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REPORT

OF

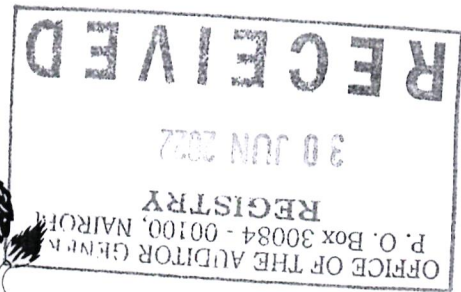
THE AUDITOR-GENERAL

ON

**NOL-TURESH LOITOKITOK WATER AND
SEWERAGE COMPANY LIMITED**

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





**NOL-TURESH LOITOKITOK WATER &
SANITATION COMPANY LIMITED**

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

Table of Contents	Page
I.KEY ENTITY INFORMATION.....	iv
II.THE BOARD OF DIRECTORS	vii
III.MANAGEMENT TEAM.....	viii
IV.CHAIRMAN’S STATEMENT.....	ix
V.REPORT OF THE MANAGING DIRECTOR.....	x
VI CORPORATE GOVERNANCE STATEMENT.....	xi
VII.REPORT OF THE DIRECTORS.....	xiii
VIII.STATEMENT OF DIRECTORS’ RESPONSIBILITIES	xiv
IX.REPORT OF THE INDEPENDENT AUDITORS ONNOLTURESH LOITOKITOK WATER & SANITATION COMPANY LTD.....	xvi
X.STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021.....	2
XI.STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021.....	3
XII.STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021.....	4
XIII.STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021	5
XIV.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021	6
XV.NOTES TO THE FINANCIAL STATEMENTS.....	7
APPENDIX : PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS.....	32

I. KEY ENTITY INFORMATION

Background information

NoltureshLoitokitok Water and Sanitation Company Limited was established by the Companies Act cap 486 and was incorporated on 3rd August 2011. The County Government of Kajiado, Makueni and Machakos are the principal shareholders. Under the water act 2016, NOLWASCO carries out its functions as a Water services provider. The company is domiciled in Kenya.

Principal Activities

The principal activity of the company is to provide water and sanitation services to the surrounding community.

Vision

To be the best managed bulk high quality water supply company in the region that constantly meets the water requirements of our customers and the affiliated water services providers.

Mission statement

To ensure improved access and equitable distribution of available high-quality water to our customers and the affiliated water services providers within our area of jurisdiction.

Core Values

- ✓ Action and customer focus
- ✓ Efficiency and Effectiveness
- ✓ Quality and Integrity
- ✓ Team work and Commitment

Directors

The Directors who served the entity during the year under review were appointed on an interim basis by the three counties that the company serves namely Kajiado, Machakos and Makueni.

The Directors who served the entity during the year under review were:

NAME	POSITION	APPOINTED ON
ENG. MORRIS ALUANGA -CECM MACHAKOS COUNTY	CHAIRMAN	30 TH JULY 2020
FLORENCE WAIGANJO – CECM KAJIADO COUNTY	BOARD MEMBER	30 TH JULY 2020
ROSEMARY MAUNDU – CECM MAKUENI COUNTY	BOARD MEMBER	30 TH JULY 2020
JANE SIMANDO OLE SEIN – TANATHI REPRESENTATIVE	BOARD MEMBER	30 TH JULY 2020
GEDION. K. KETENTE – MANAGING DIRECTOR	BOARD SECRETARY.	30 TH JULY 2018

V. REPORT OF THE MANAGING DIRECTOR

I am delighted to present to you the NoltureshLoitokitok and Sanitation Company Ltd Annual Reports and Financial Statements for the year ended 30th June 2021.

Financial Highlights & Overview

We are pleased to present the annual report and financial statements of the Company for the financial year ended 30th June 2021. Operations and maintenance costs are high because of aged pipeline system prone to regular exposure to damages. The company invested a lot in fighting high cases of vandalism and lack of order both amongst the staff members and the customers.

Cost Recovery


To achieve sustainability of our company, implementation of our cost recovery tariffs was paramount and Non-Revenue Water (NRW) has to be reduced to acceptable levels. However enormous amount of capital investment is required to realize this. During the financial year 2021/22, we expect support from the National Government to enable us start the overhaul project. Through partnership with WASPA and other partners, we have designed measures to bring down the NRW to acceptable levels.

Outlook

We are confident that our focus on bringing back the company to its past glory while ensuring sustainability is to be achieved through diversification of our revenue lines and bringing back the confidence we had lost with our development partners and suppliers. With this in mind, a good result is what we only look forward to.

Our objective is to continuously transform the lives of our citizens and ensuring that we fulfil our mandate by improving water and sanitation services to all our customers within our area of operation.

I take this opportunity to thank the Board of Directors and all other Stakeholders for the leadership and support they provide. I also thank all company staff members for their dedication to achieve the desired results.

 **MANAGING DIRECTOR**
NOLTURESH LOITOKITOK WATER
AND SANITATION COMPANY LTD
E. REPENTE
29 JUN 2022
Sign:
- **MANAGING DIRECTOR**

VI. CORPORATE GOVERNANCE STATEMENT.

The Board of Directors of **NOLWASCO** is responsible for the overall management of the Company and its commitment to ensuring that its business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles and best practices in corporate governance.

In the recent year's various recommendations have been made in several legal and professional publications in an attempt to determine the most appropriate way for companies to be structured to achieve the highest standards of corporate governance. The Board is committed to full compliance of all the relevant laws including the Guidelines on Corporate Governance issued by the Regulator, WASREB

The Corporate Governance of **NOLWASCO** takes place within a framework, which exists to regulate and/or guide the conduct of Board members, staff, customers and members of public in assessing the Company's facilities and services. The objective of the framework is to provide for the effective, ethical and accountable governance and management of the Company. The key instruments within the governance framework are:

- The Kenya Constitution 2010
- The Water Act 2016
- The Public Financial Management Act (2012)
- The Public Procurement and Assets Disposal Act (2015)
- The Public Procurement and Disposal Regulations (2006)
- The **NOLWASCO** Service Charter
- Company approved policies and procedures

For the sake of coherence and legitimacy, it was in the best interest of the Company that its conduct be regulated by the most appropriate type of governance instrument.

The Board of Directors

The Company Board of Directors are appointed by the three counties of Kajiado, Makueni and Machakos and WASREB. The Board of Directors are responsible for the following:-

- Implementation of Memorandum and Articles of Association
- Provision of guidelines and control function of the Company
- Approval of the organisation structure and maintenance of staff terms and conditions of service
- Approval of business plans and budgets
- Provision of management guidelines
- Approval of major contracts/projects
- Approval of tariff adjustment
- Prudent investment of funds to ensure continuity of service
- Appointment of Corporate Management Team

The Board is responsible for drawing and implementing strategies for the long term success of the company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management. The Board meets regularly guided by a formal schedule of meetings to discuss matters.

