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**OFFICE OF THE AUDITOR-GENERAL**

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# REPORT

OF

**THE AUDITOR-GENERAL**

ON

**IMETHA WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR  
ENDED 30 JUNE, 2020**

PAPERS LAID	
DATE	02/03/2022
TABLED BY	SML
COMMITTEE	-
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**IMETHA WATER AND SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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

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

### ***Incorporation***

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

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

### ***Principal Activities***

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

### ***Directors***

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

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

### ***Registered Office***

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

### ***Corporate Headquarters***

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

### ***Corporate Contacts***

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

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**Corporate Bankers**

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

**Independent Auditors**




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

**Principal Legal Advisers**


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


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**BOARD OF DIRECTORS**

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

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

<p>1 Mr. Edward Njagi Mugambi</p> 	<p>Date of birth 1969 Key profession/ Academic qualifications:</p> <p>Higher National Diploma in Water Engineering</p> <hr/> <p>Responsibility: Technical Manager August 2015 - to date</p>
<p>2 Mr Patrick Mugendi</p> 	<p>Date of birth 1978 Key profession/ Academic qualification:</p> <p>Bachelor's degree Human resource Development Studies &amp; Economics.</p> <hr/> <p>Responsibility: Human Resource Officer 22<sup>nd</sup> February 2014 - to date</p>
<p>3 Winfred Mukiri</p> 	<p>Date of birth 1986 Key profession/ CPA K, Bachelor's degree in Commerce Banking and Finance option</p> <hr/> <p>Responsibility: Commercial Manager September 2012-to Date</p>

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**CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

I am pleased to report on yet another successful year where we continued to provide the water services as per the mandate given to us by the regulator.

During the period in review there was an improvement in the provision of services despite the adverse effects of the Covid-19 pandemic. The Company being the service provider of water and sanitation services most parts of Meru, we are aware of the crucial role we play in sustaining growth, development and quality of life for the people of Meru. During, the period in review specifically, the last quarter of the financial year we provided washing points throughout the urban centres in order to contain the spread of Covid-19. The company is committed to provide the highest quality of service, on a sustainable basis, so as to meet the expectations of the customers we serve. During the period we continued to excel in service delivery as attested by the improved performance

The company billed revenues during the period in review was Kshs 43,281,818, The turnover dropped by Kshs.3,386,105, from Kshs 46,667,923 in the previous financial year. The effects of Covid-19 pandemic affected the ability of the customers to pay for water services in time hence the increase in unpaid debts. There were also effects of prolonged dry spell. In order to sustain service delivery to the already established and potential customers, we are required to make significant investments in the infrastructure to increase the supply of available water. This will be done by coming up with bankable project proposals and relaying them to the development partners for funding consideration. We are also in the process of prepare a strategic plan for five years, therefore, the management and board will endeavour to consult with our stakeholders as we prepare a five-year strategic plan.

In conclusion, the board acknowledges efforts by the management and staff and appreciates them for continued commitment and dedication to the company. I also acknowledge and appreciate the support rendered to the Company by our customers and suppliers.

***Regards***

***Dr Mworia Mugambi***



***Chairman of the Board,***

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

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**REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE FINANCIAL YEAR ENDED  
JUNE 2020**

It is my pleasure to report on the performance of the company for the financial year 2019/2020. During the year, the company improved on its operating income to 58,455,036 million in comparison to the previous year's Kshs. 53,462,471 million. However, the trade debtors increased by Kshs 7,123,426 in comparison to the previous year signifying the adverse effect of Covid-19 pandemic which affected the customers' ability to pay their bills on time.

**Infrastructure development**

In order to develop and improve water infrastructure to meet the growing water demand, the company requires huge investment in order to carry out infrastructure development. The ever increasing demand for water services within the area of company's jurisdiction is caused by population growth, expansion of major towns and rural urban migration. Therefore, The Company intends to seek funding from the Water Sector Trust Fund and the development partners.

**Customers**

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

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

**Sanitation**

Tana water works agency in collaboration with the National government constructed a modern sewerage facility to serve the customers within Maua town and surrounding areas at Tumutumu. Meanwhile, the company has received funds from the water sector Trust Fund Kshs 17 million, to construct 200 No pour flush toilets and a Decentralised Treatment Facility which is under way.

**REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE FINANCIAL YEAR ENDED  
JUNE 2020 CONT'D.**

**Non -Revenue Water**

The company like any other water service provider is faced with problem of water losses that currently stand at 51 percent. The Non-Revenue Water (NRW) is mainly attributed to illegal water use by unscrupulous individuals, under registering of old meters and water bursts due to damages caused by road contractors. In order to reduce the NRW, the company has implemented several interventions among them investigating and liaising with the authorities to apprehend the culprits illegally using water, replacement of 150 water consumer meters under rapid result initiative, regular monitoring of category one consumer meters (heavy Consumers).

**Staff**

The achievements registered over the period would not have been possible without the professionalism and teamwork of our staff. Their efforts can be attested during the period of Covid-19 pandemic in the fourth quarter of the financial year. They remained committed throughout the period to attend our customer needs. On the other hand, towards improvement of our staff welfare, We regularly train our staff on various aspects in the service.

**In Conclusion**

I take this opportunity to thank the County Government of Meru in collaboration with the National Government through the Tana Water Works Development Agency for financing the Maua Sewerage System.. The facility will go a long way in improving the sanitation in Meru. To Water sector Trust Fund for continued support

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

Regards



**JOSEPH MBERIA**

**CHIEF EXECUTIVE OFFICER**

**REVIEW OF IMETHA WATER AND SANITATION COMPANY LTD PERFORMANCE FY**

**2019/2020**

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

The company has strategic pillars and objectives within its annual work plans for the FY 2019/2020.

