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**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

**IMETHA WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2021**





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**IMETHA WATER AND SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2021**

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

**Imetha water and sanitation company.**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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## **1.IMETHA WATER AND SANITATION COMPANY INFORMATION**

### ***Incorporation***

The *Imetha water and sanitation company* ltd was incorporated by the companies Act (cap 486) Act of the laws of Kenya on 31<sup>st</sup> March 2006. At cabinet level, the *Imetha water and sanitation company* ltd is represented by the Cabinet Secretary for Ministry of Irrigation, Water and Natural resources, who is responsible for the general policy and strategic direction of the *Imetha water and sanitation company*.

The constitution of Kenya 2010 under the fourth schedule placed water and sanitation services to the county governments. Consequently, the transition authority vide gazette notice no 154 of the 9<sup>th</sup> august 2013, transferred water service provision including water and sanitation and sewerage companies to the county government of Meru.

### **Principal Activities**

The principal activity of *Imetha water and Sanitation Company* ltd is to provide adequate, reliable and affordable water in its area of jurisdiction.

### **Mission statement**

To Avail and ensure integrated economic water and sewerage services by developing a sound and sustainable financial system as water service provider.

### **Vision statement**

To be leading water and sanitation services provider in Kenya

### **Core objectives**

- i. Integrity
- ii. Team work
- iii. Fairness
- iv. Gender equity
- v. Honesty
- vi. Transparency
- vii. Social responsibility
- viii. Excellent performance and service delivery
- ix. Professionalism in all the undertakings
- x. Customer friendliness and responsiveness

### **Directors**

The Directors who served in Imetha Water and Sanitation Company ltd during the year/period were as follows:-

1	Dr. Mworira Mugambi	Director	16 May 2018
2	Mr Jackson Muthamia	Director	16 May 2020
3	Mr Joseph Kabii Chabari	Director	16 May 2018
4	Ms Elizabeth Kanini	Director	16 May 2018
5	Mr. Joseph Kithure Mberia	Secretary	16 May 2018

**Registered Office**

Ministry of water & irrigation offices  
Meru-Nanyuki Road  
P.O. Box 467 - 60200  
MERU/KENYA

**Corporate Headquarters**

Ministry of water & irrigation offices  
Meru-Nanyuki Road  
P.O. Box 467 - 60200  
MERU/KENYA

**Corporate Contacts**

Telephone: (254)064- 31781  
E-mail: imethawsl@gmail.com  
Website: www.imethawasco.co.ke

**Corporate Bankers**

1. Co-operative Bank of Kenya  
P.O. Box 1328-60200  
Meru
2. Capital Sacco  
P.O. Box 1479-60200  
Meru

**Independent Auditors**




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

**Nairobi, Kenya**


**Principal Legal Advisers**


1. The Attorney General  
State Law Office-Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya
2. Mithega & Company Advocates  
P O Box 612-60200  
MERU  
TEL. 0733-235604

**II. BOARD OF DIRECTORS**





Photo	Name and Qualifications	Date of Birth and Experience
	<p>Dr. Mugambi Mworia  Ph.D. (Range Science), MSc  (Range science), BSc.  Ecology</p> <p>Joined 16<sup>th</sup> May 2018</p>	<p>Date of Birth 1953  Senior Lecturer and Chairman  Department of Agriculture Kenya  Methodist University  Chairman Eastern Conservancy  Kenya Forest Services Associate  consultant, Publix (Africa) Ltd</p>
	<p>Mr. Joseph Kabii Chabari  MBA(Finance),  BBA(Accounting), CPA(K)</p> <p>Joined 16<sup>th</sup> May 2018</p>	<p>Date of Birth 1982  Chief Officer Finance and  Economic Planning, Chief  Accountant National Treasury  Mbooni Sub County January  2008 to December 2017  Chairman finance and  administration committee</p>
	<p>Mr. Jackson Muthamia  B.Sc. Geospatial Engineering</p>	<p>Date of Birth 1984  Ag. Chief Officer water and  Irrigation may-2020 to date  Director Water and Irrigation  2017-2020  Head of survey and drilling unit  201-2017  Ag director environment and  natural resources 2015-2016  Chairman Audit Committee</p>

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	<p>Ms. Elizabeth Kanini Dip. Business Management</p> <p>Joined 16<sup>th</sup> May 2018</p>	<p>Date of Birth 1974 Formerly nominated MCA from 2013 to 2017, Land Control Board Member from July 2007 to June 2014, and Worked at Meru North Farmers SACCO.</p>
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	<p>Mr. Joseph Kithure Mberia B.Arts (Social Sciences), Dip Business Management/Administration, Principles of Modern Management, Sales Management and Marketing</p> <p>Joined 16<sup>th</sup> May 2018</p>	<p>Date of Birth 22nd December 1965 General Manager – Commercial Division Resorts and Cities Limited from October 2014 to June 2017 , Various Managerial Posts- Nestlé Kenya Ltd 2004 to May 2012</p>
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**III.MANAGEMENT TEAM:**

	<p>Mr. Joseph Kithure Mberia          B.Arts (Social Sciences), Dip          Business          Management/Administration,          Principles of Modern          Management, Sales Management          and Marketing</p> <p>Joined 16<sup>th</sup> May 2018</p>	<p>Date of Birth 22nd December          1965          General Manager – Commercial          Division          Resorts and Cities Limited from          October 2014 to June 2017 ,          Various Managerial Posts-          Nestlé Kenya Ltd 2004 to May          2012</p>
<p>2.Mr. Edward Njagi Mugambi</p> 	<p>Date of birth 1969          Key profession/          Academic qualifications:</p> <p>Higher National Diploma in Water Engineering</p> <p>Responsibility: Technical Manager          August 2015 - to date</p>	
<p>3.Mr Patrick Mugendi</p> 	<p>Date of birth 1978          Key profession/          Academic qualification:</p> <p>Bachelor's degree Human resource Development          Studies &amp; Economics.</p> <p>Responsibility: Human Resource Officer          22<sup>nd</sup> February 2014 - to date</p>	
<p>4.Winfred Mukiri</p> 	<p>Date of birth 1986          Key profession/          CPA K, Bachelor's degree in Commerce Banking          and Finance option</p> <p>Responsibility: Commercial Manager          September 2012-to Date</p>	

#### **IV. CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

It is my pleasure to present the financial statements for the 2020-2021 for the Imetha water and sanitation company. The financial statements are the yardstick which measures the financial performance of the company for the period in review. Despite the challenges occasioned by Covid-19 pandemic we continued to provide water as the commodity become critical in minimizing the infection rates. The public health continues to advise citizens to properly wear masks and regularly wash their hands in order to minimize the spread of Covid-19.

The company being the licensed water service provider within the area of jurisdiction went extra mile to ensure that customer needs are satisfied through provision of clean water.

##### **Financial Performance**

The company continued to provide services albeit hard economic times due to the devastating impact of Covid-19 which led to the closure of our major institutions following restrictions of movement in order to reduce transmission of the virus. The major customers who form the bulk of our clientele are institution customers made up hotels, public institutions and so on. These institutions reduced their activities and some closed. Public events were restricted hence reduction of water consumption. Despite the Pandemic the turnover rose by 7 percent from Kshs 43,281,818 million to 46,327,823 Kshs million as compared to the previous financial year. In order to cushion water service providers, the Water Sector Trust Fund disbursed Kshs 12,833,500 million as a conditional grant. The funds were utilized as per the terms and conditions

##### **Water Infrastructure**

During the period in order to intervene the effects of Covid-19, the company embarked on addressing water coverage and improvement of distribution lines by utilizing the grants received from the Water Sector Trust Fund. The project undertaken includes In Tigania, interventions have also been done in several areas; installation of new four-inch quality water pipes in the Karama service line to deal with the backlog of water connections in Muriri water scheme. The pipes have been installed on 3.1 kilometres 2inch pipes on a stretch of 1.9 kilometres while a distance of 670 metres was installed one and half inch pipes for further distribution to residences. The Karama water service line serves a total of 1,750 people in the area, while Ntharene service line in South Imenti will serve 400 people, Nkubu Zone B and C Service

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line will serve 370 people and 1000 people respectively, whereas the Kibanga will serve 350 people. This will serve a total of 3,870 people through Imetha Wasco

**Performance Ranking**

A performance report by the Water Services Regulatory Board ranked the company position 56(fifty six) nationally an improvement from position 64(Sixty four) the previous period. The company maintained position one in the large category. The water service provision is governed by the Water Act 2016. Consequently, during the year the company successfully applied for the water service provision licence.