Reserved for its decision with a view of determining and reviewing the strategies of the Company and overseeing the Companies compliance with statutory and regulatory obligations.

Notices and agenda for all Board meetings are circulated to all board members on a timely basis together with the respective documents for discussion.

Composition of the Board

The Board is composed of 3 Directors from the three Counties and a representative from TAWWDA and one executive director who is also the Managing Director. The Directors represent various stakeholders. They have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board's discussions.

On appointment, each Director is provided with a comprehensive and tailored induction process covering the Company's business and operations and also provided with information relating to their legal and regulatory obligations.

Corporate Social Responsibility / Community Engagements

Nol-tureshLoitokitok Water & Sanitation Company Limited recognizes that it must be responsible towards its stakeholders, society and our environment in order to achieve a sustainable system in Kenya. As a Company we acknowledge our responsibility to the environment and to our local communities in which we operate. We aim to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including customers, employees, investors, communities and others. The Company actively encourages staff to recognise those responsibilities and behave in a responsible manner toward the society in which we function. We regard the setting of good examples as an important practice in this regard. Below are some examples of how the Company and its staff have shown commitment to practice responsible corporate behaviour and to establish and support initiatives in the offices.

Environment

The Company seeks to contribute to a cleaner environment and hence its involvement in community exercises which include clean up exercises especially in towns within its area of jurisdiction and by so doing reduces impact on the environmental pollution. The company also actively gets involved in tree planting in its various Stations. The company also contributes to the society by giving donations especially during public national holidays.

Employees

The success of the company is based on its people. The Company seek to recruit, retain, reward and develop the best talent in the company. It recognises the need to inculcate among our employees the culture of being sensitive to safety, security, society and the environment. This ensures that employees act with integrity and responsibility with the people they deal with and the environment they interact with. It trains employees to value each other, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity. Further, it continually seeks to improve its employees through structured programs for personal and professional development.

Health and Safety

The Company aims at ensuring a safe and healthy working environment for all our employees and customers. The Company aims to comply with all relevant legislation or regulations and best practice guidelines recommended by national health and safety authorities. It also liaise with staff regarding policies and practices so that it can continue to maintain a healthy, safe and enjoyable work environment.

policies and practices so that it can continue to maintain a healthy, safe and enjoyable work environment.

VII. 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 NOLWASCO affairs.

i) Principal activities

The company's main activity is the provision of wholesome clean water and sanitation services to the residents of Makueni, Kajiado and Machakos.

ii) Results

The results of the entity for the year ended June 30, 2021 are set out on page 3 and subsequent pages Below is summary of the profit or loss made during the year.

	2020/2021	2019/2020
Kshs/Kshs		
Profit/ (Loss) for the year	1,392,113	(1,551,097)

iii) Dividends

The company does not pay any form of dividends to its shareholders.

iv) Directors

The members of the Board of Directors who served during the year are shown on page viii.

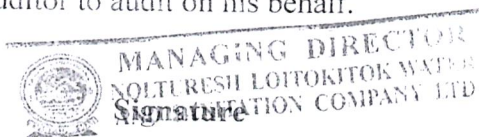
In accordance with Regulation of NOLWASCO Articles of Association.

v) Auditors

The Auditor General is responsible for the statutory audit of NOLWASCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or A team of Certified Public Accountants were nominated by the Auditor General to carry out the audit of NOLWASCO for the year ended June 30, 2021, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Name



Date

GEDION KE TEN TE

29 JUN 2022

29/06/2022

Managing Director/Secretary to the Board

Sign:

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the companies act cap 486 requires the Directors to prepare financial statements in respect of that company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

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

The Directors responsibility for the 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 companies Act cap 486.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

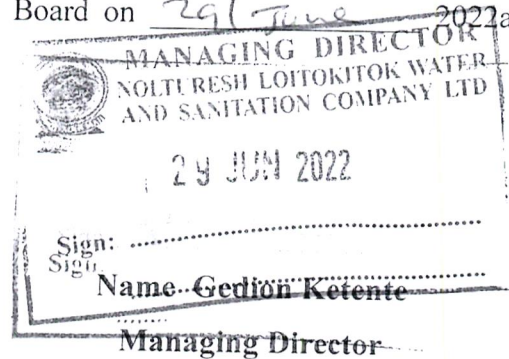
The Directors are of the opinion that NOLWASCO financial statements give a true and fair view of the state of NOLWASCO transactions during the financial year ended June 30, 2021, and of the NOLWASCO financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for NOLWASCO, which have been relied upon in the preparation of the NOLWASCO 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 NOLWASCO will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

NOLWASCO financial statements were approved by the Board on 29 June 2022 and signed on its behalf by:

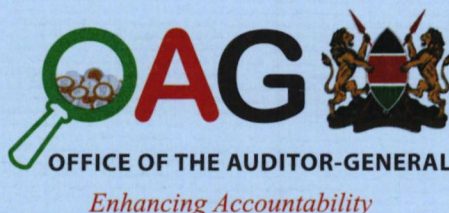
Signature M. Aluanga
Name Eng. Morris Aluanga
Chairperson of the Board



**IX. REPORT OF THE INDEPENDENT AUDITORS ONNOL-TURESH
LOITOKITOK)**

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NOL-TURESH LOITOKITOK WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

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 Nol-Turesh Loitokitok Water and Sewerage Company Limited set out on pages 2 to 51, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other

Report of the Auditor-General on Nol-Turesh Loitokitok Water and Sewerage Company Limited for the year ended 30 June, 2021

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nol-Turesh Loitokitok Water and Sewerage Company Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements for the year ended 30 June, 2021 revealed the following inaccuracies: -

- a) Note 3 to the financial statements reflects Nil balance in respect of provision for bad and doubtful debts while Note 12 to the financial statements reflects an increase in provision amounting to Kshs.1,667,596.
- b) Note 10 to the financial statements reflects property, plant and equipment balance of Kshs.147,020,337. However the Note indicated that the plant and machinery, motor vehicles, computers and office equipment are fully depreciated while it does not indicate the accumulated depreciation. The basis of the balance of Kshs.147,020,337 could not be ascertained.
- c) Note 15 reflects external borrowing balance of Kshs.49,349,490 as at 30 June, 2020 and a balance of Kshs.42,651,188 as at 1 July, 2020 resulting to an unexplained and unreconciled variance of Kshs.6,698,302.
- d) The statement of changes in equity reflects retained earnings opening balance of Kshs.135,588,557 while the statement of financial position reflects a negative balance of Kshs.57,422,248 resulting to an unexplained and unreconciled variance of Kshs.193,010,805.
- e) The statement of financial position reflects other current liabilities-customer deposits balance of Kshs.1,204,104 that was not supported or explained by way of a Note to the financial statements.
- f) The statement of cash flows reflects cash and cash equivalents balance of Kshs.81,222,810 while the statement of financial position reflects a balance of Kshs.3,056,500 as at 30 June, 2021 resulting to an unexplained and unreconciled variance of Kshs.78,166,310 .