These strategic pillars are as follows:

Pillar 1: Increase water supply coverage

Pillar 2: Operation efficiency and customer service

Pillar 3: Financial sustainability

Pillar 4: Institutional Capacity/strengthening

Pillar 5: Corporate Governance

The assessment of the Board's performance against its annual work plan is done on a quarterly basis. Imetha water Sanitation Company continued to implement its performance targets set for the FY 2019/2020

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

## **CORPORATE GOVERNANCE STATEMENT**

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

### **The Board of directors**

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

##### **Stakeholder interests**

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

##### **Strategy**

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

##### **Performance**

- Reviewing business results; and
- Monitoring budgets.

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

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

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

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

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

**Board performance**

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

**Composition of the Board.**

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

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

**Board meetings**

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

The committee was constituted and had the following members:

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During the financial year 2019/2020 the board held the following meetings. The details of the attendance at these meeting are as set out below

NAME OF THE TRUSTEE	FULL BOARD MEETING		NAME OF THE COMMITTEE	COMMITTEE MEETING	
	ATTENDED	ELIGIBLE TO ATTEND		ATTENDED	ELIGIBLE TO ATTEND
Dr. Mworia Mugambi	8	8	Finance & Admin Technical Committee	1 3	1 3
Harun Kanathi	5	8	Finance & Admn Audit Committee	2 1	5 3
Jackson Muthamia	3	3	Finance & Admn Technical Committee Audit Committee	4 3 3	5 3 3
Elizabeth Kanini	8	8	Finance & Admn Technical Committee	3 0	3 0
* CPA Francis Mungai	7	8	Finance & Admn Technical Committee Audit Committee	5 3 3	5 3 3
Joseph Mberia	8	8	Finance & Admn Audit Committee	3 1	5 3
			Finance & Admn Technical Committee Audit Committee	5 3 3	5 3 3

**Water Sector Reforms**

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

**Imetha water and sanitation company.  
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For the year ended June 30, 2020**

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**MANAGEMENT DISCUSSION AND ANALYSIS**

Imetha water and Sanitation Company presents its financial performance for the year ending 30<sup>th</sup> June 2020. The company continued to provide water service in its area of jurisdiction whose mission is to provide quality water and sanitation services to its customer's delight, through a committed workforce using modern technology.

**Revenue**

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

During the year ending June 2020, the company's revenue was **Kshs 58,455,036** compared to the **Kshs 53,462,471** of the year ended 30<sup>th</sup> June 2019. The reason for the increases is that the company has received a funding of constructing a Decentralised Treatment Facility and 200 No pour toilets in Mitunguu. The 1<sup>st</sup> and 2<sup>nd</sup> disbursement of Kshs 12,154,505 was received. The water sales revenue had dropped due to some factors which are dwindling water sources due to prolonged dry spell, Covid -19 pandemic.

**Expenditure**

The company's primary expenditure relates to Administration, Operation and Maintenance and Personnel costs. The others are depreciation of assets and finance costs during the year ending 30<sup>th</sup> June 2020, we incurred a total expenditure of **Kshs 50,507,661** as compared to **49,357,164** in the previous year.

**Liquidity**

In the financial year ending June 2020, there was increase in receivable, these is attributable to the institutional customers mostly government departments and county government and covid- 19 pandemic which made most of the customers unable to pay. There was also an increase in accounts payables this is because the company was not able to settle some of the debts, e.g. WRMA and TWSB due to financial constraints. The company had a positive working capital of **Kshs 8,218,262** this was due to the money received from water sector trust fund.

As at 30<sup>th</sup> June 2020 the company had **Kshs 11,274,042** as cash at hand and bank, inventory of **Kshs 2,118,948**. The total current assets were **Kshs 48,366,828** and the total current liabilities was **Kshs 40,148,566** therefore the company had a net working capital of **Kshs 8,218,262**

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

The company was able to:

- i. To improve the health standards of Mitunguu water schemes by subsidizing 200 No of pour flush toilets and constructing a Decentralised Treatment Facility which is underway
- ii. To increase the company's coverage by supplying the targeted underserved areas.

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the *Imetha water and sanitation company's* affairs.

### **Principal activities**

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

### **Results**

The results of the Imetha water and sanitation company for the year ended June 30, 2020 are set out on page 1

### **Directors**

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

### **Auditors**

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

By Order of the Board



**Dr Mworira Mugambi**

***Chairman of board,***  
**Meru County Urban Water & Sanitation Services Corporation**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the *Imetha water and sanitation company's* financial statements, which give a true and fair view of the state of affairs of the *Imetha water and sanitation company* for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *Imetha water and sanitation company*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Imetha water and sanitation company*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that the *Imetha water and sanitation company's* financial statements give a true and fair view of the state of *Imetha water and sanitation company's* transactions during the financial year ended June 30, 2020, and of the *Imetha water and Sanitation Company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Imetha water and Sanitation Company*, which have been relied upon in the preparation of the *Imetha water and*

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

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

**Approval of the financial statements**

The *Imetha water and sanitation company's* financial statements were approved by the Board on **3rd December, 2020** and signed on its behalf by:



Dr. Mworia Mugambi  
Chairman



Joseph Mberia  
CEO

# REPUBLIC OF KENYA



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## **REPORT OF THE AUDITOR-GENERAL ON IMETHA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Imetha Water and Sanitation Company Limited set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2020, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter 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 Imetha Water and Sanitation Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015, and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Inaccuracies in Cash and Cash Equivalents**

As disclosed in Note 7 to the financial statements, the statement of financial position reflects cash and cash equivalents totalling to Kshs.11,274,042. The balance includes a nil balance in respect of a bank account whose cashbook, bank reconciliation and certificate of bank balance were not provided. In addition, the Company did not prepare monthly bank reconciliations.

