>	<b>4,192,827</b>
Increase /Decrease in trade and other receivables	(5,733,292)	(4,557,259)
Increase /Decrease in trade and other payables	2,744,213	1,568,026
Cash generated from operation	<b><u>182,731</u></b>	<b><u>1,203,594</u></b>

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**20. Related Party Disclosures (las 24)**

**a) County Government of Elgeyo Marakwet**

The company was incorporated by the defunct Iten Tambach Town Council which has transited to Elgeyo Marakwet County.

Elgeyo Marakwet County has 100% stake in the Company.

During the year 2021/2022 Company sold water equivalent to kshs 4,016,400 (2020/2021 kshs 3,406,230)

As at 30<sup>th</sup> June 2022 Elgeyo Marakwet County owed the company kshs 3,685,588

**b) Rift Valley Water Services Board**

The defunct Rift Valley Water Services Board, as per Service Provision Agreement the company was supposed to remit 18% of total collection of revenue to the board before the enactment of water act 2016.

The outstanding balance as at 30<sup>th</sup> June, 2022 was kshs 13,590,269

**c) Employees**

The *company does not* provide certain qualifying employees with car and housing loans on terms more favourable than available in the market.

**21. CONTIGENT LIABILITY**

The company has no any possible obligation at the moment.

**22. INCOPORATION**

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

**23. Capital Risk Management**

The objective of the Company's capital risk management is to safeguard the Board's ability to continue as a going concern. The Company's capital structure comprises of the following funds:

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

---

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	7,882,136	5,293,666
Capital reserve	21,226,292	21,226,292
<b>Total funds</b>	<b>29,108,428</b>	<b>26,519,958</b>
Total borrowings	27,292,292	24,548,079
Less: cash and bank balances	(642,048)	(459,317)
Net debt/(excess cash and cash equivalents)	26,650,244	24,088,762
<b>Gearing</b>	<b>92%</b>	<b>91%</b>

**24. CURRENCY**

These financial statements are prepared in Kenya shillings (Kshs)

**Iten Tambach Water and Sewerage Company Limited  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**XVIII) Appendices**

**APPENDIX I: 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>
<b>Basis for Qualified Opinion</b>					
<b>1.0 Trade Receivable</b>	The statement of financial position reflects trade receivables figure of Kshs.27, 520,849 net of specific provision for bad and doubtful debts of Kshs.1, 073,478. However, the policy on specific provision for bad and doubtful debts has not been disclosed in the financial statements. Further trade receivables figure of Kshs.12, 782,005 include outstanding debts of Kshs.3, 638,249 which have been outstanding for between nine (9) months and 32 years (since 1984). The management has not provided any documentary evidence of the measures being taken to ensure that the long outstanding debts are recovered. No	<p>It is true that there was an oversight during audit exercise concerning measures to collect debts, but at the moment the Company Management has negotiated with Metropol Credit Reference Bureau Limited who are licensed by Central Bank of Kenya (CBK) to enhance the company to comply with CRB Regulation 2013 and Finance Act 2016 as mandated by law to all public utility companies to share credit information with licensed CRB.</p> <p>The partnership with Licensed CRB will enhance collection effort of the company because the mechanism compels borrowers to honor their maturing financial obligations due to the eminent financial exclusion faced by the adversely listed debtors.</p> <p>Also, the company will benefit from online referencing services where they can assess the credit risk profiles of their potential clients hence</p>	Paul Yator (Managing Director Office)	Not Resolved	Continuous exercise

**Iten Tambach Water and Sewerage Company Limited  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>explanation has been provided for failure to recover these debts. Consequently, the accuracy, validity and existence of trade receivable balance of kshs 27,520,849 as at 30 June 2021 could not be confirmed.</p>	<p>limiting the chances of loses resulting from defaults and delinquencies. Our discussion with licensed company is at the peak stage only to forward to sub -committee and thereafter to full board for approval. Also, the company is in the process of doing billing software whereby we going to do away with handling cash in the office and collect through our banking institution and M-Pesa pay bill. Also, debts recovery policy is on process of development and there after implementation.</p>			
<b>Key Audit Matters</b>					
<b>1.0 Regulator y Levies</b>	<p>Included in payable provision and accruals figure of Kshs.24,548,079 reflected in the statement of financial position is regulatory levies amounting to Kshs.16,176,526 as shown in Appendix V out of which Kshs.15,598,566 relate to 2016/2017 and earlier years. Further, the management has not provided for explanations for failure to pay the levies as continued failure to pay the levies continue to</p>	<p>We concur with finding that we are not being paying regulatory levies to regulators of which attract some penalties. This resulted due to budget constraint; however, the management is committed to pay all outstanding balance in piecemeal of utmost three year.</p>	Jeremiah K. Kigen (CM)	Not Resolved	Financial Year 2020/2022

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	attract penalties.				
<b>2.0 Provision for Audit Fees</b>	Included in the payables provision and accruals of Kshs.24, 548,079 reflected in the statement of financial position and note 12 to the financial statements is provision for audit fees of Kshs.2, 232,000 which include Kshs.2, 088,000 relating to 2019/2020 and earlier years. However, no explanation has been provided for not paying the audit fees.	It is true that there was an oversight during audit concerning provision for audit fees which has been increasing due non-payment, the management of Iten Tambach Water and Sewerage Company is committed to pay audit fees in this financial year 2019-2020. The managing director committed even having a standing order with the office of auditor general with agreed amount which could not constraint the budget.	Jeremiah K. Kigen (Accountant)	Not Resolved	Financial Year 2021/2022
<b>3.0 Non-revenue Water</b>	Records availed for audit review during the year indicated that the Company produced 1,002,600 cubic meters (M3) of water. However, out of this volume, only 681,765 (M3) was billed to customers. The balance of 320,835 (M3) or approximately 31.9 % of the total volume represented Non-Revenue Water which is 6.9% over and above the allowable loss of 25% of the total production as per guidelines	It is true that during the year ITWASCO produced 1,002,600 cubic meters (m <sup>3</sup> ) of water. However, out of this volume, only 681,765 m <sup>3</sup> was billed to customers. The balance of 320,835 m <sup>3</sup> or approximately 31.9% of total volume represented Unaccounted for Water (UFW) which is 6.9% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The company was established under the licensee of Rift Valley Water Services Board (RVWSB). The water supplies which were being	Joshua Kibet (Ag. Technical Manager) Jeremiah K. Kigen (Commercial Manager)	Not Resolved	Continuous Exercise

**Iten Tambach Water and Sewerage Company Limited  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>published by the Water Services Regulatory Board (WSRB). The significant level of Non- Revenue Water may negatively impact on the Company's profitability and its long-term sustainability. The company losses the much-needed revenue through un - accounted for water and may not meet its obligations as and when they fall due.</p> <p>Management should improve the monitoring of the water distribution systems distribution in order to reduce the quantity of un accounted for water.</p>	<p>managed by the Ministry of Water were inherited by the company as a whole including customers in the area of jurisdiction of the Company. One of the targets of the company among others were to reduce the UFW to acceptable rate whereby this was reduced from 42% to 32% in the year under review this was managed under limited available resource in the year. The company is therefore still committed to reducing this by employing more resources to work on the challenges resulting in such un accounted for water and these challenges includes: -</p> <p>Proposals to Water Trust Fund to finance purchase of water meters through Urban Project Concept to reduce unmetered connection whose water consumption could not be controlled.</p> <p>The company in collaboration with the County Government of Elgeyo Marakwet has increased the number of metered connection and is planning to purchase more water meters to reduce UFW through average connection.</p> <p>The company has put in place a system through a company managed hotline numbers for the public to report any leakages bursts and illegal connections and</p>			

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>reconnections.</p> <p>In addition to maintaining the line, patroller team of pipefitter's repairs reported leakages, bursts and assists in eliminating illegal connections and reconnections promptly whenever identified and reported. More than fifteen illegal connections have been reported by staff and public for the past two months.</p> <p>The company has reviewed a UFW reduction plan which has been approved by the licensee RVWSB to assist in curbing water loss and trained staff of Water Demand Management to reduce on waste of water. For instance, the Company has started a pilot programme in Amani Zone (Kariobangi) in ensuring that bills are distributed to customers with attached information on different modes of payment and none adherence leads to disconnection without further notice by Disconnection Team. This prompted a turnover of 80% households paying their bills through the provided modes of payments (M-pesa, KCB Bank and at ITWASCO cash payment office). There is also a plan of collaborating with more financial institutions for ease of payment.</p> <p>The company already had received 3,000 meters</p>			

**Iten Tambach Water and Sewerage Company Limited  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>from Sabor water projected which is funded by National Government that is under installation right now.</p> <p>Also, the county government already has installed master meter in each zone to account for the lost.</p> <p>In we are process of installing billing software which will enable the company to have an accurate meter reading.</p>			



Paul Yator

Managing Director

Date... 13/03/2023 .....

**Iten Tambach Water and Sewerage Company Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

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

(No project funded and implemented)

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						
2						

**Status of Projects completion**

*(Summarise the status of project completion at the end of each quarter, i.e., total costs incurred, stage which the project is etc)*

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

***Iten Tambach Water and Sewerage company limited  
Annual Reports and Financial Statements  
For the year ended 30 June 2022.***

**APPENDIX III: INTER-ENTITY TRANSFERS**

ENTITY NAME:				
Break down of Transfers from the State Department of				
FY 2020/21				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
		Total	<u>0</u>	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
		Total	0	

Iten Tambach Water and Sewerage Company Limited  
 Annual Reports and Financial Statements  
 For the year ended June 30, 2022

---

ENTITY NAME:				
Break down of Transfers from the State Department of				
FY 2020/21				
d.	Donor Receipts	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		<b>Total</b>	<b>0</b>	

Iten Tambach Water and Sewerage Company Limited  
Annual Reports and Financial Statements  
For the year ended June 30, 2022

I) APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution	0	Recurrent	0	0	0	0	0	0	0
Ministry of Planning and Devolution	0	Development	0	0	0	0	0	0	0
USAID	0	Donor Fund	0	0	0	0	0	0	0
Ministry of Planning and Devolution	0	Direct Payment	0	0	0	0	0	0	0
			0	0	0	0	0	0	0
<b>Total</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>