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

2. Unconfirmed Borrowings

The statement of financial position reflects a borrowing balance of Kshs.78,197,854. Management did not provide authority to borrow by the County Assemblies of Machakos, Makueni and Kajiado under which the entity operates. Included in the loan balance is an amount of Kshs.41,605,900 from Konza Technopolis Development Authority. However, the loan agreement was not provided for audit review and as a result terms and conditions of the loan could not be established. In this circumstance, the existence and validity of the loan balance of Kshs.78,197,854 could not be confirmed.

3. Inaccurate and Unsupported Trade and Other Payables

As disclosed in Note 16 to the financial statements, the statement of financial position reflects trade payables amounting to Kshs.276,941,981. This represents an increase of Kshs.99,436,069 or 56% from the previous year's balance of Kshs.177,505,912. However, the increase was not supported with invoices, bills, contracts and agreements.

Further, the creditors ledgers, schedules, payment vouchers and invoices were not provided for audit review. In addition, the statement of profit or loss and other comprehensive income reflects subscriptions totalling to Kshs.514,266.

Review of records provided for audit including the bank statement revealed that, only an amount of Kshs.79,866 was confirmed as paid resulting to a variance of Kshs.434,400 which was excluded in the trade payables balance.

In the circumstances, the accuracy completeness and validity of the trade and other payables totalling to Kshs.276,941,981 could not be confirmed.

4. Variances in Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.123,348,389 before the provision of bad and doubtful receivables. However, the trade receivables report from Utility Billing System indicates a total outstanding balance for all connections of Kshs.124,152,682 resulting to an unexplained variance of Kshs.804,293. In addition, the Company did not have a Debt Management Policy.

In the circumstances, the accuracy and completeness of trade and other receivables totalling to Kshs.123,348,389 could not be confirmed.

5. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.147,020,337 as at 30 June, 2021. However the following anomalies were noted:

5.1 Assets Excluded From the List of Assets

Records provided for audit review indicated that the value of non-current assets for the Company after revaluation totalled to Kshs.147,020,337. However, audit verification revealed that the Company had other assets as at 30 June, 2021 with indeterminable

value including land, source works, water pipelines and water treatment plants that are used in revenue generation but which were not included in the list of assets. No reasons were provided for failure to disclose these assets or include them in the financial statements.

Further, a copy of the asset's valuation report and the fixed assets register were not provided for audit review.

5.2 Excluded and Unaccounted for Asset

Review of records provided revealed that the Company purchased master meters and water tanks valued at Kshs.1,800,000, but only master meters and water tanks worth Kshs.445,113 were delivered resulting to unaccounted expenditure of Kshs.1,354,887. The additions in the year were not included in the property, plant and equipment balance and were also not depreciated during the year under review.

Further, audit verification revealed that the Company owns twelve (12) motor cycles. However, four (4) of the motor cycles were registered under another local Company.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.147,020,337 could not be confirmed.

6. Unsupported Inventories

The statement of financial position reflects inventories under current assets balance of Kshs.2,260,900. However, the inventories schedules and stock sheets were not provided for audit verification.

In the circumstances, the validity, completeness and accuracy of the inventory balance amounting to Kshs.2,260,900 could not be confirmed.

7. Unsupported Fuel, Oil and Lubricants Expenditure

The statement of profit or loss and as disclosed in Note 5 to the financial statements reflects operation and maintenance costs of Kshs.14,239,746. Included in this amount is Kshs.4,300,702 in respect to fuel, gases and lubricants. However, no fuel consumption records including the fuel register and fuel statements were provided for audit review. In the absence of the fuel statements and balance in the fuel register, the expenditure of Kshs.4,300,702 could not be confirmed.

In the circumstances, the accuracy, completeness and validity of fuel, oil and lubricants amounting to Kshs.4,400,702 could not be confirmed.

8. Unsupported Insurance Costs

The Company sought for provision of Motor Insurance Cover from a local Insurance Agency for the financial year 2020/2021 amounting to Kshs.22,500. However, the policy documents from the Insurance Agency or form of contract signed between the Company and the local Insurance Agency were not provided for audit review. Further, the list of motor vehicles and motor cycles insured were not provided.

In the circumstances, the validity, accuracy and completeness of insurance costs amounting to Kshs.22,500 could not be confirmed.

9. Unsupported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.3,056,500 as at 30 June, 2019. However, the balance was not supported with cash books extracts, bank reconciliation statements, bank certificates, and the board of survey report.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.3,056,500 could not be ascertained.

10. Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities of Kshs.278,146,085 against current assets of Kshs.112,525,571 resulting to a negative working capital of Kshs.165,620,514. Further, the Company recorded a profit of Kshs.1,392,113 which reduced the accumulated loss from Kshs.135,588,557 in 2019/2020 to Kshs.134,196,444 in 2020/2021 as reflected in the statement of changes in equity

This material uncertainty casts doubt on the Company's ability to continue as a going concern. The Company is therefore, not in a position to meet its current financial obligations as they fall due.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual income reflects budgeted income of Kshs.98,992,800, against revenue realized during the year amounting to Kshs.76,578,447 resulting to a shortfall of Kshs.22,414,353 which is equivalent to 23% of the budgeted amount. No explanation was given for failure by the Company to collect the revenues budgeted for.

In addition, the statement reflects a final expenditure budget of Kshs.121,659,661 against actual expenditure of Kshs.75,186,334 resulting in budget under-utilization of

Kshs.46,473,327 equivalent to 38% of the approved budget amount. As a result, the Company did not implement planned and approved projects in accordance with the approved programme.

The under collection and under expenditure affected planned activities and may impact negatively on service delivery to the Public.

2. Unresolved Prior Year Matters

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

Other Information

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Operating Without Water Service Regulatory Board License

Review of records provided revealed that the Company provided water services to three Counties (Kajiado, Machakos and Makueni) without a Water Service Regulatory Board (WASREB) License in place. This is contrary to Section 72 (c) of the Water Act, 2016 which gives WASREB the mandate of setting licence conditions and accrediting water service providers.

The Management was in breach of the law.

2. Lack of Authorised Staff Establishment

Human resource records provided for audit revealed that the Management operated without an authorised staff establishment and an operational Human Resource Policy in

place. There were no policies to manage staffing, organizing, posting, transfers as well as employment of new staff.