In the circumstances, the accuracy, completeness and validity cash and cash equivalents totalling to Kshs.11,274,042 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

## **2. Unsupported Top up Payments**

As disclosed in Note 4 to the financial statements, the statement of profit or loss and other comprehensive income reflects personnel costs totalling to Kshs.21,463,954. The balance includes an amount of Kshs.2,210,425 in respect to Government of Kenya (GOK) salaries paid as top up allowance to twelve (12) officers attached to the Company from the County Water Office. However, the agreement between the Company and the County Water Office for the officers seconded, secondment dates and the basis for payment of the top up allowances were not provided. Also, there was no evidence confirming that the Company's salary structure was approved by Salaries and Remuneration commission (SRC).

In addition, Appendix III to the financial statements reflects County Government of Meru subsidy's comparative balance of Kshs.5,346,940 as at 30 June, 2019. However, the 2018/2019 financial statements reflected a balance of Kshs.50,000 resulting to an unexplained and unreconciled variance of Kshs.5,296,940.

In the circumstances, the completeness, validity and accuracy of the top up payments totalling to Kshs.2,210,425 for the year ended 30 June, 2020 could not be confirmed.

## **3. Unsupported Property, Plant and Equipment**

As disclosed in Note 14 to the financial statements, the statement of financial position reflects property, plant and equipment totalling to Kshs.21,560,318. The balance includes three (3) motor vehicles amounting to Kshs.5,568,331 and nine (9) motor cycles amounting to Kshs.122,914, all totalling to Kshs.5,691,245 whose logbooks were not provided.

In the circumstances, the ownership of property, plant and equipment worth Kshs.5,691,245 as at 30 June, 2020 could not be confirmed.

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

### **Key Audit Matters**

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

## **Other Information**

The Directors are responsible for the other information. The other information comprises the report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be provided after that date.

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

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Long Outstanding Payables**

As disclosed in Note 9 to the financial statements, the statement of financial position reflects trade and other payables balance of Kshs.40,148,566. The balance includes Kshs.1,474,000 in respect to audit fees which relates to accumulated audit fees since 2013/2014 financial year. This is contrary to Section 41(1)(c) of the Public Audit Act, 2015 which states that the funds of the Office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.

Consequently, the Management was in breach of the law.

#### **2. Non-Revenue Water (NRW)**

Review of records indicated that the Company produced 1,078,922 Cubic Meters (M<sup>3</sup>) of water during the year under review. However, only 656,676 M<sup>3</sup> were distributed and

charged to customers while the balance of 422,246 M<sup>3</sup> or approximately 39% of the total volume produced was not charged to customers and represented non-revenue water. This is contrary to Water Services Regulatory Board (WASREB) guidelines that allow a maximum loss (unaccounted water) of 25% for every cubic meter of water produced and hence, only 269,731 M<sup>3</sup> (25%) loss was allowable.

The loss of 152,515M<sup>3</sup> (14%) of water produced during the year under review at a total cost of Kshs.9,654,200 (at Kshs.63.30 per cubic meter) was therefore non-allowable.

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

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. Lack of Stock Management Policy

Note 11 to the financial statements for the year ended 30 June, 2020 reflects Kshs.2,118,948 in respect to inventory. It was however noted that the Company had no stock management policy which would guide the Company on the re-order levels among other guidelines.

In the circumstances, the effectiveness of internal controls and risk management for the inventories could not be confirmed.

#### 2. Long Outstanding Receivables

As disclosed in Note 8 to the financial statements, the statement of financial position reflects trade and other receivables totalling to Kshs.34,973,838. The balance includes un-surrendered imprests amount of Kshs.565,424 and staff debts amount of

Kshs.664,668 both totalling to Kshs.1,230,092 which were all issued between 2012 and 2016. However, only an amount of Kshs.75,200 has been recovered.

In addition, the trade and other receivables increased by Kshs.7,123,426 (26%) from Kshs.27,850,412 in 2018/2019 to Kshs.34,973,838 in the year under review.

In the circumstances, existence of proper measures in debt Management could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 the audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and;
- (iii) The Company's financial statements are in agreement with those 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 going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

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

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

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

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

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


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

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

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

07 February, 2022

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

**FOR THE YEAR ENDED 30 JUNE 2020**

<b>INCOME</b>	<b>NOTE</b>	<b>2019-2020</b>	<b>2018-2019</b>
		<b>Kshs</b>	<b>Kshs</b>
Water Sales	1	43,281,818	46,667,923
County government of meru subsidy	3	2,210,425	5,346,940
Other Incomes	2	12,962,793	1,447,608
		-	-
<b>Total Income</b>		<b>58,455,036</b>	<b>53,462,471</b>
<b>EXPENDITURE</b>			
Personnel costs	4	21,463,954	23,886,387
finance cost	5	-	21,748
Administrative costs	6	10,330,841	13,143,483
Operations and Maintenance	12	9,550,696	7,461,036
Depreciation charge	14	4,687,814	4,844,512
Amortisation of intgaible assets	14	1,333,333	
WSTF expenses	15	3,141,023	
<b>Total Expenditure</b>		<b>50,507,661</b>	<b>49,357,164</b>
Deficit/Surplus of Income		7,947,374	4,105,307

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**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	NOTES	2019-2020 Ksh	2018-2019 Ksh
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property plant and equipment	14	21,560,318	19,931,132
Intangible assets	14	1,333,333	2,666,667
W.I.P	16	2,591,631	
<b>Total Non current assets</b>		<b>25,485,283</b>	<b>22,597,798</b>
<b>Current Assets</b>			
Inventory	11	2,118,948	2,560,726
Trade and other Receivables	8	34,973,838	27,850,412
Cash and cash equivalents	7	11,274,042	11,602,450
		<b>48,366,828</b>	<b>42,013,588</b>
<b>Current Liabilities</b>			
Trade and other Payables	9	40,148,566	38,053,613
<b>Total Current Liabilities</b>		<b>40,148,566</b>	<b>38,053,613</b>
<b>Net Current Assets</b>		<b>8,218,262</b>	<b>3,959,975</b>
<b>TOTAL ASSETS</b>		<b>33,703,545</b>	<b>26,557,773</b>
<b>EQUITY AND LIABILITIES</b>			
Capital Reserves	10(a)	7,123,641	7,925,244
Revenue Reserves	10(b)	26,579,904	18,632,529
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>33,703,545</b>	<b>26,557,773</b>

The financial statements were approved by the board on 3rd December 2020 and signed on behalf.

DR. Mworia Mugambi

Chairman Board of Directors

MR. Joseh Mberia

Chief Executive Officer

CPA Winfred Mukiri ICPAK RG NO 17874 Commercial Manager

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

	<b>Capital Reserves</b>	<b>Revenue Reserves</b>	<b>Total</b>
	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>
As at 1st July 2018	7,832,643	14,527,223	22,359,866
Amortisation of Capital Grant	(1,054,999)	-	(1,054,999)
TWSB meters	847,600		847,600
Grants from TWSB	300,000		300,000
Suplus/Deficit for the year		4,105,307	4,105,307
<b>As at 30th June 2019</b>	<b>7,925,244</b>	<b>18,632,530</b>	<b>26,557,774</b>
As at 1st July 2019	7,925,244	18,632,530	26,557,774
Amortisation of Capital Grant	(1,008,103)		(1,008,103)
WSTF-Capital Grants (Computers)	206,500		206,500
Suplus/Deficit for the year		7,947,374	7,947,374
<b>AS at 30 June 2020</b>	<b>7,123,641</b>	<b>26,579,904</b>	<b>33,703,545</b>

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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2019-2020	2018-2019
		KSH	KSH
<b>Cash flow from operating activities</b>			
Net deficit/Surplus for the year		7,947,374	4,105,307
<b>Adjustment of non cash items</b>			
Amortisation of Capital Grant	10a	(1,008,103)	(1,054,999)
Depreciation charge	14	4,687,814	3,511,179
Amortisation of intangible asset	14	1,333,333	1,333,333
		<u>12,960,418</u>	<u>7,894,819</u>
<b>Working Capital Changes</b>			
Decrease in inventory	13	441,778	72,631
Increase in Trade & other receivables	13	(7,123,426)	(4,877,895)
Increase in Trade & other payables	13	2,094,953	5,347,965
<b>Net Cash flow from operating activities</b>		<b>8,373,723</b>	<b>8,437,520</b>
<b>Cash flow from Investing activities</b>			
Aquisition of Property, Plant & Equipment	14	(6,317,000)	(3,841,770)
Acquisition of Intangible Assets	14		(4,000,000)
Work In Progress	16	(2,591,631)	
<b>Net Cash flow before financing activities</b>		<b>(534,908)</b>	<b>595,750</b>
<b>Cash flow from Financing activities</b>			
Increase In Capital Reserves	10a	206,500	1,147,600.00
<b>Net increase in cash and cash equivalents</b>		<b>(328,408)</b>	<b>1,743,350</b>
<b>Cash and cash equivalents as at 1st July 2019</b>	<b>13</b>	<b>11,602,450</b>	<b>9,859,100</b>
<b>Cash and cash equivalents as at 30th June 2020</b>	<b>13</b>	<b>11,274,042</b>	<b>11,602,450</b>