In order to continue providing services to the existing and new customers, we have to deliberately make significant investments in the water infrastructure to increase the supply of water as envisaged in the 5(five) year Strategic Plan which was developed during the year. The development of the Strategic Plan involved all the stakeholders in the water sector in the Meru County and Nationally.

On behalf of the Board of directors, I would like to thank our customers , development partners especially, the Water Sector Trust Fund for their financial support during the year, Japanese international Corporation Agency for donating water treatment chemicals during the year and the County government of Meru for providing us enabling environment.

Finally, I acknowledge our suppliers, management and staff for their contributions during the year.

Thank you



***Dr Mworia Mugambi***

***Chairman of the Finance Committee***

***Meru County Urban Water & Sanitation Services Corporation***

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**V.REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE FINANCIAL YEAR ENDED JUNE 2021.**

It is my pleasure to report on the performance of the company for the financial year 2020/2021. During the year, the company improved on its operating income to 58,447,038 million in comparison to the previous year's Kshs. 58,455,036 million. However, the trade debtors increased by Kshs **2,640,315** in comparison to the previous year signifying the adverse effect of Covid-19 pandemic which affected the customers' ability to pay their bills on time.

**Infrastructure improvement**

It is worth noting that IMETHAWASCO inherited water infrastructure from the National Government in a dilapidated state. Huge investments are therefore required to develop and improve water infrastructure which are old and very wasteful, in order to meet the growing water demand. The ever-increasing demand for water services within the area of company's jurisdiction is caused by population growth, expansion of major towns and rural urban migration. The Company rehabilitated 2.2 kilometers of 110mm diameter HDPE pipeline at a cost of Kshs 1,876,100 under the 2<sup>nd</sup> RRI initiative. The world Bank, in collaboration with the WSTF, WASREB and the County Government of Meru funded the company with Kshs 12,533,800 under the Conditional Liquidity Support Grant (CLSG) to cushion the WSP from COVID 19 Pandemic effects. We managed to rehabilitate 11.2 kilometres of pipeline.

**Customers**

At IMETHA we value every customer and we strive to ensure our customers are satisfied and delighted by supplying them with clean, safe and reliable water. In order to meet this objective, we carryout hourly tests on various supply points. Regular tests are carried out to attest that the water quality meets regulatory requirements and conforms to the WHO standards.

During the period we sent appeals to our customers to promptly pay for the water services to enable us continue providing the commodity. We are grateful to the customers who heeded this call and paid their water bills despite the tough economic crisis as a result of COVID 19. Those who didn't heed to our call have a chance to come and enter into payment arrangement on how to settle their bills. On behalf of the management, I would like to thank our customers for their continued support they have given us throughout the period.

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**V. CONT' REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE FINANCIAL YEAR ENDED JUNE 2021**

**Sanitation**

The company received funding to the tune of Kshs 17 million from the Water Sector Trust Fund to construct subsidised pour flash toilets and a Decentralised Treatment Facility (DTF) we managed to construct a DTF to completion and 211 pour flash toilets in Mitunguu town and its environs.

**Non -Revenue Water**

The company like any other water service provider is faced with problem of water losses that currently stand at 42 percent, an improvement from 50 percent in the previous year. The Non-Revenue Water (NRW) is mainly attributed to illegal water use by unscrupulous individuals, under registering of old meters and water bursts due to damages caused by road contractors. In order to reduce the NRW, the company has implemented several interventions among them investigating and liaising with the authorities to apprehend the culprits illegally using water, rehabilitation of old and dilapidated infrastructure through the Rapid Result Initiative, regular monitoring of category one consumer meters (heavy Consumers). We have also requested Tana Water Works Development Authority to assist us with 4700 customer meters.

**Staff**

The achievements registered over the period would not have been possible without the professionalism and teamwork of our staff who remained committed throughout the period to attend our customer needs. On the other hand, towards improvement of our staff welfare, we regularly train our staff on various aspects in the service.

**Conclusion**

I take this opportunity to thank the County Government of Meru in collaboration with the National Government through WSTF for financing sanitation project in Mitunguu under the UPSUB programme... The DTF facility and the pour flash toilets will go a long way in improving the sanitation in Meru County. We also cannot forget World Bank for the CLSG funding which assisted us much in cushioning the COVID 19 Pandemic effects.

Finally, I express my gratitude to the Board of Directors for their continued guidance and support they provide to the Company.

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Regards



**Edward Njagi**

**For: Chief executive officer**

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**VI. STATEMENT OF IMETHA WATER AND SANITATION COMPANY LTD PERFORMANCE**  
**AGAINST PREDETERMINED OBJECTIVES FOR FY**  
**2020/2021**

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

The company has strategic pillars and objectives within its annual work plans for the FY 2020/2021

These strategic pillars are as follows:

Pillar 1: Increase water supply coverage

Pillar 2: Operation efficiency and customer service

Pillar 3: Financial sustainability

Pillar 4: Institutional Capacity/strengthening

Pillar 5: Corporate Governance

The assessment of the Board's performance against its annual work plan is done on a quarterly basis. Imetha water Sanitation Company continued to implement its performance targets set for the FY 2020/2021

Imetha strategic plan has expired and is in the process of developing a strategic plan to cover 5 years period

## **VII.CORPORATE GOVERNANCE STATEMENT**

The Board of directors of the Company is responsible for the Governance of the Company. Good corporate governance is a fundamental part of the culture and business practices of the Company. The key aspects of the Company's corporate governance framework and primary corporate governance practices for the year are outlined below.

### **The Board of directors**

#### **The Board's most significant responsibilities are:**

##### **Stakeholder interests**

- Guiding the Company with a view to long-term provision of clean and safe water at low cost having regard to the interests of all stakeholders, including customers, regulators, staff and the communities in the areas in which the Company operates;
- Providing strategic direction to the Company with a focus on consistent business performance, behaviour, transparency and accountability; and
- Reviewing and monitoring corporate governance and corporate social responsibility.

##### **Strategy**

- Reviewing, approving and monitoring corporate strategy and plans;
- Reviewing, approving and monitoring major investment and strategic commitments.

##### **Performance**

- Reviewing business results; and
- Monitoring budgets.

##### **Integrity of external reporting**

- Reviewing and monitoring the processes, controls and procedures which are in place to maintain the integrity of the Company's accounting and financial records and statements, and
- Reviewing and monitoring reporting to stakeholders and regulators

##### **Risk management and compliance**

- Monitoring and reviewing the risk management processes, the Company's risk profile and the processes for compliance with prudential regulations and standards and other regulatory requirements; and
- Reviewing and monitoring processes for the maintenance of adequate credit quality, Executive review, succession planning and culture

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- Approving key executive appointments and remuneration, and monitoring and reviewing executive succession planning and diversity;
- Reviewing and monitoring the performance of the General Manager and senior management; and
- Monitoring and influencing the Company's culture, reputation and ethical standards.

**Board performance**

- Monitoring Board processes and performance. The Board has reserved certain powers for itself and delegated authority and responsibility for day-to-day management of the Company to the General Manager. Delegations are subject to strict limits. The General Manager's authorities and responsibilities include:
  - Development and implementation of Board approved strategies;
  - Setting operational plans within a comprehensive risk management framework; and
  - Sound relationship management with the Company's stakeholders. All delegated authorities provided by the Board to the General Manager are reviewed as required.

**Composition of the Board.**

The members of the Board and the period each member has been in office are set out in the Report of the Directors. The composition of the Board is driven by the following principles:

- The Board will be of an appropriate size and as recommended by the regulator to allow efficient decision making;
- The Chairman of the Board was elected by all the other Directors;
- The Board should be representative of all the areas of operation of the company
- The composition of the board should be such that neither gender is more than two thirds
- The Board should consist of directors with a broad range of expertise, skills and experience from a diverse range of backgrounds, including sufficient skills and experience.

**Board meetings**

The company board of directors conducts its meetings according to the rules and procedures contained in its governing documents. There were three meetings held in each quarter that is audit committee meetings, finance administration and technical committee meetings and the full board meeting. During the year the company held two audit committee meetings, two finance, administration and technical meeting and two full board meetings.

The committee was constituted and had the following members:

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During the financial year 2020-2021 the board held the following meetings. The details of the attendance at these meeting are as set out below

NAME OF THE BOARD MEMBER	BOARD MEETING		NAME OF THE COMMITTEE	COMMITTEE MEETING	
	ATTENDED	ELIGIBLE TO ATTEND		ATTENDED	ELIGIBLE TO ATTEND
Dr. Mworia Mugambi	5	5	Finance & Admin Technical Committee Audit	3 3 4	3 3 4
Jackson Muthamia	5	5	Finance & Admn Audit Committee Technical Committe	4 3 4	4 4 4
Elizabeth Kanini	5	5	Finance & Admn Technical Committee Audit committe	4 4 4	4 4 4
* CPA Francis Mungai	4	5	Finance & Admn Technical Committee Audit Committee	4  3	4  3
Joseph Mberia	5	5	Finance & Admn Audit Committee technical	4  4	4  4

**Water Sector Reforms**

The Constitution of Kenya 2010 devolved the provision of water services to the County governments. Consequently, the County Assembly of Meru passed a bill to provide for development, regulation and management of county public works related to water and sanitation services. The Act provides for the creation of Meru County Urban Water and Sanitation Corporation to be the successor to MEWASS and Imetha. The corporation is responsible for the provision of water and sanitation services in the urban settlement within Meru County.

## **VIII.MANAGEMENT DISCUSSION AND ANALYSIS**

Imetha water and Sanitation Company presents its financial performance for the year ending 30<sup>th</sup> June 2021. The company continued to provide water service in its area of jurisdiction whose mission is to provide quality water and sanitation services to its customer's delight, through a committed workforce using modern technology.

### **Revenue**

The revenue from water services billings, to date had Upward trend compared to the previous year. The company continued to enhance distribution network capacity in order to deliver more water. This has helped in growing the revenue.

During the year ending June 2021, the company's revenue was **Kshs 58,447,038** compared to the **Kshs 58,455,036** of the year ended 30<sup>th</sup> June 2020. The reason for the increases is that the company has improved its revenue from water sales by kshs 3,,046,005.also the company has received grants from the ministry of water and irrigation in form of chemicals, water sector trust fund has given the company a variable grant of kshs to improve the liquidity of the company. received a funding of finalising the construction of a Decentralised Treatment Facility and 211 No pour toilets in Mitunguu. The 3<sup>rd</sup> disbursement of Kshs 3,182,281 was received..

### **Expenditure**

The company's primary expenditure relates to Administration, Operation and Maintenance and Personnel costs. The others are depreciation of assets and amortisation of intangible assets. During the year ending 30<sup>th</sup> June 2021, expenditure of **56,217,228** as compared to **Kshs 50,507,661** in the previous year was incurred.

### **Liquidity**

In the financial year ending June 2021, there was increase in receivable, these is attributable to the institutional customers mostly Government departments and County Government and covid- 19 pandemic which made most of the customers unable to pay. There was also a slight increase in accounts payables this is because the company was not able to settle some of the debts, e.g. WRMA and TWSB due to financial constraints. The company had a positive working capital of **Kshs 6,357,965** this was due to the money received from water sector trust fund to enhance liquity of the company.

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As at 30<sup>th</sup> June 2021 the company had **Kshs 7,255,392** as cash at hand and bank, inventory of **Kshs 2,060,287**. The total current assets were **Kshs 46,965,588** and the total current liabilities was **Kshs 40,607,623** therefore the company had a net working capital of **Kshs 6,357,965**

**IX. ENVIROMENTAL AND SUDSTAINABILITY REPORTING**

Imetha water and sanitation company exists to transform lives. This is our purpose :the driving force behind everything we do. Its what's guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisations policies and activities that promote sustainability.

**i) SUSTAINABILITY STRATEGY AND PROFILE**

The continuity of our company is hinged/dependant among other on the following key foundations

- Water source
- Distribution infrastructure
- Production levels
- Distribution efficiency
- Non - revenue water reduction
- Water safety

The company has made efforts to the above key foundations to reduce water scarcity which can affect the company future. In addition as part of company mandate of increasing sewerage services to Meru residents, it as constructed 200 Toilets to the residents of Mitunguu and constructed Decentralized Treatment Facility with help from WSTF at Mitunguu water scheme, this will increase customers and add the company more revenue streams.

**ii) Environmental Performance**

Imetha water and sanitation company values environment and strives to protect the environment more so its water catchment areas the management is in the process of developing a policy.

**iii) Employee Welfare**

The company recognizes that staffs are critical resource for attainment of corporate objectives and personal development. The company therefore prioritises employee welfare, among other employee management initiatives the following are emphasized: training, Health and safety at work place and

Personal career developments. To enhance compliance with occupational safety and health act the management is proposing to develop a policy.

**iv) MARKET PLACE PRACTICES**

**a) Responsible Competition Practice**

The company acknowledges the role played by competitors in complimenting it service to all citizens under its jurisdiction given by the regulator to supply water , which is a right enshrined in the Kenya constitution. in this regard, the company engages other water supply organisation more so the community projects and provides them with technical expertise in Non-Revenue water reduction and water safety.

**b) Responsible Supply Chain And Supplier Relations**

The company acknowledges the importance of managing suppliers through prompt payment. We endeavour to pay supplier invoices within the credit period given by our suppliers .where the company is unable to meet this obligation on due dates we provide a notice to suppliers of the delay and communicate alternative paying dates.

**c) Responsible Marketing**

The company while publicizing of its products, ensures that our marketing and advertisements campaign are conducted using fair language. are morally upright and adhere to other fair marketing and advertising practices . The entity is in process formalising a policy document.

**d) Product Stewardship**

The company provides its customers with clean reliable water, to achieve this, hourly tests are conducted and also regular tests are carried out to attest that the water quality meets regulatory standards and conforms to the WHO standards. The company as protected water catchment areas by planting trees and creating awareness to community of the need to protect water sources.

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**CORPORATE SOCIAL RESPONSIBILITY/COMMUNITY ENGAGEMENTS**

The company through its pro poor programmes continued to increase coverage for both water and sanitation to the unserved and underserved within its area of jurisdiction during the financial year.

The company was able to:

- i. To improve the health standards of Mitunguu water schemes by subsidizing 200 No of pour flash toilets and constructing a Decentralised Treatment Facility which is underway
- ii. To increase the company's coverage by supplying the targeted underserved areas.
- iii. Install hand washing points in market centres for use by the public.

**X.REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the *Imetha water and sanitation company's* affairs.

**Principal activities**

The principal activities of the Imetha water and sanitation company continue to be to provide adequate, reliable, and affordable water in its area of jurisdiction.

**Results**

The results of the Imetha water and sanitation company for the year ended June 30, 2021 are set out on page 2-27

**Directors**

The members of the Board of Directors who served during the year are shown on page v In accordance with Regulation of Meru County water and sanitation services act of 2014

**Auditors**

The Auditor General is responsible for the statutory audit of the *Imetha water and Sanitation Company* in accordance with regulation of Meru County Water and Sanitation Services Act of 2014 and article 229 of the constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**DR.Mworia Mugambi**

***Chairman of Directors***

***Meru County Urban Water & Sanitation Services Corporation***

## **XL STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the *Imetha water and sanitation company's* financial statements, which give a true and fair view of the state of affairs of the *Imetha water and sanitation company* for and as at the end of the financial year (period) ended on June 30, 2021. 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 *Imetha water and sanitation company*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Imetha water and sanitation company*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *Imetha water and sanitation company's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 2012 and the State Corporations Act.

The Directors are of the opinion that the *Imetha water and sanitation company's* financial statements give a true and fair view of the state of *Imetha water and sanitation company's* transactions during the financial year ended June 30, 2021, and of the *Imetha water and Sanitation Company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Imetha water and Sanitation Company*, which have been relied upon in the preparation of the *Imetha water and*

**Imetha water and sanitation company.  
Annual Reports and Financial Statements  
For the year ended June 30, 2021**

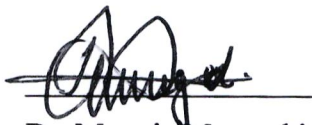
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*sanitation company's* financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The *Imetha water and sanitation company's* financial statements were approved by the Board on **28<sup>th</sup> september, 2021** and signed on its behalf by:



Dr. Mworio Mugambi

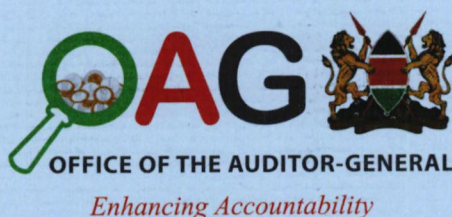
Chairman Board of Directors



Edward Njagi

For: Chief Executive Officer

# REPUBLIC OF KENYA



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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON IMETHA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021**

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### **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 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 Imetha Water and Sanitation Company Limited set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of

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*Report of the Auditor-General on Imetha Water and Sanitation Company Limited for the year ended 30 June, 2021*

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 Imetha Water and Sanitation Company Limited as at 30 June, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Water Act, 2016.

## **Basis for Qualified Opinion**

### **1. Inaccuracies in the Financial Statements**

The financial statements prepared and presented for audit had the following inaccuracies;

- i. The statement of comparison of budget and actual amounts reflects total actual income of Kshs.65,033,135 while the statement of profit or loss and other comprehensive income reflects an amount of Kshs.58,447,038 resulting to unexplained variance of Kshs.6,586,097. Similarly, the statement of comparison of budget and actual amounts reflects total actual expenditure of Kshs.68,666,640 while the statement of profit or loss and other comprehensive income reflects Kshs.56,217,228 resulting to an unexplained and unreconciled variance of Kshs.12,449,412.
- ii. The statement of profit or loss and other comprehensive income reflects depreciation charge of Kshs.4,165,814 while the recalculated amount is Kshs.5,543,883 resulting to an unexplained and unreconciled variance of Kshs.1,378,069.
- iii. The statement of financial position as disclosed in Note 8 to the financial statements reflects customer water deposits of Kshs.13,231,850 while the customer water deposits bank account reflects a balance of Kshs.5,694,366 resulting to an unexplained and unreconciled variance of Kshs.7,537,484.
- iv. The statement of cashflows reflects an amount of Kshs.8,727,596 in respect of acquisition of property, plant and equipment while Note 15 to the financial statements on property, plant and equipment movement schedule reflects net additions amounting to Kshs.8,016,696 resulting to an unreconciled and unexplained variance of Kshs.710,900.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

### **2. Unsupported Insurance Costs**

The statement of profit or loss and other comprehensive income reflects administrative costs of Kshs.15,284,050 as disclosed in Note 5 to the financial statements. The amount

includes insurance cost of Kshs.178,630. However, the assets valuation report and details on how the insurance premium was determined were not provided for audit.

In the circumstances, the accuracy and completeness of the insurance costs amounting to Kshs.178,630 could not be confirmed.

### **3. Unsupported Expenditure on Travelling and Subsistence**

The statement of profit or loss and other comprehensive income reflects administrative costs of Kshs.15,284,050 as disclosed in Note 5 to the financial statements. The amount includes travelling and subsistence of Kshs.1,662,453 out of which Kshs.497,900 was issued as imprest. However, the amount was not fully supported by surrender schedules indicating purpose of imprest, means of travel, and back to office reports.

In the circumstances, the accuracy and completeness of travelling and subsistence expenditure of Kshs.1,662,453 could not be confirmed.

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

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Unresolved Prior Year Matters**

In the audit report of 2019/2020 financial year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

#### **Other Information**

The Management are responsible for the other information, which comprises The Chairman's Statement, Report of the Chief Executive Officer, the statement of corporate governance, management discussions and Analysis, Statement of Corporate Social Responsibility and 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

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. Trade Receivables**

As previously reported, the statement of financial position as disclosed in Note 7 to the financial statements reflects a balance of Kshs.37,649,909 in respect to trade and other receivables. The balance includes staff debts of Kshs.664,668 and imprest that had not been surrendered of Kshs.565,454 all totaling to Kshs.1,230,092 that has been outstanding since financial year 2009/2010 and no evidence of the measures taken by Management to recover the outstanding debts was provided for audit. Further, debtors ageing analysis schedule was not provided for audit review.

In addition, the Company does not have a sound Debt Management Policy and sound Cash Management Policy. This is contrary to Section 83(2)(f) of the Public Finance Management (County Governments) Regulations, 2015 which states that for purposes of this regulation, sound cash management includes pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable are collected and banked promptly.

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

#### **2. Unmetered Water**

The statement of profit or loss and other comprehensive income reflects water sales of Kshs.46,327,823 as disclosed in Note 1 to the financial statements. The amount includes water sales of Kshs.42,377,517 out of which Kshs.11,112,145 related to unmetered water where consumers only paid a standing monthly fee irrespective of the water consumed.

In the circumstances, the value for money on the unmetered water connections amount of Kshs.11,112,145 could not be confirmed.

#### **3. Irregular Procurement of Repairs and Maintenance Services**

The statement of profit or loss and other comprehensive income reflects operation and maintenance of Kshs.12,761,106 as disclosed in Note 11 to the financial statements. The amount includes repairs and maintenance of Kshs.9,102,759 out of which Kshs.803,801 was paid to a hardware for the supply of assorted repairs and maintenance equipment.

However, the procurement process was not competitive since quotation documents were only issued to one company and there was no requisition from the user department.

In the circumstances, 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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### Basis for Conclusion

#### 1. Non-Revenue Water (NRW)

During the year under review, the Company produced 1,184,866 cubic meters (m<sup>3</sup>) of water. However, only 716,731 m<sup>3</sup> were billed to customers. The balance of 468,135 m<sup>3</sup> or 40% of the total volume represented non-revenue water (NRW) which is 15% above the allowable loss of 25%. This was contrary to Schedule E of the Water Services Regulatory Board guidelines which allows a maximum loss of 25% for every cubic meter of water produced. The non-revenue water of 468,135 m<sup>3</sup> may have resulted in loss of sales estimated at Kshs.29,632,946 at the rate of Kshs.63.30 per m<sup>3</sup>.

In the circumstance, the effectiveness of controls on water production and billing could not be confirmed.

#### 2. Weak Inventory Management Controls

During the stock taking exercise carried out in June, 2021, it was noted that Management had not given stock taking instructions to guide stores clerks and other staff involved in the stock taking exercise to ensure a smooth exercise of updating of records, closing of ledgers cards and arranging stores

In addition, sampled ledger cards revealed that items valued at Kshs.171,016 were non-moving and remained dormant during the year. Further, Management did not prepare and present the annual disposal plan to the County Executive for approval.

In the circumstances, the effectiveness of controls on inventory management could not be confirmed.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal 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 its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the 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 overall

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of noncompliance. 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 Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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, SBS  
AUDITOR-GENERAL

**Nairobi**

**29 September, 2022**

Emetha water and sanitation company.  
 Annual Reports and Financial Statements  
 For the year ended June 30, 2021

**XIII. STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 30 JUNE 2021**

INCOME	NOTE	2020-2021	2019-2020
		Kshs	Kshs
Water Sales	1	46,327,823	43,281,818
County Government of Meru Subsidy	3	1,165,620	2,210,425
Other Incomes	2	10,953,596	12,962,793
		-	-
<b>Total Income</b>		<b>58,447,038</b>	<b>58,455,036</b>
<b>EXPENDITURE</b>			
Personnel costs	4	20,810,660	21,463,954
Administrative costs	5	15,284,050	10,330,841
Operations and Maintenance	11	12,761,106	9,550,696
Depreciation charge	15	4,165,814	4,687,814
Amortisation of intangible assets	15	1,333,333	1,333,333
WSTF expenses	13	1,862,265	3,141,023
<b>Total Expenditure</b>		<b>56,217,228</b>	<b>50,507,661</b>
<b>Deficit/Surplus of Income</b>		<b>2,229,811</b>	<b>7,947,374</b>

**Imetha water and sanitation company.**  
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**For the year ended June 30, 2021**

**XIV.STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	NOTES	2020-2021 Ksh	2019-2020 Ksh
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property plant and equipment	15	26,122,100	21,560,318
Intangible assets	15		1,333,333
W.I.P	14	9,151,442	2,591,631
<b>Total Non current assets</b>		<b>35,273,542</b>	<b>25,485,283</b>
<b>Current Assets</b>			
Inventory	10	2,060,287	2,118,948
Trade and other Receivables	7	37,649,909	34,973,838
Cash and cash equivalents	6	7,255,392	11,274,042
		<b>46,965,588</b>	<b>48,366,828</b>
<b>Current Liabilities</b>			
Trade and other Payables	8	40,607,623	40,148,566
<b>Total Current Liabilities</b>		<b>40,607,623</b>	<b>40,148,566</b>
<b>Net Current Assets</b>		<b>6,357,965</b>	<b>8,218,262</b>
<b>TOTAL ASSETS</b>		<b>41,631,507</b>	<b>33,703,545</b>
<b>EQUITY AND LIABILITIES</b>			
Capital Reserves	9(a)	12,821,793	7,123,641
Revenue Reserves	9(b)	28,809,714	26,579,904
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>41,631,507</b>	<b>33,703,545</b>

The financial statements were approved by the board on 28TH SEPTEMBER 2021 and signed on behalf

Dr Mworja Mugambi

Chairman Board of Directors

MR.Edward Njagi

For: Chief Executive Officer

CPA Winfred Mukiri ICPAK RG NO 17874

Commercial Manager

**XV.STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021**

	<b>Capital Reserves</b>	<b>Revenue Reserves</b>	<b>Total</b>
	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>
As at 1st July 2019	7,925,244	18,632,530	26,557,774
Armotisation of Capital Grant	(1,008,103)		(1,008,103)
WSTF-Capital Grants (Computers)	206,500		206,500
Suplus/Deficit for the year		7,947,374	7,947,374
<b>As at 30th June 2020</b>	<b>7,123,641</b>	<b>26,579,904</b>	<b>33,703,545</b>
As at 1st July 2020	7,123,641	26,579,904	33,703,545
Armotisation of Capital Grant	(906,944)		(906,944)
WSTF-Capital Grants (Computers)	19,000		19,000
WSTF -Pipe and Fittings	6,586,096		6,586,096
Water meters			-
Suplus/Deficit for the year		2,229,811	2,229,811
<b>AS at 30 June 2021</b>	<b>12,821,793</b>	<b>28,809,714</b>	<b>41,631,507</b>

**XVI.STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2020-2021	2019-2020
<b>Cash flow from operating activities</b>		<b>KSH</b>	<b>KSH</b>
Net deficit/Surplus for the year		2,229,811	7,947,374
<b>Adjustment of non cash items</b>			
Armotisation of Capital Grant	9a	(906,944)	(1,008,103)
Depreciation charge	15	4,165,814	4,687,814
Amortisation of intangible asset	15	1,333,333	1,333,333
		<b>6,822,013</b>	<b>12,960,418</b>
<b>Working Capital Changes</b>			
Decrease in inventory	12	58,661	441,778
Increase inTrade & other receivables	12	(2,676,071)	(7,123,426)
Increase inTrade & other payables	12	459,057	2,094,953
<b>Net Cash flow from operating activities</b>		<b>4,663,661</b>	<b>8,373,723</b>
<b>Cash flow from Investing activities</b>			
Aquisition of Property,Plant & Equipment	15	(8,727,596)	(6,317,000)
WIP	14	(6,559,811)	(2,591,631)
<b>Net Cash flow before financing activities</b>		<b>(10,623,746)</b>	<b>(534,908)</b>
<b>Cash flow from Financing activities</b>			
Increase In Capital Reserves	9a	6,605,096	206,500.00
<b>Net increase in cash and cash equivalents</b>		<b>(4,018,650)</b>	<b>(328,408)</b>
<b>Cash and cash equivalents as at 1st July 2020</b>	<b>6</b>	<b>11,274,042</b>	<b>11,602,450</b>
<b>Cash and cash equivalents as at 30th June 2021</b>	<b>6</b>	<b>7,255,392</b>	<b>11,274,042</b>

**Imetha water and sanitation company.**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

**VII.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2021**

	<b>Original budget</b>	<b>Adjustment/Su pplementary</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance Difference</b>
	<b>2020-2021</b>		<b>2020-2021</b>	<b>2020-2021</b>	<b>2020-2021</b>
<b>Revenue</b>	<b>Kshs</b>		<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Government grants and subsidies	1,165,620	-	1,165,620	1,165,620	-
Water sales	44,709,579	(2,537,531)	42,172,048	42,377,517	(205,469)
sewerage	1,376,270	350,000	1,726,270	1,761,870	(35,600)
Reconnection fees	3,000,000	(1,000,000)	2,000,000	1,557,592	442,408
Labour charges	1,230,000	(182,000)	1,048,000	630,843	417,157
Other income			926,906	926,906	-
water Meters					-
Water chemicals	450,486		915,705	915,705	-
CSLG-Variable Grant			5,947,704	5,899,620	48,084
CSLG-Fixed Grant			6,586,096	6,634,180	(48,084)
Amorisation of capital Grants					-
wstf -income			3,163,281	3,163,281	
<b>Total income</b>	<b>51,931,955</b>	<b>(3,369,531)</b>	<b>65,651,630</b>	<b>65,033,135</b>	<b>618,495</b>

**Imetha water and sanitation company.**  
**Annual Reports and Financial Statements**  
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<b>EXPENSES</b>					
<b>Personnel Costs</b>					
Salaries ,Wages & Allowances	21,744,146	(800,000)	20,944,146	20,810,660	133,486
<b>Administration Expenses</b>					
Postage & Telephone	324,000		324,000	323,252	748
Travelling and Subsistence	1,384,488	270,000	1,654,488	1,662,453	(7,965)
Advertising and Publicity	200,000	(44,000)	156,000	155,248	752
Fees,Levies and Permits	3,980,038		3,980,038	3,350,948	629,090
General Expenses	194,488		194,488	186,083	8,405
Office Stationery	100,000	95,000	195,000	196,064	(1,064)
Professional Services	150,000	(84,000)	66,000	66,000	-
Security	360,000	(12,000)	348,000	348,000	-
Electricity & Water	401,740	260,516	662,256	661,384	872
Transport Hire	10,000		10,000	-	10,000
Training Expenses	461,488	16,000	477,488	476,720	768
Official Catering	315,396	70,000	385,396	384,702	694
Insurance	430,772	(216,000)	214,772	178,630	36,142
Uniforms	344,367	11,500	355,867	360,158	(4,291)
Meetings and Conferences	256,403	266,000	522,403	531,282	(8,879)
Directors Expenses	415,488	295,000	710,488	713,185	(2,697)
Audit fee Expenses	232,000		232,000	232,000	-
Waspa subscriptions	55,000	10,000	65,000	65,000	-
Computer repairs	70,600	60,000	130,600	130,764	(164)
News papers and periodicals	31,680		31,680	32,520	(840)
Corporate Governance	506,000	100,900	606,900	606,900	-
Bank Charges	73,500	(30,000)	43,500	44,228	(728)
social responsibilities	50,000	(50,000)	-		-
Increase in provision For Bad Debts				296,187	(296,187)
Depreciation			-	5,499,148	(5,499,148)
Amortisation reserve					
Billing Sytem Development	300,000		300,000	300,000	-
Internet	276,000	160,000	436,000	440,975	(4,975)
Cloud Hosting	190,000		190,000	180,000	10,000
office repairs	445,477	330,000	775,477	774,758	719
billing SMS	288,000	40,000	328,000	180,000	
Water analysis	81,600	(70,000)	11,600	8,990	2,610
Strategic plan	600,000	1,371,000	1,971,000	1,976,120	(5,120)
web site	50,000	80,000	130,000	130,000	
Corporation branding	225,619	75,200	300,819	291,500	9,319
<b>Total Administration Cost</b>	<b>12,804,144</b>	<b>3,005,116</b>	<b>15,809,260</b>	<b>20,783,198</b>	<b>(5,121,938)</b>
<b>Payments to Creditors</b>	<b>5,350,000</b>	<b>(880,000)</b>	<b>4,470,000</b>	<b>4,432,716</b>	<b>37,284</b>
<b>Operation and Maintenance</b>	<b>-</b>				
Chemicals	1,501,620	(400,000)	1,101,620	975,781	125,839
Repair & Maintainance	5,339,714	3,755,763	9,095,477	9,102,759	(7,282)
Motor Expenses	750,331	135,000	885,331	885,122	209
Fuel ,Oils & lubricants	1,560,000	75,000	1,635,000	1,638,544	(3,544)
Rent and Rates	162,000		162,000	158,900	3,100
<b>Total Operation and Maintance</b>	<b>9,313,665</b>	<b>3,565,763</b>	<b>12,879,428</b>	<b>12,761,106</b>	<b>118,322</b>
Other Capital expenses-capital	3,170,000	5,665,515	8,835,515	8,016,696	818,819
WSTF Expenses			3,163,281	1,862,265	1,301,017
<b>Total Expenditure</b>	<b>52,381,955</b>	<b>11,436,394</b>	<b>66,101,630</b>	<b>68,666,640</b>	<b>(4,051,311)</b>
Adjustments for grants					
Water meters	450,000	6	450,000		450,000
Water chemicals					
<b>Total expenditure</b>	<b>51,931,955</b>	<b>11,436,394</b>	<b>65,651,630</b>	<b>68,666,640</b>	
<b>Surplus for the period</b>				<b>2,229,811</b>	

**EXPLANATION OF THE VARIANCES BETWEEN BUDGET AND ACTUALS AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021.**

*Revenue*

- *There was decline in government Grants and subsidies because 9 No staff seconded by the county Government of Meru were taken back.*
- *The Company Received Grant from Wate Sector Trust Fund to Complete the Decentralised Treatment Facility and 200 No Pour Flash Toilet.*
- *The company received grants in form of water chemicals.*
- *Water sector trust fund give the company kshs 12,533,800 for covid money to boost the liquidity of the company*

## **XVIII. NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

The *Imetha water and sanitation company* ltd was incorporated by the companies Act (cap 486) Act of the laws of Kenya on 31<sup>st</sup> March 2006. At cabinet level, the *Imetha water and sanitation company* ltd is represented by the Cabinet Secretary for Ministry of Irrigation, Water and Natural resources, who is responsible for the general policy and strategic direction of the *Imetha water and sanitation company*.

The constitution of Kenya 2010 under the fourth schedule placed water and sanitation services to the county governments. Consequently, the transition authority vide gazette notice no 154 of the 9<sup>th</sup> august 2013, transferred water service provision including water and sanitation and sewerage companies to the county government of Meru. For Kenyan companies act reporting purposes ,the balance sheet is represented by 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 *Imetha water and sanitation company's* accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Imetha water and sanitation company*. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021**

<b>Amendment/Interpretation to a standard</b>	<b>Effective date</b>	<b>Impact: The standard has no impact on the financial statements of Imetha water and sanitation Company</b>
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted

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Amendment/Interpretation to a standard	Effective date	Impact: The standard has no impact on the financial statements of Imetha water and sanitation Company
	consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier 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....*

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

- i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

<b>Amendment/Interpretation to a standard</b>	<b>Effective date</b>	<b>Impact: The standard has no impact on the financial statements of Imetha Water and Sanitation Company.</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

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<p>IAS 12 — Income Taxes</p>	<p>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.</p>	<p>Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.</p>
<p>IAS 16 — Property, Plant and Equipment</p>	<p>IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.</p>

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IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted

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IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

*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.*

**iii Early adoption of standards**

**The entity did not -adopt any new or amended standards in the year 2021**

**III SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to *Imetha water and Sanitation 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 *Imetha water and sanitation company's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *Imetha water and sanitation company's* activities as described below.

- i. Revenue from the sale of water services** is recognised in the year in which the *Imetha water and sanitation company* delivers service to the customer, the customer has accepted the bill and collectability of the related receivables is reasonably assured.
- ii. Grants from National Government or County Government** are recognised in the year in which the *Imetha water and sanitation company* actually receives such grants.
- iii. Finance income** comprises interest receivable from bank deposits is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv. Other income** is recognised as it accrues.

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.

Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

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

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

**d) Depreciation and impairment of property, plant and equipment**

All non-current assets are valued at historical cost and after subsequent adjustment with their respective depreciation.

Subsequent costs are included in asset carrying amount or recognized as a separate asset, as appropriate.

All other repairs and maintenance are charged to the income and expenditure account during the financial period in which they occurred. No asset revaluation has been carried in the year under review. Value of water treatment plant freehold land and property is under valuation and report will be submitted when all procedures and formalities are completed and subsequently be incorporated in the financial statement

**Depreciation:**

This has been calculated on reducing balance method pro-rata to time of purchase using the following rates:

<b>Meters</b>	<b>12%</b>
<b>Pipes and fittings</b>	<b>20%</b>
<b>Furniture and Equipment</b>	<b>12.5%</b>
<b>Motor Vehicles &amp; cycles</b>	<b>25%</b>
<b>Computer and accessories</b>	<b>30%</b>
<b>W.T.P Equipment</b>	<b>12.5%</b>
<b>Loose Tools</b>	<b>33.33%</b>

**e) Depreciation and impairment of property, plant and equipment (Continued)**

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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.

**f) 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.

**g) Amortisation and impairment of tangible assets**

Amortisation is calculated on the reducing balance method pro-rata to time over the estimated useful life of the asset at the following rates:

<b>Meters</b>	<b>12%</b>
<b>Pipes and fittings</b>	<b>20%</b>
<b>Furniture and Equipment</b>	<b>12.5%</b>
<b>Motor Vehicles &amp; cycles</b>	<b>25%</b>
<b>Computer and accessories</b>	<b>30%</b>
<b>W.T.P Equipment</b>	<b>12.5%</b>
<b>Loose Tools</b>	<b>33.33%</b>

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

**h) Finance and operating leases**

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

**i) 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.

**j) 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.

A provision of 10% is made on all receivables.

**k) Taxation**

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

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

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

**M) 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 *Imetha water and sanitation company* or not, less any payments made to the suppliers.

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**N) Provision for staff leave pay**

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

**O) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1**

<b>INCOME</b>	<b>2020-2021</b>	<b>2019-2020</b>
Water Sales	42,377,517	40,206,815
Reconnection Fees	1,557,592	978,758
Labour Charges	630,843	720,379
Sewerage	1,761,870	1,375,866
<b>Total</b>	<b>46,327,823</b>	<b>43,281,818</b>

**NOTE 2**

<b>Other Incomes</b>	<b>2020-2021</b>	<b>2019-2020</b>
Sundry income	19,962	6,685
Ministry of water-chemicals	915,705	
CLSG-WSTF	5,947,704	
Arnotisation of Capital Grant	906,944	1,008,103
WSTF fund	3,163,281	11,948,005
	<b>10,953,596</b>	<b>12,962,793</b>

**NOTE 3**

	<b>2020-2021</b>	<b>2019-2020</b>
County Government of Meru subsidy	1,165,620	2,210,425
<b>Total subsidies</b>	<b>1,165,620</b>	<b>2,210,425</b>
<b>Grand total income</b>	<b>58,447,038</b>	<b>58,455,036</b>

**NOTE 4**

	<b>2020-2021</b>	<b>2019-2020</b>
<b>Personnel Costs</b>		
GOK Salaries	1,165,620	2,210,425
Salaries & Wages	18,519,131	17,811,011
staff welfare	190,800	174,580
Gratuity	338,108	714,566
Pension	448,601	402,971
NSSF	148,400	150,400
	<b>20,810,660</b>	<b>21,463,954</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

<b>NOTE 5</b>	<b>2020-2021</b>	<b>2019-2020</b>
<b>Administrative Costs</b>	<b>KSH</b>	<b>KSH</b>
Postage & Telephone	323,252	551,497
Travelling and Subsistence	1,662,453	1,739,850
Advertising and Publicity	155,248	139,160
Fees, Levies and Permits	3,350,948	1,747,813
General Expenses	186,083	368,847
Office Stationery	196,064	175,292
Professional Services	66,000	-
Security	348,000	338,000
Electricity & Water	661,384	428,993
Transport Hire	-	-
Training Expenses	476,720	276,285
Official Catering	384,702	325,108
Insurance	178,630	350,772
Uniforms	360,158	264,580
Meetings and Conferences	531,282	553,994
web cost	180,000	285,000
Directors Expence	713,185	680,230
Audit fee Expenses	232,000	232,000
Waspa subscriptions	65,000	55,000
Computer reapears	130,764	44,050
Corporate gonernance training	606,900	-
News papers and periodicals	32,520	29,160
Increase in provision for bad debts	296,187	787,340
Bank Charges	44,228	44,490
Billing System Development	300,000	300,000
Office repairs	774,758	349,880
Internet	440,975	248,500
water effluent	8,990	15,000
Strategic Plan	1,976,120	-
Corporation Branding	291,500	-
Website	130,000	-
Billing sms	180,000	-
	<b>15,284,050</b>	<b>10,330,841</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

<b>NOTE 6</b>	<b>2020-2021</b>	<b>2019-2020</b>
<b>Cash and cash equivalents</b>	<b>KSH</b>	<b>KSH</b>
Bank : Current Co-op 01120023210300	533,993	434,701
Current Borehole 01136023210300	25,291	8,490
Savings Co-op 0110003210300	5,694,366	4,557,255
Capital Sacco	53,419	55,079
Co-op Bank -01148023210303	936,827	6,203,640
Equity Bank-1040280468054	1,976	-
Cash at hand	9,521	14,877
	<b>7,255,392</b>	<b>11,274,042</b>

<b>NOTE 7</b>	<b>2020-2021</b>	<b>2019-2020</b>
<b>TRADE AND OTHER RECIEVABLES</b>		<b>KSH</b>
Bal b/d	37,447,090	29,573,689
Bills For the year	44,139,387	41,582,681
<b>Total bills</b>	<b>81,586,478</b>	<b>71,156,370</b>
Less Bills received	41,177,521	33,709,280
<b>Total bills recievable</b>	<b>40,408,957</b>	<b>37,447,090</b>
Less 10% provision for bad debts	4,040,896	3,744,709
Staff debts	664,668	664,668
Unsurrendered imprest	565,424	565,424
prepayments	51,756	18,900
WSTF		22,465
<b>Net recievable</b>	<b>37,649,909</b>	<b>34,973,838</b>

<b>NOTE 8</b>	<b>2020-2021</b>	<b>2019-2020</b>
<b>Trade and other payables</b>	<b>KSH</b>	<b>KSH</b>
Trade creditors	21,223,250	22,668,179
Accruals	4,494,523	2,987,787
Customer Water deposits	13,231,850	12,786,600
Provision for audit fees	232,000	232,000
Audit fees payable	1,426,000	1,474,000
<b>Total Trade and other payables</b>	<b>40,607,623</b>	<b>40,148,566</b>

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**NOTE 9**

**Capital and Reserves**

	<b>2020-2021</b>	<b>2019-2020</b>
a) <u>Capital Reserve</u> (Deferred Income)	7,123,641	7,925,244
Grants from WSTF	6,586,096	
WSTF- capital Grants Computers	19,000	206,500
Arnotisation of capital grant	(906,944)	(1,008,103)
	<b>12,821,793</b>	<b>7,123,641</b>
b) <u>Revenue Reserves</u>		
At start	26,579,904	18,632,530
Surplus/Deficit for the year	2,229,811	7,947,374
	<b>28,809,714</b>	<b>26,579,904</b>
Total reserves	<b>41,631,507</b>	<b>33,703,545</b>

**NOTE 10**

**INVENTORY**

	<b>2020-2021</b>	<b>2019-2020</b>
Stationery	174,770	191,189
Meters	-	720,000
Chemicals	666,405	174,049
pipe and fittings	1,176,812	973,660
Motor Expenses	20,700	47,550
computer and accessories	21,600	12,500
	<b>2,060,287</b>	<b>2,118,948</b>

**NOTE 11**

**Operation and Maintenance**

	<b>2020-2021</b>	<b>2019-2020</b>
		<b>KSH</b>
Chemicals	975,781	1,249,226
Repair & Maintainance	9,102,759	5,658,769
Motor Expenses	885,122	970,629
Fuel ,Oils & lubricants	1,638,544	1,516,072
Rent and Rates	158,900	156,000
	<b>12,761,106</b>	<b>9,550,696</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 12**

<b>NOTES TO THE STATEMENT OF CASH FLOW</b>	<b>2020-2021</b>	<b>2019-2020</b>
<b>a) Reconciliation of operating profit/loss to cash generated from operations</b>		
Operating profit	<b>2,229,811</b>	<b>7,947,374</b>
Amortisation of capital grants	(906,944)	(1,008,103)
Depreciation	4,165,814	4,687,814
Amortisation of intangible asset	1,333,333	1,333,333
Operating profit before working capital changes	<b>6,822,013</b>	<b>12,960,418</b>
Decrease in inventories	58,661	441,778
Increase in trade payables	459,057	2,094,953
Increase in trade receivables	(2,676,071)	(7,123,426)
<b>Cash generated from operations</b>	<b>4,663,661</b>	<b>8,373,723</b>
<b>b) Analysis of cash and cash equivalents</b>		
cash at bank	7,245,871	11,259,165
cash in hand	9,521	14,877
Balance at end of the year	<b>7,255,392</b>	<b>11,274,042</b>

**NOTE 13**

<b>WSTF Exepenes</b>	<b>2020-2021</b>	<b>2019-2020</b>
Transport	80,525	161,065
Telephone and postage	6,000	13,500
Stationeries	38,050	17,550
Uniforms	7,500	32,000
Marketing	4,000	48,000
Salary	127,890	243,908
Enviromental assesmnet	-	193,000
Toilet construction	1,565,000	2,405,000
Meetings	20,300	27,000
Office repairs	13,000	
	<b>1,862,265</b>	<b>3,141,023</b>

**NOTE 14**

<b>WIP</b>	<b>2020-2021</b>	<b>2019-2020</b>
Opening balance	<b>2,591,631</b>	
For the year	<b>6,559,811</b>	<b>2,591,631</b>
	<b>9,151,442</b>	<b>2,591,631</b>

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**NOTE 15**

**PROPERTY, PLANT AND EQUIPMENT**

<b>COST</b>	<b>METERS KSH</b>	<b>MOTOR CYCLES KSH</b>	<b>FURNITURE &amp; EQUIPMENT KSH</b>	<b>COMPUTERS &amp; ELECTRONICS KSH</b>	<b>PIPES &amp; FITTINGS KSH</b>	<b>WATER TREATMENT PLANT &amp; EQUIP. KSH</b>	<b>MOTOR VEHICLES KSH</b>	<b>LOOSE TOOLS KSH</b>	<b>LAND KSH</b>	<b>TOTAL KSH</b>
As at 1/7/20	19,262,555	2,505,920	830,530	2,599,859	23,301,579	3,177,635	8,891,100	17,127	290,000	60,876,305
<b>NET ADDITIONS</b>	200,000	817,000	25,000	388,600	6,586,096					8,016,696
<b>OPENING STOCK closing stock</b>	720,000			12,500						732,500
Disposal				(21,600)						(21,600)
<b>As at 30/6/21</b>	<b>20,182,555</b>	<b>3,322,920</b>	<b>855,530</b>	<b>2,979,359</b>	<b>29,887,675</b>	<b>3,177,635</b>	<b>8,891,100</b>	<b>17,127</b>	<b>290,000</b>	<b>69,603,901</b>
<b>DEPRECIATION</b>										
As at 1/7/20	11,710,413	2,383,006	536,977	1,913,450	17,541,913	1,891,572	3,322,769	15,886	-	39,315,987
Charge for the year	1,000,657	153,228	39,819	266,923	1,151,933	160,758	1,392,083	413	-	4,165,814.26
Disposal	-	-	-	-	-	-	-	-	-	-
<b>As 30/6/21</b>	<b>12,711,070</b>	<b>2,536,234</b>	<b>576,796</b>	<b>2,180,373</b>	<b>18,693,846</b>	<b>2,052,330</b>	<b>4,714,852</b>	<b>16,300</b>	<b>-</b>	<b>43,481,801</b>
<b>NET BOOK VALUE</b>										
AS at 30/6/21	7,471,485	786,686	278,734	798,986	11,193,829	1,125,305	4,176,248	827	290,000	26,122,100
<b>As at 30/6/20</b>	<b>8,328,522</b>	<b>122,914</b>	<b>293,553</b>	<b>686,409</b>	<b>5,759,666</b>	<b>1,469,787</b>	<b>5,568,331</b>	<b>1,241</b>	<b>290,000</b>	<b>21,560,318</b>

**INTAGIBLE ASSET**

<b>COST</b>	<b>BILLING SOFT WARE KSHS</b>
	4,000,000
<b>AMORTISATION</b>	
1/7/2020	2,666,667
Charge for the year	1,333,333
<b>Total Amortisation</b>	<b>4,000,000</b>
<b>NET BOOK VALUE</b>	
<b>AS AT 30/06/2021</b>	<b>(0)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**17 RETAINED EARNINGS**

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

**18. RELATED PARTY DISCLOSURES**

**Government of Kenya**

The Government of Kenya is the principal shareholder of the *Imetha water and Sanitation Company*, holding 100% of the *Imetha water and Sanitation Company's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Imetha Water and Sanitation Company, both domestic and external.

There were no other *Imetha water and sanitation company* transactions involving the Government of Kenya.

**County Government of Meru**

Imetha Water and Sanitation Company operates in Meru county, therefore. All transactions between Imetha Water and Sanitation Co. and the County Government of Meru are at arm's length.

Other related parties are the company Directors and the key management, Other than the directors emoluments, all transactions made with these parties are at arm's length

**Subsidy from the Government**

<b>Grants</b>	<b>2020-2021</b>	<b>2019-2020</b>
Meru County subsidy	1,165,620	2,210,425
	<b>Kshs.</b>	<b>Kshs</b>

**Key Management's Compensation**

<b>Director's Emoluments</b>	<b>2020-2021</b>	<b>2019-2020</b>
Director Emoluments	713,185	680,230

## **19. CONTINGENT LIABILITIES**

There was no contingent liability in the period

## **18. FINANCIAL RISK MANAGEMENT**

Imetha Water and Sanitation Company is exposed to a variety of financial risks including credit and liquidity risks. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

### **Credit risk**

The company has exposure to credit risk which is the risk that the customers may not be able to pay the bills when they fall due.

The company provides a credit period of a maximum of 14 days to the water customers.

Failure to pay within this period the water supply is disconnected.

The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

### **Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the company's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows and maintaining a savings account where a portion of the company's revenue is reserved

## **21. INCORPORATION**

The Imetha water and sanitation company is incorporated in Kenya under the Kenyan Companies Act 486 and is domiciled in Kenya

## **22. EVENTS AFTER THE REPORT PERIOD.**

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

## **23. CURRENCY**

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

**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.

Reference No.	Issue/Observations from Auditor	Management Comments	Focal Point person to resolve	Status: Resolved/Not Resolved	Time Frame
1.1	Revenue reserve as at 30 June 2020 Statement of Changes in Equity	The statements was rectified	Commercial Manager	resolved	
1.2	Other Income performance difference Statement of comparison of budget and actual amount	The statement was rectified.	Commercial Manager	Resolved	
1.3	Total Income - Performance difference Statement of comparison of budget and actual amount	The statements was rectified	Commercial Manager	Resolved	
1.4	Total expenditure - Adjustment/ Supplementary Statement of comparison of budget and actual amount	The statements was rectified	Commercial Manager	Resolved	
2.1	Surplus for the	The statements was	Commercial	Resolved	

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	period Statement of comparison of budget and actual amount	rectified	Manager		
2.2	Total Expenditure Statement of profit or loss and other comprehensive income	The statements was rectified	Commercial Manager	Resolved	
3.0	Positive working capital Statement of financial position	The statements was rectified	Commercial Manager	Resolved	
1.1	Cash at hand and bank Statement of financial position	The statements was rectified	Commercial Manager	Resolved	
1.2	Total Current Assets Statement of financial position	The statements was rectified	Commercial Manager	Resolved	
2.0	Total Current Liabilities Statement of financial position	The statements was rectified	Commercial Manager	Resolved	
3.0	Net working capital Statement of financial position	The statements was rectified	Commercial Manager	Resolved	
1.0	Variance Between the Actual Revenue in the Statement of	The errors were rectified	Commercial Manager	Resolved	

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	Comparison of Budget and Actual amount and the figure reported in the Notes to Financial Statements				
1.2	Variations Between Balances in the Financial Statements and The Supporting Ledgers		Commercial Manager	Resolved	
1.3	Failure to Present Bank Reconciliation Statements to County Treasury	The errors were rectified	Commercial Manager	Resolved	
3.1					

Chief Executive Officer  
Joseph K. Mberia



Date: 03/12/2020

Chairman Board of Directors  
De Mworia Mugambi



Date: 03/12/2020

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

During the year under review the company was funded by Water Sector Trust Fund to construct a decentralised treatment facility and 211 no pour flash toilet

The Company received fund from water sector trust fund to provide short term liquidity support. TO maintain operations and service levels during covid-19 crisis. The company received fixed grant for capital expenditure to be used for simple quick start quick finish(QSQF) Interventions to be completed within three Months.

Project title	Project No	donor	Period duration	Donor commitment	Separate donor reporting required as per the donor agreement	Consolidated these financial statements
Mitunguu UBSUP project	1	Water Sector Trust Fund	1year	12,154,505	yes	yes
Fixed Grant	1	Water sector trust fund	3months	6,634,180	yes	yes

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**APPENDIX III  
INTER-ENTITY TRANSFERS**

The company has received the salary subsidy for staff seconded from the county government of Meru

<b>NOTE 3</b>	<b>2020-2021</b>	<b>2019-2020</b>
County Government of Meru Subsidy	1,165,620	2,210,425
<b>Total subsidies</b>	<b>1,165,620</b>	<b>2,210,425</b>

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**APPENDIX IV**

**RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

There was no any transfer from any government entity