Management was therefore in breach of the law.

3. Irregular Board Composition

Board minutes provided for audit revealed that the Company had three Board members appointed from the three counties. However, the appointments of the Board Members was not gazetted contrary to Mwongozo (2015) on Governance Practice 1.1 which requires that every Board Member shall be formally appointed to the Board through a Gazette Notice.

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

4. Failure to Hold Annual General Meeting

The Company had not held any Annual General Meeting since its inception, contrary to Section 310 of the Companies Act, 2015 which requires all public companies to hold Annual General Meetings and file the annual returns to the Registrar of Companies.

Management was therefore in breach of the law.

5. Non-Revenue Water (NRW)

Review of sales records provided for audit review revealed that a total of 1,077,872m³ of water was billed to customers during the year under review. However, total production during the same period amounted to 4,562,500m³ resulting to unexplained water loss of 3,484,628m³ which is equivalent to 75% of the total volume of water. This loss is over and above the allowable loss of 25% in accordance with Water Services Regulatory Board guidelines. Management has not provided measures taken to control the loss. The significant level of non revenue water is an indication of inefficiency and lack of effectiveness in use of public resources and may negatively affect the Company's profitability and its long-term sustainability.

6. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects revenue totalling to Kshs.98,992,800 through sale of water and other incomes and a budgeted expenditure of Kshs.121,659,660 over the same period resulting to a unbalanced budget of Kshs.22,666,861. This is contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budgeted revenue and expenditure appropriation shall be balanced.

The Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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. Failure to Appoint Audit Committee

As previously reported, the Company operated without an Audit Committee. This is contrary to Regulations 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each county government entity to establish an Audit Committee. In absence of the Audit Committee, internal controls and governance of the Company may have not been properly established.

The Management was in breach of the Regulations

2. Lack of Information Communication Technology Policy

As previously reported, records provided revealed that the Water Company operated without an ICT Policy in place contrary to Regulation 110(1) of the Public Finance Management (County Governments) Regulation, 2015 which requires that the Accounting Officer of a County Government entity shall institute appropriate access controls to minimize breaches of information confidentiality and data integrity.

The Management was therefore in breach of the law.

3. Lack of a Risk Management Policy

As previously reported, the Water Company did not have a documented Risk Management Policy in place. This is contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Accounting Officer to ensure that the County Government Entity develops a system of risk management and internal control. As a result, the Management lacked means to identify and mitigate operations and other risks faced by the Company.

The Management was in breach of the law.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on 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 the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the 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 control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 July, 2022

X. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021.

	Notes	2020-2021	2019-2020 RESTATED
		Kshs	Kshs
REVENUES			
Revenues from water sale	1	75,087,447	79,634,670
Other Income			
Grants from the National Government		-	-
Income from new connections	2	1,491,000	1,715,000
TOTAL REVENUES		76,578,447	81,349,670
OPERATING EXPENSES			
Administration Costs	3	5,419,411	8,576,561
Personnel costs	4 (a)	36,086,248	24,079,281
Statutory Deductions- PAYE	4(b)	2,911,552	7,307,742
Operations and maintenance Costs	5	14,239,746	15,514,022
Directors allowances	6	203,333	377,450
Levies	7	9,536,493	-
Subscriptions	8	514,266	65,000
Accrued Expenses FY 2019-20			12,197,636
Finance Costs	9	6,275,285	14,783,075
TOTAL OPERATING EXPENSES		75,186,334	82,900,767
PROFIT/(LOSS) BEFORE TAXATION		1,392,113	(1,551,097)
		-	-
PROFIT/(LOSS) AFTER TAXATION		1,392,113	(1,551,097)
INCOME TAX EXPENSE		-	-
OTHER COMPREHENSIVE INCOME			
PROFIT/(LOSS) AFTER TAXATION		1,392,113	(1,551,097)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,392,113	(1,551,097)

XI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020-2021	2019-2020 RESTATED
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	147,020,337	147,020,337
Total Non-Current Assets		147,020,337	147,020,337
Current Assets			
Inventories	11	2,260,900	1,250,838
Trade and other receivables	12	107,208,171	100,605,369
Bank and cash balances	13	3,056,500	642,923
TOTAL ASSETS		259,545,908	249,519,467
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital		100,000	100,000
Capital reserve		25,324,043	25,324,043
Donation reserve		11,974,370	11,974,370
Retained earnings		(134,196,444)	(57,422,248)
Capital and Reserves		(96,798,031)	(20,023,835)
Non-Current Liabilities			
Borrowings	15	78,197,854	90,955,390
Total Non-Current Liabilities		78,197,854	90,955,390
Current Liabilities			
Trade and other payables	16	276,941,981	177,505,912
Other current liabilities- customer deposits		1,204,104	1,082,000
Total Current Liabilities		278,146,085	178,587,912
TOTAL EQUITY AND LIABILITIES		259,545,908	249,519,467

The financial statements were approved by the Board on 29 June 2022 and signed on its behalf by:

Head of Finance

Name: Timothy S. Lambo

TC/ACC/20015

Timothy S. Lambo

Chairman of the Board

Name: Eng. Morris Aluanga

Morris Aluanga

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

	Notes	Ordinary share capital	Capital reserve	Donation reserve	Retained earnings	Total
As at July 1, 2020		100,000	25,324,043	11,974,370	(135,588,557)	(98,190,144)
Profit for the year		-	-	-	1,392,113	1,392,113
As at June 30, 2021		100,000	25,324,043	11,974,370	(134,196,444)	(96,798,031)

Note:

- The retained earnings are prior years cumulated losses*

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

	Note	2020-2021 Kshs	2019-2020 RESTATED Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH GENERATED FROM/(USED IN) OPERATIONS			
		1,392,113	(1,551,097)
Interest paid	9	(6,275,285)	(8,723,841)
Taxation paid		(-)	
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES			
		(4,883,172)	(10,274,938)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment			
		(-)	
Decrease/increase in receivables		(8,270,397)	8,188,669
Increase/(Decrease) in Payables		99,436,069	574,694
Increase/(Decrease) in Inventories		1,010,062	-
(Increase)/Decrease in accrued expenses		-	(9,128,264)
Increase/ Decrease in current liabilities		122,104	503,555
(Increase)/(Decrease) in Provisions			-
NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES			
		91,945,309	138,654
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of new share capital			
		-	99,900
Proceeds from borrowings			
		-	
Repayment of borrowings			
		(12,757,536)	(6,059,234)
Dividends paid			
		-	-
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES			
		(12,757,536)	(5,959,334)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		80,579,886	(2,030,686)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		642,924	2,194,022
Effects of foreign exchanges rate fluctuations			
		-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
		81,222,810	642,924

**XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL
 AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Revenue from water sale	96,000,000	-	96,000,000	75,087,447	20,912,553	21.78%
Other income	2,992,800	-	2,992,800	1,491,000	1,501,800	50.18%
Total income	98,992,800	0	98,992,800	76,578,447	22,414,353	22.64%
Expenses						
Personnel expenses	32,167,323.00	-	32,167,323.00	35,453,698	(3,286,375)	-10.22%
Board Expenses	1,984,000	-	1,984,000.00	203,333	1,780,667	89.75%
Administrative costs	15,300,352	-	15,300,352.00	5,419,411	9,880,941	64.58%
Operations and maintenance costs	30,510,000.00	-	30,510,000.00	14,239,746	16,270,254	53.33%
Levies	3,060,000	-	3,060,000.00	9,536,493	(6,476,493)	-211.65%
Other Operating Expenses	23,492,986	-	23,492,986.00	3,544,102	19,948,884	84.91%
Subscription and professional membership	145,000	-	145,000.00	514,266	(369,266)	-254.67%
Bank Facility	15,000,000	-	15,000,000.00	6,275,285	8,724,715	58.16%
Total expenditure	121,659,661	-	121,659,661	75,186,334	46,473,327	38.20%
Surplus for the period	(22,666,861)	-	(22,666,861)	1,392,113	(24,058,974)	

Explanation of Variances

- (i) Revenue from sale of water - Due to old and dilapidated pipeline which losses a lot of water during bursts
- (ii) Government grants and subsidies- No Grant received from National or County Governments.
- (iii) Other incomes- This include connection fees excluding rent income, miscellaneous and surcharges which are integrated with the billing income
- (iv) Personnel costs- The number of staffs increased significantly during the period under review
- (v) Board Expenses- due to covid-19 challenges the did manage to have many sittings
- (vi) Administrative costs- the expenditure was within the budget line
- (vii) Operations and maintenance costs- Teamwork & coordination between management & Staff saw reduction in operational cost.
- (viii) Levies- its inclusive of all the fees for the year
- (ix) Other operating Expenses- it includes statutory deductions and other expenses
- (x) Subscription and professional membership- new members joined their professional bodies during the year under review
- (xi) Bank Facility- it includes repayment of a bank loan

XV. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

NOLWASCO is established by and derives its authority and accountability from Companies Act. NOLWASCO is wholly owned by the County government of Kajiado, Makueni and Machakos and is domiciled in Kenya. The entity's principal activity is to provide water and sanitation services to the surrounding community.

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions.

NOL-TURESH LOITOKITOK WATER & SANITATION COMPANY LIMITED
Annual Reports and Financial Statements
For the year ended June 30, 2021

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act cap 486 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Title	Description	Effective Date
IAS39-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 consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Title	Description	Effective Date
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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
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.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

Title	Description	Effective Date
IAS 16 — Property, Plant and Equipment	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.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
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.

Title	Description	Effective Date
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.

iv. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

i) Water sale

Revenue is recognized to the extent that it is probable that its economic benefits will flow to the company and the revenue can be reliably measured. Revenue from the sale of water is recognized when the services are delivered to the customer and billed by the company.

ii) Other income is recognised as it accrues.

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

b) In-kind contributions

In-kind contributions are donations that are made to NOLWASCO 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, NOLWASCO includes such value if any 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.

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 values.

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.

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Asset	Useful Life	Rate
Freehold Land	Nil	Nil
Buildings and civil works the unexpired lease periods	25 years or 2.5%	
Plant and machinery	12.5 years	12.5%
Motor vehicles, including motor cycles	4 years	25%
Computers and related equipment	3 years	33.3%
Office equipment, furniture and fittings	12.5 years	12.5%

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

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

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

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Trade and other receivables

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

n) Taxation

i) Current income tax

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

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

Deferred Tax

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) Cash and cash equivalents

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

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges,

including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

s) Trade and other payables

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

t) Retirement benefit obligations

The company operates a defined contribution to the statutory National Social Security Fund scheme for all full-time employees. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.400 per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

w) Budget information

The original budget for FY 2020-2021 was approved by the Board of Directors on 30th June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

a) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

b) Comparative figures

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

c) 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, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
-
-
-

- Availability of funding to replace the assets

NOTES TO THE FINANCIAL STATEMENTS (Continues)

1. Revenue

	2020/2021	2019/2020
	Kshs	Kshs
Sales of goods(Water sale)	75,087,447	79,634,670
Sales of services	-	-
Total	75,087,447	79,634,670

2. Other Income

	2020/2021	2019/2020
Description	Kshs	Kshs
Connection fees	1,491,000.00	1,715,000.00
Total	1,491,000.00	1,715,000.00

3. Administrative Costs

	2020/2021	2019/2020
Description	Kshs	Kshs
Electricity and water	-	411,945.30
Communication services and supplies	812,565.18	497,500.00
Transportation, travelling and subsistence	115,000.00	-
Advertising, printing, stationery and photocopying	139,055.00	172,000.00
Rent expenses	178,500.00	65,400.00
Staff training expenses	690,062.00	511,560.00
Hospitality supplies and services	-	-
Insurance costs	22,500.00	290,333.50
Bank charges and commissions	436,024.28	521,022.49
Auditors' remuneration	232,000.00	-
Legal fees	469,600.00	-
Repairs and maintenance	240,455.00	463,703.00
Provision for bad and doubtful debts	-	1,941,953.85
Other operating expenses		
Office tea and consumables	139,390	64,990
Postage and courier costs	18,900	-
Computer expenses	139,350	42,120
ICT Expenses	1,203,751	2,444,032
Fines and Commissions	168,458	1,100,000
Customer sensitization	413,800	-
Sports materials	-	50,000
Total	5,419,411	8,576,561

4(a) Personnel Costs

Description	2020/2021	2019/2020
	Kshs	Kshs
Salaries and allowances of permanent employees	31,190,784	20,458,516
Wages of temporary employees	3,440,326	2,668,936
Insurance Medical Schemes(NHIF)	514,150	297,200
Employer's contributions to national social security schemes	118,400	-
Gratuity provisions		316,865
Salary Arrears	414,268	92,764
Staff welfare	408,320.00	245,000
Total	36,086,248	24,079,281
The average number of employees at the end of the year was:	59	54
Permanent employees – Management	3	3
Permanent employees – Unionisable	17	17
Temporary and contracted employees	39	34
Total	59	54

4(b) Statutory deductions

Description	2020/2021	2019/2020
	Kshs	Kshs
Pay As You Earn (PAYE) – KRA	2,911,552	7,307,742
Total	2,911,552	7,303,742

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Operations and Maintenance costs