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2020**

	Original 2019-2020 budget	Adjustment/Su pplementary	Final budget 2019-2020	Actual on comparable basis 2019-2020	Performance Difference 2019-2020
<b>Revenue</b>	Kshs		Kshs	Kshs	Kshs
Government grants and subsidies	4,784,508	(2,500,083)	2,284,425	2,210,425	74,000
Water sales	68,421,147	(21,325,241)	47,095,906	40,206,815	6,889,091
sewerage	2,704,800	(1,081,920)	1,622,880	1,375,866	247,014
Reconnection fees	536,200	-	536,200	978,758	(442,558)
Labour charges	1,159,500	-	1,159,500	720,379	439,121
Other income	-	-	-	12,962,793	(12,962,793)
<b>Total income</b>	<b>77,606,155</b>	<b>(24,907,244)</b>	<b>52,698,911</b>	<b>58,455,036</b>	<b>(5,756,125)</b>
<b>EXPENSES</b>					
<b>Personnel Costs</b>					
Salaries, Wages & Allowances	30,182,756	(8,756,332)	21,426,424	21,289,374	137,050
<b>Administration Expenses</b>					
Postage & Telephone	618,000	200,000	818,000	551,497	266,503
Travelling and Subsistence	2,450,000	(705,000)	1,745,000	1,739,850	5,150
Advertising and Publicity	155,000	-	155,000	139,160	15,840
Fees, Levies and Permits	6,029,122	(1,260,912)	4,768,210	1,747,813	3,020,397
General Expenses	150,220	170,000	320,220	368,848	(48,328)
Office Stationery	250,750	(100,000)	150,750	175,292	(24,542)
Professional Services	150,000	-	150,000	-	150,000
Security	720,000	(250,000)	470,000	338,000	132,000
Electricity & Water	894,000	(200,000)	694,000	428,993	265,007
Transport Hire	10,000	-	10,000	-	10,000
Training Expenses	1,900,000	(1,100,000)	800,000	276,285	523,715
Official Catering	300,796	-	300,796	325,108	(24,312)
Staff welfare	264,000	-	264,000	174,580	89,420
Insurance	385,000	-	385,000	350,772	34,228
Uniforms	236,500	-	236,500	264,580	(28,080)
Meetings and Conferences	456,403	250,000	706,403	553,994	152,409
Directors Expenses	1,852,000	(500,000)	1,352,000	680,230	671,770
Audit fee Expenses	232,000	-	232,000	232,000	-
Waspa subscriptions	55,000	-	55,000	44,050	10,950
Computer repairs	136,700	(40,000)	96,700	29,160	67,540
News papers and periodicals	33,600	-	33,600	29,160	4,440
corporate governance	506,000	-	506,000	44,490	461,510
Bank Charges	73,500	-	73,500	44,490	29,010
social responsibilities	50,000	-	50,000	787,340	(787,340)
increase in provision	-	-	-	6,021,147	(6,021,147)
Billing System Development	300,000	-	300,000	300,000	-
Internet	312,000	-	312,000	248,500	63,500
server	180,000	-	180,000	285,000	(105,000)
office repairs	975,601	(600,000)	375,601	349,880	25,721
Water analysis	40,000	-	40,000	15,000	25,000
Creditors	2,988,857	-	2,988,857	-	2,988,857
<b>Operation and Maintenance</b>					
Chemicals	1,865,600	1,100,000	5,780,950	1,249,226	616,374
Repair & Maintenance	4,680,950	1,100,000	5,780,950	5,658,769	122,181
Motor Expenses	1,200,000	(200,000)	1,000,000	970,629	29,372
Fuel, Oils & lubricants	2,160,000	(640,000)	1,520,000	1,516,072	3,928
Rent and Rates	156,000	-	156,000	156,000	-
Other capital expenses-capital	14,695,500	(12,420,000)	2,275,500	3,141,023	2,275,500
<b>Total expenditure</b>	<b>77,606,155</b>	<b>(24,907,244)</b>	<b>52,698,911</b>	<b>50,507,662</b>	<b>7,947,374</b>

**EXPLANATION OF THE VARIANCES BETWEEN BUDGET AND ACTUALS AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020.**

*Revenue*

- *There was decline in government Grants and subsidies because 9 No staff seconded by the county Government of Meru were taken back.*
- *There was decline in water sales due to prolonged dry spell which affected most of the scheme*
- *COVID-19 pandemic also affected water consumption in most of the schemes.*
- *The Company Received Grant from Wate Sector Trust Fund to Construct A Decentralised Treatment Facility and 200 No Pour Flash Toilet.*

*Expenses*

- a) *The budget line for telephone and postage was positive due few postages done in the year, also less errors when sending customers bills hence few reminders were sent.*
- b) *Fees and levies had a negative variance because payment attributable to WRMA were not paid due to financial constraints*
- c) *General expenses had a negative variance due to sanitizers and face mask which were purchased due to the prevailing Covid-19.*
- d) *No professional service was sought during the period*
- e) *The budget line for security was not fully utilised since few security guards were needed*
- f) *The budget line for electricity was not fully utilised since there was a saving in power usage*
- g) *The budget line for transport hie was not utilised*
- h) *The training expenses was saved because of the prevailing covid-19 pandemic during the third and fourth quarter of the period.*
- i) *The budget line for meeting and conferences was under utilised because no meetings were done during the fourth quarter due to prevailing covid-19 pandemic.*
- j) *Directors expenses was under utilised due to less meeting and activities due to prevailing Covid –*
- k) *19 pandemic.*
- l) *The Budget Line for Computers Was Positive Because Less Computers and Accessories Were Purchased During The Year.*
- m) *Corporate Governance budget line was positive since the activity was scheduled to be done in may*
- n) *but it was not done due to covid-19 pandemic.*
- o) *f) The budget line for bank charges was less due to few transactions done in the period*

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

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

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

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

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

Amendment/Interpretation to a standard	Effective date	Impact: The standard has no impact on the financial statements of Imetha water and sanitation Company
<i>IFRS 16: Leases</i>	Effective for annual periods beginning on or after 1 July 2019	<p>The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.</p> <p>Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment, right of use assets of KSh xxx, lease liabilities of KSh xxx and a deferred tax asset of KSh ... have been recognised with a corresponding decrease of the net amount in retained earnings in these financial statements.</p>
<i>IFRIC 23: Uncertainty Over income tax treatments</i>		<p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> <li>• Whether tax treatments should be considered collectively</li> <li>• Assumptions for taxation</li> </ul>

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Amendment/Interpretation to a standard	Effective date	Impact: The standard has no impact on the financial statements of Imetha water and sanitation Company
		<p>authorities' examinations</p> <ul style="list-style-type: none"> <li>• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates</li> <li>• The effect of changes in facts and circumstances</li> </ul>
<i>Amendments to IFRS 9 titled Prepayment Features with Negative Compensation</i>	1st January 2020,	Allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.
<i>Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)</i>	1st January 2020,	Clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.
<i>Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.</i>	1st January 2020,	Provide additional guidance on applying the acquisition method to particular types of business combination.
<i>Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017</i>	1st January 2020	clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests
<i>Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017</i>	1st January 2020	Clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to

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Amendment/Interpretation to a standard	Effective date	Impact: The standard has no impact on the financial statements of Imetha water and sanitation Company
		where the entity originally recognised the transactions to which they are linked.
<i>Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017</i>	1st January 2020	Clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.
<i>Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)</i>	1st January 2020	Requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.
<i>Amendments to IAS 1 and IAS 8 Definition of material</i>	annual periods beginning on or after 1 January 2020	The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework

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Amendment/Interpretation to a standard	Effective date	Impact: The standard has no impact on the financial statements of Imetha water and sanitation Company
		that contain a definition of material or refer to the term 'material' to ensure consistency.

*The standard has no impact on the company's financial statements.*

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

Amendment/Interpretation to a standard	Effective date	Impact: The standard has no impact on the financial statements of Imetha Water and Sanitation Company.
<i>IFRS 17 Insurance Contracts (Issued 18 May 2017)</i>	As of 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> .
<i>Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)</i>	<i>Applicable for annual periods beginning 1 January 2020</i>	Together with the revised <i>Conceptual Framework</i> published in March 2019, the IASB also issued <i>Amendments to References to the Conceptual Framework in IFRS Standards</i> . The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised <i>Conceptual Framework</i> . Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised <i>Conceptual Framework</i> .

**iii Early adoption of standards**

**The entity did not adopt any new or amended standards in the year 2019**

**III SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Revenue recognition**

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

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

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

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

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

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

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

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

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

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

**Depreciation:**

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

<b>Meters</b>	<b>12%</b>
<b>Pipes and fittings</b>	<b>20%</b>
<b>Furniture and Equipment</b>	<b>12.5%</b>
<b>Motor Vehicles &amp; cycles</b>	<b>25%</b>

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<b>Computer and accessories</b>	<b>30%</b>
<b>W.T.P Equipment</b>	<b>12.5%</b>
<b>Loose Tools</b>	<b>33.33%</b>

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

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

**f) Intangible assets**

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

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

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

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

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

**h) Finance and operating leases**

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

**i) Inventories**

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

**j) Trade and other receivables**

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

A provision of 10% is made on all receivables.

**k) Taxation**

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

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

**L) Cash and cash equivalents**

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

**M) Trade and other payables**

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

**N) Provision for staff leave pay**

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

**O) Subsequent events**

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

**NOTES TO THE FINANCIAL STATEMENTS**

	2019-2020	2018-2019
<b>INCOME</b>		
<b>NOTE 1</b>		
Water Sales	40,206,815	45,871,423
Reconnection Fees	978,758	150,000
Labour Charges	720,379	646,500
Sewerage	1,375,866	
<b>Total</b>	<b>43,281,818</b>	<b>46,667,923</b>

**NOTE 2**

**Other Incomes**

	2019-2020	2018-2019
Bank Interest	-	166,660
Sundry income	6,685	225,949
Armotisation of Capital Grant	1,008,103	1,054,999
WSTF fund	11,948,005	
	<b>12,962,793</b>	<b>1,447,608</b>

**NOTE 3**

County government of Meru subsidy

**Total subsidies**

**Grand total income**

	2019-2020	2018-2019
	2,210,425	5,346,940
	<b>2,210,425</b>	<b>5,346,940</b>
	<b>58,455,036</b>	<b>53,462,471</b>

**NOTE 4**

**Personnel Costs**

	2019-2020	2018-2019
GOK Salaries	2,210,425	5,346,940
Salaries & Wages	17,811,011	17,351,848
staff welfare	174,580	211,600
Gratuity	714,566	366,092
Pension	402,971	471,307
NSSF	150,400	138,600
	<b>21,463,954</b>	<b>23,886,387</b>

**NOTE 5**

**FINANCE COSTS**

Bank Withholding interest

	2019-2020	2018-2019
	-	21,748
	<b>-</b>	<b>21,748</b>

**NOTES TO THE FINANCIAL STATEMENTS**

<b>NOTE 6</b>	<b>2019-2020</b>	<b>2018-2019</b>
<b>Administrative Costs</b>	<b>KSH</b>	<b>KSH</b>
Postage & Telephone	551,497	564,645
Travelling and Subsistence	1,739,850	1,774,280
Advertising and Publicity	139,160	209,000
Fees, Levies and Permits	1,747,813	5,687,593
General Expenses	368,847	130,388
Office Stationery	175,292	290,207
Professional Services	-	-
Security	338,000	286,000
Electricity & Water	428,993	644,945
Transport Hire	-	10,000
Training Expenses	276,285	485,100
Official Catering	325,108	311,378
Insurance	350,772	88,250
Uniforms	264,580	277,650
Meetings and Conferences	553,994	674,890
web cost	285,000	-
Directors Expence	680,230	636,109
Audit fee Expenses	232,000	232,000
Waspa subscriptions	55,000	55,000
Computer repairs	44,050	96,010
Corporate gonernance training	-	-
News papers and periodicals	29,160	15,480
Increase in provision for bad debts	787,340	602,511
Bank Charges	44,490	42,048
Billing System Development	300,000	30,000
Office repairs	349,880	-
Internet	248,500	-
water effluent	15,000	-
	<b>10,330,841</b>	<b>13,143,483</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

<b>NOTE 7</b>	<b>2019-2020</b>	<b>2018-2019</b>
<b>Cash and cash equivalents</b>	<b>KSH</b>	<b>KSH</b>
Bank : Current Co-op 01120023210300	434,701	2,016,347
Current Borehole 01136023210300	8,490	24,740
Savings Co-op 0110003210300	4,557,255	9,308,391
Capital Sacco	55,079	185,759
Co-op Bank -01148023210303	6,203,640	-
Corporation account	-	45,200
Cash at hand	14,877	22,014
	<b>11,274,042</b>	<b>11,602,450</b>

<b>NOTE 8</b>	<b>2019-2020</b>	<b>2018-2019</b>
<b>TRADE AND OTHER RECIEVABLES</b>		<b>KSH</b>
Bal b/d	29,573,689	23,548,583
Bills For the year	41,582,681	45,871,423
<b>Total bills</b>	<b>71,156,370</b>	<b>69,420,006</b>
Less Bills received	33,709,280	39,846,317
<b>Total bills recievable</b>	<b>37,447,090</b>	<b>29,573,689</b>
Less 10% provision for bad debts	3,744,709	2,957,369
Staff debts	664,668	664,668
Unsurrendered imprest	565,424	565,424
prepayments	18,900	4,000
WSTF	22,465	-
<b>Net recievables</b>	<b>34,973,838</b>	<b>27,850,412</b>

<b>NOTE 9</b>	<b>2019-2020</b>	<b>2018-2019</b>
<b>Trade and other payables</b>	<b>KSH</b>	<b>KSH</b>
Trade creditors	22,668,179	18,738,377
Accruals	2,987,787	5,700,636
Customer Water deposits	12,786,600	12,140,600
Provision for audit fees	232,000	232,000
Audit fees payable	1,474,000	1,242,000
<b>Total Trade and other payables</b>	<b>40,148,566</b>	<b>38,053,613</b>

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<b>NOTE 10</b>	<b>2019-2020</b>	<b>2018-2019</b>
<b>Capital and Reserves</b>	<b>KSH</b>	<b>KSH</b>
a) <u>Capital Reserve</u> (Deferred Income)	7,925,244	7,832,643
water meters from TWSB		847,600
Grants from TWSB		300,000
WSTF- capital Grants Computers	206,500	
Armotisation of capital grant	(1,008,103)	(1,054,999)
	<b>7,123,641</b>	<b>7,925,244</b>
b) <u>Revenue Reserves</u>		
At start	18,632,530	14,527,223
WSTF- Computers		-
Surplus/Deficit for the year	7,947,374	4,105,307
	<b>26,579,904</b>	<b>18,632,529</b>
Total reserves	<b>33,703,545</b>	<b>26,557,773</b>

<b>NOTE 11</b>	<b>2019-2020</b>	<b>2018-2019</b>
<b>INVENTORY</b>		
Stationery	191,189	182,582
Meters	720,000	525,000
Chemicals	174,049	518,715
pipe and fittings	973,660	1,334,429
Motor Expenses	47,550	
computer and accessories	12,500	
	<b>2,118,948</b>	<b>2,560,726</b>

<b>NOTE 12</b>	<b>2019-2020</b>	<b>2018-2019</b>
<b>Operation and Maintenance</b>		<b>KSH</b>
Chemicals	1,249,226	1,580,220
Repair & Maintainance	5,658,769	3,556,619
Motor Expenses	970,629	819,191
Fuel ,Oils & lubricants	1,516,072	1,392,206
Rent and Rates	156,000	112,800
	<b>9,550,696</b>	<b>7,461,036</b>

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**NOTE 13**

<b>NOTES TO THE STATEMENT OF CASH FLOW</b>	<b>2019-2020</b>	<b>2018-2019</b>
<b>a) Reconciliation of operating profit/loss to cash generated from operations</b>		
Operating profit	7,947,374	4,105,307
Amortisation of capital grants	(977,128)	(1,054,999)
Depreciation	4,687,814	4,844,512
Amortisation of intangible asaset	1,333,333	
Operating profit before working capital changes	12,991,393	7,894,820
Decrease in inventories	441,778	72,631
Increase in trade payables	2,094,953	5,347,965
Increase in trade receivables	(7,123,426)	(4,877,895)
<b>Cash generated from operations</b>	<b>8,404,698</b>	<b>8,437,520</b>
<b>b) Analysis of cash and cash equivalents</b>		
cash at bank	11,259,165	11,580,437
cash in hand	14,877	22,014
Balance at end of the year	<b>11,274,042</b>	<b>11,602,450</b>

**NOTE 15**

<b>WSTF Exepenes</b>	<b>2019-2020</b>
Transport	161,065
Telephone and postage	13,500
Stationeries	17,550
Uniforms	32,000
Marketing	48,000
Salary	243,908
Enviromental assesmnet	193,000
Toilet construction	2,405,000
Meetings	27,000
	-
	<b>3,141,023</b>

**NOTE 16**

	<b>2019-2020</b>
Decentralised Treatment facility	2,591,631

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**NOTE 14**

**PROPERTY, PLANT AND EQUIPMENT**

COST	METERS		MOTOR CYCLES	FURNITURE & EQUIPMENT	COMPUTERS & ELECTRONICS	PIPES & FITTINGS	WATER TREATMENT PLANT & EQUIP.	MOTOR VEHICLES	LOOSE TOOLS	LAND	TOTAL
	KSH	KSH									
As at 1/7/19	18,682,555	2,505,920		830,530	2,325,859	23,301,579	3,177,635	3,428,100	17,127	290,000	54,559,305
NET ADDITIONS	775,000			-	286,500	-		5,463,000			6,524,500
OPENING STOCK closing stock	525,000 (720,000)				(12,500)						525,000 (732,500)
Disposal											-
As at 30/6/20	19,262,555	2,505,920		830,530	2,599,859	23,301,579	3,177,635	8,891,100	17,127	290,000	60,876,305
DEPRECIATION											
As at 1/7/19	10,354,033	2,342,035		495,041	1,690,043	16,101,996	1,707,849	1,921,909	15,267	-	34,628,173
Charge for the year	1,356,380	40,971		41,936	223,407	1,439,917	183,723	1,400,860	619	-	4,687,813.76
Disposal											-
As 30/6/20	11,710,413	2,383,006		536,977	1,913,450	17,541,913	1,891,572	3,322,769	15,886	-	39,315,987
NET BOOK VALUE											
AS at 30/6/20	7,552,142	122,914		293,553	686,409	5,759,666	1,286,063	5,568,331	1,241	290,000	21,560,318
As at 30/6/19	8,328,522	163,885		335,489	635,816	7,199,583	1,469,787	1,506,191	1,860	290,000	19,931,132