Description	2020/2021	2019/2020
Maintenance Of Plant and Equipment	431,000	1,876,610
Maintenance of Water Supplies	496,400	1,162,985
Maintenance of Motor Vehicle / Motor Cycle	1,850,910	1,337,620
Electricity Power Cost	817,915	337,160
Purchase of Water Chemicals	1,038,960	1,535,280
Contracted - Security Services	306,918	1,743,845
Fuel/ Gases and Lubricants .	4,300,702	1,985,295
Hire of Plant, Machinery, and Equipment	36,000	80,000
Purchase of Consumer Water Fittings	45,000	1,267,975
Purchase of Bulk Water Meters / Master Meters	445,113	-
Travelling & Subsistence	4,339,326	3,252,602
Water Quality Tests	-	55,200
Tyres and Tubes	3,500	367,950
Minor investments	128,002	150,000
Other Operating Expenses		361,500
Total	14,239,746	15,514,022

6. Directors allowance

Description	2020/2021	2019/2020
Board Allowances	203,333	311,800
Board Expenses	-	65,650
Total	203,333	377,450

7. Levies

Description	2020/2021	2019/2020
WARMA Abstraction Fees	7,909,500	-

WASREB Regulatory Fee	1,626,993	-
Total	9,536,493	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Subscriptions

Description	2020/2021	2019/2020
Corporate Membership	514,266	65,000
Total	514,266	65,000

9. Finance costs

Description	2020/2021 Kshs	2019/2020 Kshs
Interest on Sidian Loan	6,275,285	14,783,075
	6,275,285	14,783,075

Earnings Per Share

The company does not have any earnings per share.

Dividend Per Share

Since the company is not a profit-making organisation, no dividends paid during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Property, Plant and Equipment

2021	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
At July 1, 2020	57,184,641	14,296,160	25,502,975	17,155,392	11,436,928	21,444,241	-	147,020,337
Additions	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2021	57,184,641	14,296,160	25,502,975	17,155,392	11,436,928	21,444,241	-	147,020,337
DEPRECIATION								
At July 1, 2020	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2021	-	-	-	-	-	-	-	-
NET BOOK VALUE								
At June 30, 2021	57,184,641	14,296,160	25,502,975	17,155,392	11,436,928	21,444,241	-	147,020,337

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2020	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
As at 1 July 2019	57,184,641	14,296,160	25,502,975	17,155,392	11,436,928	21,444,241	-	147,020,337
Additions	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
As at 30th June 2020	57,184,641	14,296,160	25,502,975	17,155,392	11,436,928	21,444,241	-	147,020,337
DEPRECIATION								
At July 1, 2019	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
As at 30th June 2021	-	-	-	-	-	-	-	-
NET BOOK VALUE	57,184,641	14,296,160	25,502,975	17,155,392	11,436,928	21,444,241	-	147,020,337
At June 30, 2020	57,184,641	14,296,160	25,502,975	17,155,392	11,436,928	21,444,241	-	147,020,337

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

The valuation of land and buildings are in the process.

10 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	57,184,641	-	57,184,641
Buildings	14,296,160	-	14,296,160
Plant and machinery	25,502,975	-	25,502,975
Motor vehicles, including motorcycles	17,155,392	-	17,155,392
Computers and related equipment	11,436,928	-	11,436,928
Office equipment, furniture, and fittings	21,444,241	-	21,444,241
	147,020,337	-	147,020,337

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual Depreciation Charge
Plant and machinery	25,502,975	25,502,975
Motor vehicles, including motor cycles	17,155,392	17,155,392
Computers and related equipment	11,436,928	11,436,928
Office equipment, furniture and fittings	21,444,241	21,444,241
Total	75,539,536	75,539,536

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 Inventories

	2020/2021	2019/2020
	Kshs	Kshs
Opening balance	1,250,838	4,840,760
Purchases	2,078,074	2,369,800
Total	3,328,912	7,210,560
Issued	(1,068,012)	(5,959,722)
Closing Balance	2,260,900	100,605,369

12 Trade Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Gross trade receivables	123,348,389	115,077,991
Provision for doubtful receivables	(16,140,218)	(14,472,622)
Net trade receivables	107,208,171	100,605,369
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	3,959,663	4,353,380
Between 30 and 60 days	2,375,071	6,411,591
Between 61 and 90 days	2,014,000	1,528,813
Between 91 and 120 days	2,619,202	2,003,528
Over 120 days	112,380,453	100,780,680
Total	123,348,389	115,077,992

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Bank and Cash Balances

	2020/2021	2019/2020
	Kshs	Kshs
Cash at bank	3,056,500	642,924
Cash in hand	-	-
	3,056,500	642,924

Detailed analysis of the cash and cash equivalents

Financial Institution	Account number	2020/2021	2019/2020
		KShs	KShs
a) Current account			
Other Commercial banks	1130831272	429,362.44	421,112.54
	KCB - Deposits Account - 1130830926	1,204,104.10	188,826.10
-	KCB - Revenue Account - 1130831515	877,327.00	5,230.00
	KCB - Rent Account - 1130831361	13,366.85	1,153.85
Sidian banks	SIDIAN- Revenue Acc - 01021020003100	1,497.61	5,707.91
-	SIDIAN- Expenditure Acc - 01021020003500	530,842.05	19,753.15
Grand total		3,056,500.05	642,923.55

14. Capital and Reserves

	2020/2021	2019/2020
	Kshs	Kshs
Authorized:		
1,000 ordinary shares of KShs 100 par value each	100,000	100,000
Issued and fully paid:		
Nolturesh ordinary shares of KShs par value each	100,000	100,000
Capital Reserves	25,324,043	25,324,043
Donation Reserve	11,974,370	11,974,370
Retained Earnings	(134,196,444)	(57,422,248)
Capital and Reserves	(96,798,031)	(20,023,835)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Revaluation Reserve

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

Fair Value Adjustment Reserve

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

15. Borrowings

Description	2020-2021	2019-2020
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	42,651,188	58,073,331
External borrowings during the year	-	-
Repayments of during the year	(6,059,234)	(8,723,841)
Balance at end of the year	36,591,594	49,349,490
b) Domestic Borrowings		
Balance at beginning of the year	41,605,900	41,605,900
Domestic borrowings during the year	-	-
Repayments during the year	(-)	(-)
Balance at end of the year	41,605,900	41,605,900
Balance at end of the period- Domestic and External borrowings c = a+b	78,197,854	90,955,390

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Trade and Other Payables

	2020-2021	2019-2020
	Kshs	Kshs
Trade payables	30,562,925	38,371,161
Accrued expenses	246,379,056	139,134,751
Other payables	-	-
Total	276,941,981	177,505,912

17. Related Party Disclosures

Contingent Assets and Liabilities

Contingent Assets

The company did not have any form contingent assets during the year under review

Contingent Liabilities

NOLWASCO had the following list of pending contingent liabilities

1. Kenya Union Of Commercial Food & Allied Workers Versus NoltureshLoitokitok Water & Sanitation Co. Ltd & National Water Conservation & Pipeline Corporation (Elrc Cause No 1528 Of 2018)
2. Kenya Union Of Commercial Food & Allied Workers Versus Tanathi Water Service Board & Nolturesh Pipeline Bulk Water & Supply Co. Ltd (Elrc Cause No 298 Of 2011)
3. Mulekyo & Co. Advocates Vs Nolturesh (HccMisc.Appl No 61 & 72 Of 2019)
4. Raphael Wambua Vs Nolturesh (Elrc No 880/2019)
5. Augustine Murandi & 2 Others V Nolturesh (Civil Appeal No 40 Of 2018)
6. Patrick Mui Kamunya & 56 Others Vs Nolturesh (Elrc No 1073/2019)
7. Nolturesh Vs Breson O. Rakiro & 50 Others (Elrc No.1239/2016)
8. Sapadulo Ole Mosoi Kura Vs Nolturesh (Elrc No.881 Of 2019)

18. Financial Risk Management

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

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

instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial assets			
Investments	-	-	-
Cash	3,056,500	-	3,056,500.05
Debtors	107,208,172	-	107,208,172
Financial Liabilities			
Trade and other payables	278,146,085	-	278,146,085
Borrowings	78,197,854	-	78,197,854
Net foreign currency asset/(liability)	-	-	-

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2020			
Financial assets			
Investments	-	-	-
Cash	642,923.55	-	642,923.55
Debtors	100,605,369.09	-	100,605,369.09
Financial Liabilities			-
Trade and other payables	178,587,912.32	-	178,587,912.32
Borrowings	90,955,390.63	-	90,955,390.63
Net foreign currency asset/(liability)	-	-	-

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

i) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

ii) Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data

obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(134,196,444)	(130,689,674)
Capital reserve	(96,798,031)	97,433,915
Total funds	-	-
Total borrowings	78,197,854	90,955,391
Less: cash and bank balances	3,056,500	642,923
Net debt/(excess cash and cash equivalents)		-
Gearing	0%	0%

19. Incorporation

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

20. Events After The Reporting Period

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

21. Currency

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

APPENDICES

APPENDIX: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p>1. Presentation of the Financial Statements</p> <p>The financial statements reflect the following discrepancies:</p> <ul style="list-style-type: none"> i. The Table of Contents indicates that the Notes to the financial statements are located on Pages 24-29 yet they are on pages 24-27. ii. The balances reflected in the financial statements have not been rounded up to the nearest shilling as required by the format prescribed by the Public Sector Accounting Standards Board (PSAB). iii. The statement of financial position reflects borrowings 	The statements have been amended	Resolved	

Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>from a local bank totalling Kshs.49,349,490.63 as further disclosed in Note 15 to the financial statements. However, the loan agreement was not provided for audit review and as a result the terms and conditions of the loan, and the amounts repaid and outstanding as at 30 June, 2020 could not be confirmed.</p> <p>iv. Note 17(d) on Revenue Reserves indicates that the reserves totalling Kshs.57,422,248.51 have been restated to reflect the impacts of the three financial year ended 30 June, 2020 but the purpose of the and how it's was effected in the reserves has not been explained. As a result, its accuracy could not be confirmed.</p> <p>v. Contrary to the format prescribed by the Public Sector Accounting Standard Board (PSASB) and Section 194(1) (d) of the Public Finance Management Act, 2012, the Managing Director is not included in the list of members Board of Directors at page 4.</p> <p>In view of these discrepancies , the annual report and the financial</p>			

NOL-TURESH LOITOKITOK WATER & SANITATION COMPANY LIMITED
Annual Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	statements for the year ended 30 June, 2020 do not present a true and fair view of the Company's affairs and do not comply with the format prescribed by the Public Sector Accounting Standards Board.			
2.0	<p>2.0 Unconfirmed Balances</p> <p>The general ledger was not provided for audit to support the balances reflected in the trial balance and the financial statements. In the absence of the general ledger, the accuracy, completeness and validity of the balances reflected in the trial balance and financial statements could not be confirmed. In addition, the audit revealed anomalies in respect to the following balances reflected in the financial statements:</p>	The general ledger is available for review	Resolved	
2.1	<p>2.1 Trade Payables</p> <p>The statement of financial position reflects trade and other payables totalling Kshs.28,721,212 as further disclosed in Note 16 to the financial statements. However, the supporting schedule provided for audit reflected payables totalling Kshs.36,996,708, resulting to an unexplained difference of Kshs.8,275,495. Further, no analysis was provided for the balance and as a result, it was not possible to confirm how long the payables had been outstanding as at 30 June 2020.</p>	<p>The company expenses are historical figures that the company cannot ascertain since they were inherited from Nolturesh Bulk Water and Sanitation company Ltd when the company was still under Tanathi water works and services board and Athi water.</p> <p>However the company has started the process of creditors circularization to confirm the true status of the accrued expenses and other liabilities</p>	Nor resolved	

NOL-FRESH LUHUKITOK WATER & SANITATION COMPANY LIMITED
Annual Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kshs.14,472,576. However, Management did not disclose the policy used to determine the amount of the provision. As a result, its adequacy and validity could not be confirmed.</p> <p>(iii) Long Outstanding Debtors Balances</p> <p>Examination of records revealed that receivables totalling Kshs.100,605,369 equivalent to 98% of the total trade and other receivables balance had been outstanding for more than six (6) months (180 days) and were therefore long overdue for payment by the debtors. No explanation was provided for the failure to collect the debts.</p> <p>In view of these issues, the accuracy, completeness and recoverability of the trade and other receivables balance totalling Kshs.100,605,369.09 as at 30 June, 2020 could not be confirmed.</p>			
2.5	<p>2.5 Customer Deposits</p> <p>The statement of financial position reflects bank and cash totalling Kshs.642,923 as further disclosed in Note 13 to the financial statements. The balance includes a deposit account at a local bank with a balance totalling Kshs.188,826. However, examination of records revealed that the Company had collected customer deposits totalling</p>	<p>The figure of ksh 9,649,949 was wrongly misquoted as customer deposits.</p> <p>Since the bank statements of the customer deposits account does not show any withdrawal of such an amount</p>	Not fully Resolved	