**INTAGIBLE ASSET**

	BILLING SOFT WARE KSHS
01/11/2018	4,000,000
AS AT 30/6/2020	4,000,000
01/07/2019	1,333,333
CHARGE FOR THE YE	1,333,333
44,012	2,666,667
NET BOOK VALUE	
AS AT 30/06/2019	1,333,333

**NOTES TO THE FINANCIAL STATEMENTS**

**17 RETAINED EARNINGS**

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

**18. RELATED PARTY DISCLOSURES**

**Government of Kenya**

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

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

**County Government of Meru**

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

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

**Subsidy from the Government**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Subsidies from the County Government of Meru	<u>2,210,425</u>	<u>5,346,940</u>
<b>Total</b>	<b><u>2,210,425</u></b>	<b><u>5,346,940</u></b>

**Key Management's Compensation**

	<b>Kshs.</b>	<b>Kshs</b>
Director's Emoluments	<u>680,636</u>	<u>611,109</u>
<b>Total</b>	<b><u>680,636</u></b>	<b><u>611,109</u></b>

## **19. CONTINGENT LIABILITIES**

There was no contingent liability in the period

## **18. FINANCIAL RISK MANAGEMENT**

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

### **Credit risk**

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

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

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

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

### **Liquidity risk management**

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

## **21. INCORPORATION**

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

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**APPENDIX I**

**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No.	Issue/Observations from Auditor	Management Comments	Focal Point person to resolve	Status: Resolved/N of Resolved	Time Frame
1.1	Statement of Cash Flows; Opening balance did not agree with re-casted figure	The statement was rectified to reflect the correct position	Commercial Manager	Resolved	30/06/2020
1.2	Statement of profit and loss and other Comprehensive income .Income did not agree with amount in budget	The statement was rectified to reflect the correct position	Commercial Manager	Resolved	30/06/2020
1.3	Statement of comparison of Budget and Actual Amounts. Variances in re-casted figures	The statement of comparison of budget and actual amounts was rectified appropriately	Commercial Manager	Resolved	30/06/2020
1.4	Report of general manager .difference in water cubic meters	Report of general manager was rectified	Commercial Manager	Resolved	30/06/2020
2.1	Cash and cash equivalents .opening bank account.	Issue was answered	Commercial Manager	Resolved	30/06/2020

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2.2	Failure to prepare periodic monthly reconciliations	Issue was answered	Commercial manager	Resolved	30/06/2020
3.0	Irregular payment of board allowances	Issue was answered	Commercial manager	Resolved	30/06/2020
1.1	Revenue analysis. excess revenue collection	Issue was answered	Commercial manager	Resolved	30/06/2020
1.2	Expenditure analysis. over expenditure	Issue was answered	Commercial manager	Resolved	30/06/2020
2.0	Unbalanced budget	The statement of comparison of budget and actual amounts was rectified appropriately	Commercial Manager	Resolved	30/06/2020
3.0	Trade creditors and payables	Notes to financial statements. Increase in payables	Commercial Manager	Resolved	30/06/2020
1.0	Failure to maintain updated fixed asset register	Notes to financial statements. register not updated	Commercial Manager	Resolved	30/06/2020
1.2	Failure to provide ownership documents	Notes to financial statements	Commercial Manager	Resolved	30/06/2020
1.3	Non disposal of motor vehicle	Notes to financial statements, grounded vehicle not disposed	Procurement Officer	Resolved	30/06/2020
3.1	Unapproved salary structure	Notes to financial statement	Human resource manager	Resolved	30/06/2020
3.2	Top up payment	Notes to financial statement	Human resource manager	Resolved	30/06/2020
3.3	Outstanding staff - receivables	Notes to financial statement	Human resource manager	Resolved	30/06/2020

**Imetha water and sanitation company.**  
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Chief Executive Officer

Joseph K. Mberia



Date: 03/12/2020

Chairman of the Board

Dr. Mworio Mugambi



Date: 03/12/2020

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**APPENDIX II  
PROJECTS IMPLEMENTED BY THE ENTITY**

During the year under review the company was funded by Water Sector Trust Fund to construct a decentralised treatment facility and 200no pour flash toilet

Project title	Project No	donor	Period duration	Donor commitment	Separate donor reporting required as per the donor agreement	Consolidated these financial statements
Mitunguu UBSUP project	1	Water Sector Trust Fund	1year	12,154,505	yes	yes

**APPENDIX III**  
**INTER-ENTITY TRANSFERS**

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

<b>NOTE 3</b>	<b>2019-2020</b>	<b>2018-2019</b>
County government of Meru subsidy	2,210,425	5,346,940
<b>Total subsidies</b>	<b>2,210,425</b>	<b>5,346,940</b>

**APPENDIX IV**  
**RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

There was no any transfer from any government entity