Reference No. on the exter- nal audit repo- rt	Issue / Observations from Auditor	Management comments	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kshs.9,649,949 as at 30 June, 2018. In the year ended 30 June, 2019, the deposits reflected in the financial statements amounted to Kshs.578,445. In the year under review, the records reflected new deposits totalling Kshs.1,660,445 but as mentioned in the statement of financial statements, customer deposits as at 30 June, 2020 totalled Kshs.188,826. No records were provided to confirm authority for use of the deposits in the operations of the Company over the years, or their refund to the respective customers.</p> <p>In the circumstances, the accuracy, completeness of the deposit account balance totalling Kshs.188,826 reflected in the financial statements as at 30 June, 2020 could not be confirmed.</p>			
2.5.1	<p>2.5.1 Loan Balances</p> <p>The statement of financial position as at 30 June, 2020 reflects non-current liabilities totalling Kshs.230,090,141 which includes loans from a local commercial bank and Konza Technopolis Development Authority (KOTDA) totalling Kshs.49,349,490 and Kshs.41,605,900 respectively. However, the respective loan agreements were not provided for audit review.</p> <p>Further, the statement of comprehensive income includes</p>	<p>This was not a loan but a water prepayment of ksh 60m, which was advanced to Nolwasco for purchase of water pumps and pipeline repairs . The repayment plan was kotda to pay half of the monthly water bills and the other half to be deducted from the prepayment. The documents have been availed for perusal.</p>	Resolved	

WOLUAKESH LOTHOKIYOK WATER & SANITATION COMPANY LIMITED
Annual Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>finance costs totalling Kshs.14,783,075 paid in respect of the loans. However, the expenditure was not supported by a loan statement contrary to Regulations 99 and 100 of the Public Finance Management, (County Governments) Regulations.</p> <p>Further, the cash flow statement for the year under review does not reflect any cash outflows relating to loan repayments.</p> <p>In the circumstances, the existence of the loan balances totalling Kshs.90,955,390 as at 30 June, 2020 could not be confirmed.</p>			
	<p>Contingent Liabilities</p> <p>Audit review of the Company's legal records indicates that the Company had eight (8) ongoing cases in Court that could result in financial liabilities. However, ISA 1.114 - Presentation of Financial Statements, requires that contingent liabilities to be disclosed in the financial statements when such may result in cash out flows. However, the Management has not disclosed the court cases in the financial statements.</p> <p>As a result, the financial statements do not provide sufficient disclosure on the operations of the Company in the year under review.</p>	<p>The financial statements have been amended to disclose the Contingent liabilities.</p>	<p>Resolved</p>	

Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p>1.0 Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts reflects budgeted and actual revenue totalling Kshs.108,681,600 and Kshs.81,349,670 resulting to a shortfall of revenue totalling Kshs.27,331,930 or 25% of the budget.</p> <p>The statement further reflects budgeted and actual expenditure totalling Kshs.147,440,498 and Kshs.70,703,131 resulting in an under-expenditure of Kshs.76,737,367 or 52% of the budget.</p> <p>Management has not provided explanations for the revenue shortfall and under-expenditure which may have resulted in constrained execution of the Company's programmes and activities planned from the year.</p> <p>No explanation has been given for failure by the Company to collect the revenues budgeted for.</p>	<p>The shortfall of ksh.22,414,353 between the budget and actual revenues was occasioned by the outbreak of Covid 19 in march 2021. The company's activities of revenue collection were disrupted following the uncertainties surrounding covid 19 pandemic. Water supply which is our core activity from which we obtain revenue was equally interrupted.</p>	Resolved	
2.0	<p>Prior Year Issues</p> <p>The audit report for the year ended 30 June, 2019 raised unsatisfactory issues relating to balances reflected in the financial statements,</p>			

Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	lawfulness and effectiveness in use of resources and effectiveness of internal control, risk management and governance. The progress made in resolving the issues will be confirmed after they are discussed by the Legislature.			
	<p>Unaccounted for Water (UFW)</p> <p>Records on water production indicated that a total of 1,166,563 m³ of water was billed to customers during the year under review. However, total production during the year amounted to 3,600,000 m³ resulting to unexplained water loss of 2,433,437 m³ or 68% of the total volume of water produced. The loss was forty-three 43 percentage points higher than the threshold of 25 % prescribed in guidelines issued by the Water Resources Authority. Had the NRW been billed at the Company's average billing rate for the year, additional revenue totalling Kshs.157,681,165 would have been realized. No explanation was provided for this loss.</p> <p>The NRW losses are evidently a major cause for the Company's unprofitable financial performance and pose a significant threat to sustainability of its services. Management has not indicated the measures taken to control the losses.</p>	<p>The life span of the company water system (pipeline) is long overdue. This has resulted to frequent bursts over the years leading to huge water losses. However, the company is seeking assistance from the national government through the ministry of water and sanitation to carry an overhaul to the company pipeline which has been in existence since 1987.</p>	Resolved	

Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p>1.0 Failure to Appoint Audit Committee</p> <p>During the year under review, the Company operated without an Audit Committee, contrary to the requirement set in Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015. In the absence of the Committee internal control and governance on the operations of the Company was not properly established.</p>	<p>For the year under audit the company did not have a fully constituted board of directors since it was under an interim board from the three counties of Kajiado, Makueni and Machakos that the company serves. Hence appointment of committees was not possible. However recruitment of a new board of directors was successfully completed in September 2021, therefore all the committees are now in place.</p>	Resolved	
2.0	<p>2.0 Lack of Information Communication Technology Policy</p> <p>Audit review of the Company's use of Information Communication Technology (ICT) indicated that contrary to Regulation 110(1) of the Public Finance Management (County Governments) Regulations, there was no documented policy to guide investment in and of the technology. No explanation was provided for the omission.</p>	<p>The draft of the policy is in place however the document is awaiting for approval after the board was recruited in September 2021.</p> <p>This wasn't complete in the year under review because the company was under the custody of an interim board.</p>	resolved	
3.0	<p>3.0 Lack of a Risk Management Policy</p> <p>Review of risk management practices revealed that the Company did not have a documented a risk management policy. As a result, Management lacked objective means to identify, measure and mitigate operational and other risks faced by</p>	<p>The draft of the policy is in place however the document is awaiting for approval after the board was recruited in September 2021.</p> <p>This wasn't complete in the year under review because the company was under the custody of an interim board.</p>	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.0	<p>the Company.</p> <p>4.0 Lack of Approved Staff Establishment</p> <p>Examination of the Human Resource Manual revealed that contrary to Section B.5 and B.6 of the County Public Service Human Resource Manual, the Company did not have an authorized staff establishment. Therefore, management of the Company's human resource was not properly established.</p>	<p>The draft of the Hr policy and procedures manual is in place however the document is waiting for approval after the board was recruited in September 2021. This wasn't complete in the year under review because the company was under the custody of an interim board</p>	Resolved	

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

MANAGING DIRECTOR
 NGOLFRESH LOTOKITOK WATER
 AND SANITATION COMPANY LTD
 Managing Director

24 JUN 2022

Sign:

Date: