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*Enhancing Accountability*



**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

**THIKA WATER AND SEWERAGE  
COMPANY LIMITED**

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

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

30 MAR 2022



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***THIKA WATER AND SEWERAGE COMPANY LIMITED***  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING**  
**JUNE 30, 2021**

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

THIKA WATER AND SEWERAGE COMPANY LIMITED  
Annual Reports and Financial Statements for the year ended June 30, 2021

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## **KEY ENTITY INFORMATION**

### **Background information**

Thika Water and Sewerage Company (THIWASCO) is incorporated under the companies Act (Cap. 486) responsible for the efficient and economical provision of water and sewerage services in its area of jurisdiction. It is domiciled in Kenya. Its main place of business is Thika Sub County in Kiambu County.

### **Principal Activities**

The principal object of the company is to carry out the business of water and sewerage services within Thika Sub-County and its environs. The core business of THIWASCO includes the following:

- a) Source for water
- b) Treatment of water
- c) Collection and treatment of sewerage
- d) Distribution of water
- e) Billing customers for water and sanitation service provision
- f) Revenue collection

### **VISION STATEMENT**

THIWASCO vision defines where we want to be in the future, which is:  
*“To be a Model Water and Sanitation Services provider in East Africa”.*

### **MISSION STATEMENT**

The above vision is in line with the mission of THIWASCO, which is:  
*“To provide adequate, reliable, safe, accessible and affordable water and sanitation services in a sustainable manner through technology and innovation to the satisfaction of our customers and other stakeholders.”*

### **STRATEGIC THEMES OF THIKA WATER AND SEWERAGE COMPANY**

The following are strategic themes that THIWASCO aims to achieve:

1. Infrastructural Development, Operations and Maintenance;
2. Customer Experience;
3. Financial Resource Mobilization and Prudent Utilization;

**KEY ENTITY INFORMATION (Continued)**

4. Institutional Capacity Building;
5. Risk Management;
6. Visibility and Corporate Image

**CORE VALUES**

The Company's operations are guided by the **CITIS** Core Values of

- 1) **C**-Customer- Focus;
- 2) **I**-Integrity;
- 3) **T**-Teamwork;
- 4) **I**-Innovation and Creativity; and
- 5) **S**-Sustainability.

**Directors**

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

1) Eng. Joseph M. Wakimani	-Chairman	-Appointed in 2014, Reappointed in 2021
2) Dr. Martin Njogu	-Member	-Appointed in 2020
3) David Kuria	-Member	-Appointed in 2020
4) William Kinyanjui Kimani	-Member	-Appointed in 2020
5) Lucy W. Kagume	-Member	- Appointed in 2014, Reappointed in 2021
6) Juma H. Mwaniki	-Member	- Appointed in 2014, Reappointed in 2021
7) Dr. Bibianne Wanja Waiganjo Aidi	-Member	-Appointed in 2021
8) Dr Munene Jackline Nyambura	-Member	-Appointed in 2021
9) Maina Ruo.	-Member	-Appointed in 2021
10) Moses K. Kinya	-Managing Director	-Appointed in 2017

**Corporate Secretary**

Nyongesa Nafula & Co. Advocates  
P.O. Box 42540-00100  
Nairobi

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**KEY ENTITY INFORMATION (Continued)**

**Corporate Headquarters Thिकासco Offices**

Thika water and Sewerage Co. Ltd  
P.O. Box 6103-01000  
Thika  
Haile Selassie road  
Thika, KENYA

**Corporate Contacts**

Telephone: +254 701 053 637, +254 720 418 444  
E-mail: [thikawater@yahoo.com](mailto:thikawater@yahoo.com)  
[info@thikawater.co.ke](mailto:info@thikawater.co.ke)  
Website: [www.thikawater.co.ke](http://www.thikawater.co.ke)

**Corporate Bankers**

Equity Bank  
Thika Supreme Branch  
P.O. Box 253 - 01000  
Thika, Kenya

Cooperative Bank of Kenya  
Thika Branch  
P.O. Box 1815- 01000  
Thika, Kenya

Family Bank  
Thika Branch  
P.O. Box 74145- 00200  
Nairobi, Kenya

**Independent Auditors**

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

**KEY ENTITY INFORMATION (Continued)**

**Principal Legal Advisers**

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

Nyongesa Nafula & Co. Advocates  
Fortis Suites- 2nd floor, Suite No.5  
Hospital Road.  
P.O. Box 42540-00100  
Nairobi.

## THE BOARD OF DIRECTORS

### 1. Eng. Joseph Wakimani- Independent Director (Chairman)



**DOB 1960**

**Key Qualifications:**

BSc, Hons, Civil engineering

MSc, Highway engineering

Member of institute of highways and transportation

Member of institute of engineers in Kenya Member of Engineers board of Kenya

**Work experience: -**

Resident engineer: Nor ken international ltd, Area maintenance & construction

manager: Caltex oil Ltd, Engineering Manager: Caltex oil Ltd, Part time director:

Frame consultants Ltd, Highway/material Engineer: Norco cult A.S consulting

Engineers, Assistant materials Engineer: MOPW, Assistant Engineer: Ministry of public works

### 2. David Kuria Independent Director (CECM, WENR- Kiambu County Government)



**DOB 19**

**Key Qualifications:**

MA In International Environmental Law

MSc Applied Ecology & Conservation -UK

BSc Natural Resource Management

**Work Experience: -**

Eco -Agriculture partners fellow, National Coordinator-Reforestation facility of

East African Wild Life Society, Nature Kenya-Kijabe Environment Conservation

Project Management Trainee Bird Life International -UK

### 3. Dr. Martin Njogu - Independent Director (County Secretary-Kiambu County Government)

**DOB 15 May 1967**

**Key Qualifications:**

Doctor of Philosophy -Chemistry

Msc -Chemistry

BSc -Chemistry and mathematics

**Work Experience: -**

Strategic Management Unit Manager, Chairman; Constituency Development

Fund, Lecturer and Researcher, University of Nairobi (Dept of Chemistry).



**THE BOARD OF DIRECTORS Continued**

**4. CPA William Kinyanjui Kimani- Independent Director (Chief Finance Officer-Kiambu County)**



**DOB 25 August 1977**

**Key Qualifications**

Pursuing PHD in Business Administration (Finance Option)  
Master's in Business Administration (MBA) Finance Option  
Bachelors of Business Administration (Accounting & Finance)  
CPA(K)

**Work Experience: -**

Principal (Finance & Admin)- Maasai Mara University in collaboration with Highlands state college.

Chief Accountant – Presbyterian University of East Africa

Chief Accountant – Limuru Milk Processors Ltd.

**5. Lucy Kagume -Independent Director (Chair to Finance & Admin Committee)**



**DOB 7th March 1950**

**Key Qualifications**

Bachelor of Education

**Work experience: -**

Principal-Broadway High School,  
Principal-Gaturi Girls Sec School,  
Principal-Kiria-ini Girls Sec School,  
Deputy Principal-Gitugi Girls Sec School,  
Teacher Njumbi High School

**6. Juma Hemedi - Independent Director (Chair to Audit Committee)**



**DOB 1977**

**Key Qualifications**

Bachelor of Development Studies, Diploma in project management, Advanced certificate in business management, Certificate in IC

**Work experience: -**Constituency Coordinator-Election observation group (ELOG), Voter educator-IEBC, Youth Facilitator-Africa youth trust, first aid instructor/Trainer-Safety and health consultants Ltd, Deputy Presiding Officer-Interim independent electoral commission (IIEC), Youth facilitator/trainer-USAID and EDC, Tally clerk/Logistics-Kenya red cross society, First aid Trainer-Kenya red cross society, Youth Delegate-Norwegian red cross society

**THE BOARD OF DIRECTORS Continued**

**7. Dr. Bibianne Wanja Waiganjo Aidi - Independent Director**

**DOB 1977**

**Key Qualifications**

Global Master of Business Administration -On going, Doctor of Philosophy – Parasitology, Msc Applied Parasitology, Bsc Botany and Zoology

**Work experience:**

Deputy Vice Chancellor (Academic and Research) MKU, Director quality Assurance. MKU Dean and Lecturer (School of Pure & Applied science), Head of Dept; pure & Applied sciences (TIT)



**8. Bernard Maina Ruo - Independent Director (Chair to Technical Committee)**

**DOB 1968**

**Key Qualifications**

Msc. Entrepreneurship -JKUAT, Bsc Agriculture, Diploma in Banking

**Work experience:**

Technical Director (Kenta Nut Company), Head of Agronomy (Tropical Farm Management Kenya Ltd), Group Manager (Tropical Farm Management Kenya Ltd), Estate Manager (Tropical Farm Management Kenya Ltd)



**9. Dr. Jackline Nyambura Munene - Independent Director**

**DOB 09 April 1984**

**Key Qualifications**

International Certificate in Leadership and Governance in Health systems Mgt, National Institute of Public health, Tokyo, Japan, Certificate in Senior Management Course

**Work experience:**

Medical Officer -AAR Healthcare Outpatient Clinics, Medical Officer - Kimbimbi Sub- County Hospital, Medical Officer -Kianyaga Sub- County Hospital



**THE BOARD OF DIRECTORS Continued**

**10. Dr. Eng. Moses Kinya (Managing Director)**



**DOB 1968**

**Key Qualifications**

Bsc Civil Engineering, MSc Public Health Engineering, MBA Business Administration

**Work experience:**

MD-Thika Water and Sewerage Co Ltd, Senior Eng. H.P. Gauff Ingenieure GmbH & Co Ltd, MD-Mombasa Water and Sanitation Co Ltd, MD-Malindi Water and Sanitation Co Ltd

**11. Yvonne Jeruto**



**DOB 1985**




**Key Qualifications**

CPS (K), Post graduate in Law- Diploma, Bachelor of Law (LLB)  
Member of ICS, MBR/No. 3310




**Work experience:**

Nyongesa Nafula & Co. Advocates – Partner,  
Direct line Assurance Co. LTD, Ogutu & Co. Advocates.




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**MANAGEMENT TEAM**

<p><b>Eng. Moses Kweri Kinya</b></p>  <p><b>Key Qualifications</b>                  -Bsc Civil Engineering                  -MSc Public Health Engineering                  -MBA Business Administration</p>	<p>Managing Director</p>
<p><b>Kennedy Kiemo</b></p>  <p><b>Key Qualifications</b> -Bsc. Civil Engineering</p>	<ul style="list-style-type: none"> <li>▪ Chief Manager, Technical Services</li> </ul>
<p><b>Jeremy Mathenge Beru</b></p>  <p><b>Key Qualifications</b>- CPA(K), BCom</p>	<ul style="list-style-type: none"> <li>▪ Chief Manager, Commercial services.</li> </ul>

**MANAGEMENT TEAM (Continued)**

<p><b>Rosemary Wamaitha</b></p>  <p><b>Key Qualifications-</b> CPA(K), BCom</p>	<ul style="list-style-type: none"><li>▪ Chief Manager, Finance.</li></ul>
<p><b>Albert Maingi</b></p>  <p><b>Key Qualifications-</b> CPA(K), CISA, MBA Accounting, BAM</p>	<ul style="list-style-type: none"><li>▪ Chief Manager, Internal Audit.</li></ul>
<p><b>Elaine Wanjiku Ngugi</b></p>  <p><b>Key Qualifications-</b>Diploma in Law, B-Com HR, Msc-HR</p>	<ul style="list-style-type: none"><li>▪ Legal &amp; Corporate Affairs Manager.</li></ul>

**MANAGEMENT TEAM (Continued)**

<p><b>Irene Nyambura Ndirangu</b></p>  <p><b>Key</b> <b>Qualifications-</b> BCom-HR, MBA-HR, CHRP (K)</p>	<ul style="list-style-type: none"><li>▪ Human Resource Manager.</li></ul>
<p><b>Nicellah Wairimu</b></p>  <p><b>Key</b> <b>Qualifications-</b> Msc-Procurement &amp; Logistics Mgt, Bsc-Procurement and Contract Mgt and Diploma in Supplies Mgt.</p>	<ul style="list-style-type: none"><li>▪ Procurement Manager.</li></ul>
<p><b>Anne Njambi Mburu</b></p>  <p><b>Key</b> <b>Qualifications-</b> Bsc-Computer Science</p>	<ul style="list-style-type: none"><li>▪ ICT Manager.</li></ul>

## CHAIRMAN'S STATEMENT

During the financial year 2020/2021 the company generated an income of KES 727 million against KES 660 million from the previous year. The company realized levels of NRW at 33%. The company has further made elaborate plans to further reduce the NRW by implementing proposed Efficiency Improvement Project through well managed DMAs and active leak detection. In addition, we have continued with extensive replacement of all non-functional consumer meters so as to improve accuracy of our monthly billing to customers. Meters billed on actual consumption stood at 67%. The population of the THIWASCO Water supply area has been noted to be 356,548 persons as per the 2019 National Census and studies have shown an average growth rate of at least 5% that is above the national growth rate of 2.3%.

The company has formulated strategies aimed at increasing water production and sewerage treatment capacity so as to meet the increasing demand due to heightened growth of Thika Town. Enhancement of water supply and sewerage connections in the face of growing population is also a strategic issue among others so as to increase coverage. The projects proposed for implementation include:

1. Proposed Thika Water Augmentation Project – Karimenu-Maryhill Waterworks funded under the Water & Sanitation Development Project (Performance Based Financing) by World Bank through Water Sector Trust Fund (WSTF). This will increase supply by 15,000 m<sup>3</sup>/day. The Consultancy services for design review and tender documentation is at advanced stages and pending is the procurement of the proposed Works Contractors.
2. The company participated in the Conditional Liquidity Support Grant CLSG scheme/facility, from World Bank through WASREB aimed at improving the financial performance of WSPs affected by the COVID-19 pandemic and awarded a grant worth, Kenya Shilling, Forty-seven million (Ksh. 47,895,000) both in cash and in kind.
3. Rehabilitation and upgrade of the existing water works including but not limited to extensions in various areas i.e., Gatuanya-Munyu, Castle area, Witeithie, Gatuanyaga-Riverside, Ndula - Kilimambogo-Maguguni-Ngoliba, Ngoingwa Murram and JAMOFFOSTA.
4. Efficiency Improvement Project aimed at increasing water production at the existing water treatment works through upgrading of treatment units and pumps.
5. Thika and Githunguri Water and Sanitation Improvement Project: The project is being implemented by the Government of Kenya through Athi Waterworks Development Agency. Feasibility study with a grant from DANIDA Sustainable Infrastructure funding (DSIF) has been conducted and approved. Procurement for consultancy services for Conceptual design review, detailed design, tender documentation and works supervision is in progress. The project aims to specifically improve sewerage services in the northern part of Thika and rehabilitation and upgrade of existing water and sewer systems.

**CHAIRMAN'S STATEMENT (Continued)**

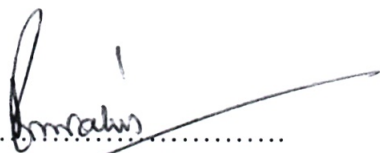
Once completed Thika will have an additional 20,000m<sup>3</sup>/day of water production.

6. The Board has increased the fleet of vehicles and motorcycles from 19 and 35 to 20 and 39 respectively, that will improve efficiency of the operation and maintenance team thereby improving service delivery
7. The Board has also implemented several water extension and sewer upgrade projects with internally generated funds. A total of 45.8Km of Water pipeline was laid by use of Contractors and in-house works. A total of 7.69Km of sewer pipelines were laid during the year through company funding.

The Board also considers its Human Resource as one of the most valued assets in achieving its strategic objectives and is in the process of negotiating CBA with Kenya Union of Food and allied Workers Union which expired within the year. Consultancy services on job evaluation were engaged within the year to conduct job evaluation exercise and organization redesign, review of optimal staffing levels, undertake a HR skills audit and come up with an HR strategy and career progression guidelines. The Board has also ensured continuous staff training and development with all staff undergoing refresher courses during the year in their respective profession.

The Board did formulate a new strategic plan for the year 2019 -2024 as the existing one expired. The Board also did forward to WASREB tariff study aimed at reviewing the applicable tariff to fund the strategic plan in the next five years. The board applied for operations license renewal from WASREB and is under review. The company has improved its corporate governance structure with a fully constituted Board.

In view of the measures undertaken the Board is optimistic of a satisfactory performance in the coming financial year and sustainable water and sewerage services to our customers and other stakeholders.

  
.....  
Eng, Joseph Wakimani  
**Chairman**

## REPORT OF THE CHIEF EXECUTIVE OFFICER

Financial year 2020/21 was an unprecedented year as COVID-19 affected all of our lives and forced us to adopt new ways of living and working. Kenyans witnessed a period of significant decline in the levels of economic activity spread across all sectors of the economy. The pandemic placed extra pressure on our financial situation stemming from lower revenues, increased costs particularly on fixed overheads such as for labour and inputs like chemicals and electricity. Hence the budget took into consideration the expected decline in revenue occasioned by the pandemic. Despite the challenges, we continued to honor our obligations both to our customers, suppliers and other stakeholders.

Recurrent expenditure focused on cut-down on non-essential spending in order to ramp up services particularly in vulnerable low-income communities.

The company however managed to post an improved revenue (billing) performance by 2% compared to the previous year amidst the covid-19 crisis that had a financial impact on the company. The company in that respect has devotedly continued partnering with the government in offering free hand washing water to public places to date. This performance was attributed to increased service connections from 36,315 to 38,343 active water connections. The annual water production increased by 3% from 13,670,384 m<sup>3</sup> in 2019/20 compared to 14,083,006 m<sup>3</sup> in FY 2020/21. The annual consumption decreased to 9,136,825 m<sup>3</sup> compared to 10,253,595 m<sup>3</sup> in the previous year. This decline in consumption is attributed to extended closure of some industries, hotels, hostels, schools and universities who falls under the major consumers' bracket and the introduction of movement cessation imposed by the government within the year.

The Non-Revenue water also increased during the year at 33%. This was attributed to the irregular meter reading that caused an accumulated lag of more than a month in last financial year when implementing the new billing system. To cover the lag, the days between consumer meter readings for the period averaged 20 days instead of the normal 30 days whilst the production bulk meter readings were for 30/31 days resulting in high NRW. We have however formulated monthly meter reading schedules that corresponds to the production days. The management has also among others things put in place measures to bring down NRW to below the sector benchmark of 25% by employing the caretaker approach by setting up of DMA in Witeithie and Gatuanyaga areas.

The company's main challenges include old and dilapidated water and sewerage infrastructure, inadequate water production, high electricity and chemical costs and low sewerage coverage. These challenges are being addressed by pursuing implementation of strategic projects aimed at addressing the challenges as highlighted in the Chairman's report.

The management team has also put in place measures to enhance efficiency in all operation areas so as to improve service delivery with expected revenue increase. This will enable the company to meet all the operational costs and at the same time bring the company to the desired sustainable levels. These measures that are in the implementation process through internal funding include:

- Rehabilitation of 1000m<sup>3</sup> prestressed concrete circular clean water tank and refurbishment of water treatment plant and replacement of filter media. -Treatment works rehabilitation.

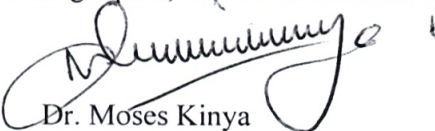
**REPORT OF THE CHIEF EXECUTIVE OFFICER(Continued)**

- Procurement of Land for Kariminu Mary Hill Water Supply Augmentation Project
- Rehabilitation of Kenya Tanning-Biafra Main line DN 500mm 0.5m length.
- Construction of additional Laterals in NAMSIP areas -Kiganjo DN 315mm 1.8m length
- Construction of additional laterals in NAMSIP area-Witeithie DN 315mm 1.8m length.
- Procurement of additional operations vehicles and motorbikes
- Procurement of a water bowser.
- Procurement of a stand-by pump and a 100KVA Standby genset
- Construction of office block

A total of 45.8 Km of water pipeline were laid during the year using internally generated funds that enable us extend coverage to an additional estimated population of 8700 people. In addition, 7.69 km of sewer pipeline were laid through the Kenya Urban Support Program (KUSP) Project as well as through company revenue that has enabled coverage in Kenya Tanning-Biafra, Kiganjo and Witeithie areas.

To mitigate against risks, we have embraced and implemented enterprise risk management with extensive training of both staff and board of directors, profiled our risks and developed risk registers with quarterly monitoring reports made a practice.

While the economic situation will remain challenging in the short-term, we are well placed to weather the storm considering our strong customer base and aligned efficiency improvement measures. Looking ahead, we will leverage the strength of our balance sheet and our resilient business model to ensure we continue to innovate and generate efficiencies to deliver sustainable and affordable services to our customers. The Board and management remain committed to improving service delivery guided by the initiatives that we have consolidated in our current strategic plan, and we are confident of a better future.

  
Dr. Moses Kinya  
**Managing Director**

**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020-2021**

Thika Water and Sewerage Company Ltd (THIWASCO) has *six* strategic themes within the current Strategic Plan for the FY 2019- FY 2024. These strategic pillars/ themes are as follows:

- 1) Infrastructural Development, Operations and Maintenance;
- 2) Customer Experience;
- 3) Financial Resource Mobilization and Prudent Utilization;
- 4) Institutional Capacity Building;
- 5) Risk Management
- 6) Visibility and Corporate Image

Thika Water and Sewerage Company Ltd develops its annual work plans based on the above six themes. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2020/2021 period for its six strategic pillars, as indicated in the diagram below:

Strategic Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Theme/ issue 1: <b>Inadequate sewer networks</b>	Upgrade sewer pipeline networks	Completed projects and of good. Standard	Identify the areas, prepare designs and procure the works. Identify the areas, prepare designs and undertake the works in house.  Supervise and commission the works for both water and sewerage networks	The company laid a total of 7698m of sewer network to sewer unserved areas  The company is also rehabilitating the collapsed section of the DN 600 Kangoki trunk sewer line for 1450m. The works are 75% complete.
<b>Water &amp; Sewerage Coverage</b>	Plan for increased coverage in water and sewerage pipeline networks	Completed projects and of good. Standard		The laid a total of 45,874m of new water pipeline to serve previously unserved customers, upgrade existing lines and in rehabilitation of aged lines
<b>Inadequate</b>	To review the		• Review of both	The company has

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<p><b>water production Capacity</b></p>	<p>existing water production facilities and their capacities To optimize the current water treatment works</p>		<p>design and tender documents</p> <ul style="list-style-type: none"> <li>• Procurement of the works to be carried out</li> <li>• Construction Supervision to completion and commissioning of the projects</li> </ul>	<p>embarked on internal works for the upgrading of the existing water treatment works worth KES 350m for the next 4 years. The first part of the expansion has commenced with works worth KES 33m. The works are expected to add an additional 20,000m<sup>3</sup> per day to the existing capacity of 36,000m<sup>3</sup> per day. Further the company under World Bank financing is working on a KES 1 billion project known as the Karimenu – Maryhill Water project expected to add 15,000m<sup>3</sup> per day. The designs for the works are complete pending procurement of contractors for the works.</p>
<p>Theme/ issue 3:</p>	<p>Mobilize adequate financial resources to make THIWASCO financially</p>	<p>Timely reporting System report Efficiency in Revenue collection No cheques</p>	<p>a) Roll out change management of staff b) Migrate to full system reporting (Intelligence reporting)</p>	<p>Implementation of revenue cashless operation and electronic mode of payment.</p>

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	stable	payments	c) Embrace revenue cashless operation d) Embrace electronic mode of payment.	
	effective revenue collection	Reduced long term /accumulated debts	Approval and implementation of debt collection Policy.	Approved policy in place
	Create awareness to potential customers on new connection processes and procedures.	Increased coverage level	Increasing customer connection through increased water and sanitation Coverage. Increased customer base by 2400 p.a.	Approved processes and procedures Increased revenue
	Develop the departmental budgetary estimates	Prepare the budget and have them approved	Request budgetary estimates from the departmental level. Consolidate all departmental needs/requirement identified during the budget rationalization process. Provide for these estimates in the procurement plans. Ensuring every procurement is Supported by a budgetary allocation. A budget review to	Approved annual budget Approved annual procurement plan Budgetary compliance Approved supplementary budget.

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			accommodate change in priority	
Theme/ issue 4: Manpower Gaps in the organization structure	To fill the positions with the qualified personnel	Recruit Development Manager and Mechatronic Engineer by October 2021. Conduct staff Deployment by March 2021. Establish Optimal Staffing level by October 2021	Recruitment <ul style="list-style-type: none"> <li>• Deployments with relevant skills</li> <li>• Established optimal staffing level</li> </ul>	Recruited Development Manager. Deployed staff as per the skills on February 2021. Have a draft report of Job evaluation exercise to establish optimal levels
	To undertake relevant training of staff	Trained 80% of our staff on relevant courses. Sponsored 5 staff on long courses/training. Conducting staff team building at every financial year. Embrace culture of Thiwasco through formulation of policy by the year 2021	Ensure that staff are adequately trained and developed <ul style="list-style-type: none"> <li>• Training staff on short courses</li> <li>• Sponsoring staff on long courses/training</li> <li>• promote team building among staff</li> <li>• enhance good corporate governance</li> <li>• culture change</li> <li>• Innovation and creativity</li> </ul>	Trained staff on performance and skilled courses. Cultural change among staff
Theme/ issue 3: Lack of proper Branding and Weak Publicity	Enhance the branding of the Company by 2020	% of company assets & properties and other corporate items are branded	Review of slogans, logo and color codes. Procure branding materials stationeries, umbrellas, tents, calendars, diaries,	Branded of all company vehicles, motorbikes, procurement of branded materials such as caps& t-shirts for tree planting, and sign

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			boda-boda jackets, vehicles, lesos, caps, shopping bags etc.	boards showing all our company assets and premises.
	Enhance stakeholder engagement and communication	% of well-designed items supplied on time by qualified designers	Branding of water kiosks	Updating the company's website. Renovation of water fountains
Inadequate CSI unique to THIWASCO	Develop and implement adequate CSI unique to THIWASCO	No. of CSR activities held Quarterly. No of trees planted per financial year	Develop and implement the CSI policy. Supporting and Planting 5,000 trees annually. Approve and implement the underserved and marginalized policy. Social connection in Low-income areas; waivers and parts payment. Face lifting of public schools.	CSR policy in draft form. Pro-poor policies approved and adopted by the Board of Directors. A total of 8,500 trees have planted, hitting our target of planting 5,000 trees every year. Continuous establishment and maintenance of cordial relations between the company and the general public through social media platforms, stakeholder engagement and corporate social responsibility. Partnered with government and private investors in supplying free handwashing units
Business process reengineering and automation	Automation and integration of the systems in all functions	-%Level of Automation -% Implementation level as Per Plan	-Develop and Implement a robust project management framework to govern all ICT projects	-Installed Sophos Firewall for tough security measures -Installed the Cloud Computing

THIKA WATER AND SEWERAGE COMPANY LIMITED  
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		<p>% Of Enterprise Data Integration</p>	<ul style="list-style-type: none"> <li>-Put in place limited system controls</li> <li>-Installing tough security measures like firewall</li> <li>-Source for the cloud data backup servers</li> <li>-Maintain ICT resources.</li> <li>-Develop and implement database systems</li> <li>-Installation of IPPBX telephone system</li> </ul>	<ul style="list-style-type: none"> <li>servers for data backup</li> <li>-Implementation of the Utility Master Billing System for the Commercial functions.</li> <li>-Equity bank and Co-operative bank payment integration with the Utility Master Billing System.</li> <li>-Tendered for the SAGE 300 System for automation and the integration of the HR, Finance and Procurement functions.</li> <li>-The IPPBX telephone system is in place and the phones have been configured.</li> </ul>
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### **CORPORATE GOVERNANCE STATEMENT**

To achieve its strategic objectives, THIWASCO is a regulated sector and governed by the Board of Directors. The Board is composed of competent, diverse and qualified members capable of exercising objective and independent judgment. The Board has appropriate autonomy and authority to exercise its functions and is accountable to shareholders (County Government of Kiambu) and acts responsibly towards stakeholders.

#### **Governance Principles**

- a) The composition and size of the Board provide a diversity of gender, competencies and skills required for the effective leadership of the organization. It is supposed to consist of 9 members.
- b) Existence of the board charter as stipulated in Mwongozo code of ethics.
- c) The Board provides strategic direction to the organization, exercises control and remains accountable to shareholders.
- d) The Board ensures that Board members are inducted and that their skills and knowledge are continually developed to enhance effectiveness.

THIWASCO Board is committed to the values and principles of good corporate governance. Good corporate governance requires that the Board of Directors must govern the Corporation with integrity and enterprise in a manner which entrenches and enhances the mandate it has of the water Act 2016. This embraces the company's interaction with customers, Kiambu County Government, National Government, Water Services Regulatory Board, Water Resources Management Authority and other stakeholders.

The Directors and Management of THIWASCO regard corporate governance as vital to the successes of the company and are unreservedly committed to ensuring that good corporate governance is practiced so that THIWASCO remains a sustainable and viable institution for providing water services in County Government of Kiambu municipality and its environs.

As a public service organization, THIWASCO's decisions are guided by the core tenets prescribed in the public Officers Ethics Act, and internal codes of conduct. We continually strive to strengthen and sustain the trust that the government, the water sector and the public have placed on us. Accordingly, the Board and its committees regularly evaluate the latest national policies and regulations with the aim of incorporating them in the business processes of THIWASCO so as to consistently deliver on our mandate.

#### **BOARD OF DIRECTORS**

The full Board of Directors meets at least four times a year as per the guidelines of WASREB. The Sub- Committees of the Board meet at least four times a year. The Directors are given appropriate information so that they can maintain full and effective control over strategic, Financial, Operational and compliance issues. Expert for direction and guidance on general policy, the Board has delegated authority for conducting of day business to the Managing Director. The Board nonetheless retains oversight responsibility for establishing and maintaining the control of financial operational and compliance issues.

#### **COMMITTEES OF THE BOARD**

The Board has set up the following committees which meet under well-defined terms of references. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

**CORPORATE GOVERNANCE STATEMENT (continued)**

**FINANCE AND ADMINISTRATION COMMITTEE**

This committee deals with Strategic, Financial, Commercial, procurement Human Resource, Administrative and ICT issues. It meets at a minimum of four times a year or as necessary. Its membership comprises; Lucy W. Kagume (Chairperson), Dr. Martin Njogu, William Kinyanjui Kimani, Bibiana Wanja Waiganjo Aidi and Bernard Maina Ruo. Its responsibility includes, reviewing of periodical financial reports, reviewing development, provision of performance contracts and Recurrent Budgets, opening and closure of bank accounts recommendation of Board's Strategic Plan, Procurement Plan and all staff matters.

**TECHNICAL COMMITTEE**

The committee deals with all operational and planning related issues which are technical in nature. The membership comprises: Bernard Maina Ruo (Chairperson), Dr. Martin Njogu, Juma Hemedi and Jackline N. Munene, Lucy Kagume, and David Kuria. Its responsibility includes overseeing the development of water infrastructure and ensuring standards set by the regulator are adhered to. This committee oversees planning, coordination and execution of development and rehabilitation projects to ensure expansion of reticulation system and to improve efficiency in water production and distribution including sewerage network.

**AUDIT COMMITTEE**

The Board has constituted an audit committee which meets four times a year or as necessary. Its membership comprises Juma Hemedi (Chairperson), David Kuria, Dr. Bibiana Wanja Waiganjo Aidi, William Kinyanjui Kimani and Dr. Jackline Nyambura Munene. Its Responsibilities include; examining and assessing the effectiveness of internal control systems, approving Internal Audit programs, carrying out special audits, deliberate on and propose solutions for any material finding in any audit report, verifying THIWASCO assets and liabilities, adopting pro-active risk-based approach to internal audit system and receiving report from the Chief Manager, Internal Auditor.

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**CORPORATE GOVERNANCE STATEMENT (Continued)**

**NUMBER AND NATURE OF MEETINGS HELD IN THE FINANCIAL YEAR 2020/2021**

<b>NO.</b>	<b>NATURE</b>	<b>FREQUENCY (No. of Times)</b>
	<b>FULL BOARD MEETINGS</b>	
A	Regular Full Board meetings	4
	<b>Other meetings attended by all Board members</b>	
B	Special meeting	2
C	Board retreat, Orientation, Interviews, Public Participation	3
	<b>Sub- total</b>	<b>9</b>
	<b>COMMITTEE MEETING</b>	
	<b>Regular committee meetings</b>	
A	Finance and Administration Committee	5
B	Technical committee	4
C	Audit Committee	6
	<b>Special Committee meetings</b>	
A	Board training on corporate Governance/Enterprise Risk Management /Performance Management training	6
B	Adhoc meeting attended by members	2
C	Select Committees, Special Committees	4
	<b>Sub-total</b>	<b>27</b>
	<b>Grand total on No. of meetings held</b>	<b>36</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### SECTION A

#### The company's operational and financial performance

The yearly performance for the financial year 2020/21 was highly affected by the Covid 19 pandemic as all schools including colleges and universities which are among our major consumers, hostels, a few industries closed down whereas the demand for water supply in the residential areas grew due to the stay-at-home edict.

Water production increased slightly by 3% while sales reduced significantly by 9% due to restrictions placed by the Government in an effort to curb the spread of the pandemic on cessation of movement, night curfews and closure of commercial enterprises and industries, hotels and entertainment establishments thus affecting the water demand.

During the year, the number of water connections increased from 36,315 to 38,343 water accounts recording 2,028 new water accounts while sewer accounts also recorded an increase of 1,016. Notably, the debtors reduced from Ksh. 546,612,575 to Ksh. 517,322,740.28 This performance was as a result of a collection initiative the company adopted and also accuracy in billing borne by an integrated billing system right from meter reading to collection of revenue. With the automated collection system, the company continued enjoying technological benefits both in water /sewer receipts and payments.

On internally Funded Projects, projects launched in the financial 2018-2019 had been successfully implemented except a few that took long than anticipated due to prolonged rains causing floods and cessation of movement due to COVID-19 pandemic. Projects planned for 2019-2020 were suspended due to cash flow constraint caused by effects of the Covid 19 pandemic, however within the year 2020-21, these projects were revived and have been ongoing at the year end.

#### Challenges

1. water production failing to meet the demand.
2. Increased private borehole developers who laid pipelines illegally, damaging our pipelines and proceeded to connect customers.
3. Encroachment by private developer in our water and sewer wayleaves.
4. High turbidity during rainy season.
5. Vandalism of water and sewerage infrastructure
6. Frequent damages of sewer and water Infrastructure by road, fiber cable and KPLC contractors.
7. Frequent power outages.
8. Flooding of Thika river intake that submerged our pumps leading to damaged motors.
9. Siltation of our intakes leading to wearing pump parts and as a result increased maintenance costs.
10. Old dilapidated pipeline networks along the CBD, prone to damages.

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

**Opportunities**

- Good geographical location.
- Good public goodwill.
- High demand for water and sanitation services.
- High population growth rate within our catchment
- Good regulatory environment
- Improved response time to leaks and blockages due to mobilization of the O&M teams through acquisitions of new pickups.

The company performance is set out in the Key Performance Indicators as set out by the water Service Regulator as follows;

Key Performance Indicators		EXPECTED	FY 2020/2021
1	Collection Efficiency (%)	>90	101%
2	O + M Cost Coverage (%)	>100	>100
3	Staff Productivity - staff per 1000 connections (Nr)	<6	5
4	Metering Ratio (%)	100	100
5	Personnel Expenditure as percentage of O&M Costs (%)	<35	45

**SECTION B**

**Company's compliance with statutory requirements**

The company was compliant on all water quality tests and statutory payments (Payroll)

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### SECTION C

#### KEY PROJECTS AND INVESTMENT DECISIONS THE ENTITY IS PLANNING/IMPLEMENTING

- Dam construction & treatment works /15,000m<sup>3</sup> p.d to boost water supply at kariminu-Mary hill area. (Argumentation project)
- Thika 3A water project that intends to construct a dam across Thika river with a raised intake under the Danida project.
- Efficiency Improvement Project aimed at increasing water production at the existing water treatment works through upgrading of treatment units using inclined settlers and energy efficient pumps.
- Rehabilitation and upgrade of the existing water network including but not limited to extensions in various areas i.e., Gatuanya-Munyu, Castle area, Witeithie, Gatuanyaga-Riverside, Ndula -Kilimambogo-Maguguni-Ngoliba, Ngoingwa Murram and JAMOFFOST.
- Rehabilitation/upgrading and extension of sewer through construction of additional lateral connecting to the newly laid NAMSIP trunk sewer line.

### SECTION D

#### MAJOR RISKS FACING THE ENTITY

The company's operations are exposed to the following types of risks;

##### **Operational Risk**

This is the risk faced in the normal operations when carrying out business. The major risk is the power (over reliance on a single supplier of energy) which drives both raw and treated water and may curtail the company to adequately meet the demand.

##### **Financial Risk**

Non-payment by customers/consumers, loss of revenue through illegal connections, bursts and leakages leading to non-revenue water.

##### **Legal risk.**

This is the risk that external providers may sue the company for non- payment.

### SECTION E

#### Material arrears statutory in /financial obligations

The company has outstanding arrears to;

- County Government of Kiambu
- Athi Water Works Development Agency (AWWDA)

## ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Environmental and sustainability reporting also referred to as Corporate Social Investment, refers to organizations embracing responsibility for their actions and participating in activities that bring positive impacts to the environment, in which they operate, the consumers, employees, communities, general members of the public and all the stakeholders. It involves proactively promoting the public stakeholder interests, and eliminating any practices that may harm the public. The decision maker puts into consideration the impact of the organization activities to the people, the environment and their profits. Businesses have to act ethically to gain positive public image. CSR activities were mainly done through undertaking activities in community public engagement meetings, charitable donations among others.

### i) ENVIRONMENTAL PERFORMANCE

#### 1) Tree Planting

Tree planting activities begun in April 2021 where we planted 2,500 trees at Ngoingwa reservoir donated by Equity Bank Thika Branch and 2,000 trees at our new sewerage treatment works-Kiganjo, Kangoki donated by the General Conference of Akorino Churches Assembly under the Akorino @100 years initiative. We also donated 1,000 tree seedlings to 12<sup>th</sup> Engineers Battalion.

The company participated in the tree planting initiative in conjunction with the County Government of Kiambu at Kinale and donated 3,000 tree seedlings. So far, we have planted 8,500 trees hitting our target of planting 5,000 trees every year.

#### 2) Rehabilitation of water fountains.

Eight (8) Nos. of the water fountains rehabilitated within the Thika C.B.D as listed below:

1. 2 at Mama Ngina Gardens
2. 1 opposite former Barclays Bank
3. 1 outside Nelleon centre
4. 1 at main stage
5. 1 at Jamhuri Market
6. 2 at Thika level 5

Benefits of the water fountains to the community.

- Our stakeholders and the local community members have access to clean safe drinking water at no cost.
- The water fountains are essentially being used as hand washing points especially during this Covid 19 pandemic period to promote personal hygiene to reduce the spread of the disease.
- As a public health measure, access to free clean water for drinking reduces the risk of water borne diseases which are common in the community.

#### 3) Covid -19 Hand wash program

This program was initiated in March 2020, to implement measures to help in reducing the risk of spread of the Novel Covid-19 disease. A committee was appointed by the Managing Director to oversee implementation of various activities. This is ongoing. It mainly involves:

- The company partnered with various stakeholders namely; Bidco Africa, Equity Bank, AWWDA, Broadways, Capwell Industries, Chania Sacco, Tsavo Merchants, B.A.T; to donate water tanks and

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)**

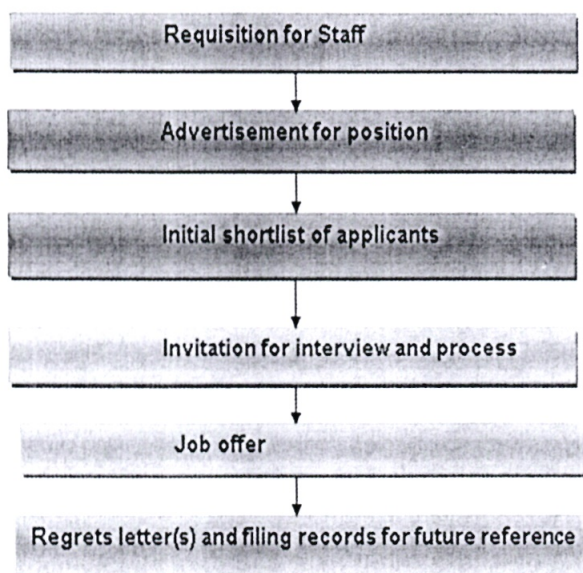
- handwash soaps. 92 operational handwash points placed at strategic public points such as bus terminus & market places were installed.
- Supplying free water in our installed 92 public handwash points to reduce the spread of the novel Covid -19 and other waterborne diseases such as Cholera through encouraging proper hygiene behaviors through handwashing.
- Thiwasco staff were also trained on preventive measures against Corona Virus at the work place by MOH.

**ii) Employee welfare**

THIWASCO is guided by an approved HR manual/policy on matters employee welfare, which is in line with the relevant regulations in Human Resources Management and the provisions of Employment Act, 2007 and other regulations. The recruitment process complies with chapter 6 of the constitution of Kenya laying emphasis on the following pillars;

- Leadership and integrity
- Gender representation
- Diversity of the country

**Summary of THIWASCO'S Recruitment Process**



The company recognizes the importance of training and development of the employees that are directed towards achieving the following objectives: -

- a) Assist each employee to gain competence and skills in preparation for more responsible positions within the company and to help each employee to prepare for change as the company develops to meet changing needs
- b) To allow employees to achieve their potential and career aspirations within the Company;

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)**

- c) To ensure that learning and development activities are implemented in a structured and objective manner;
- d) To enhance the company's ability to adopt and use advances in change and technology because of a sufficiently knowledgeable staff;
- e) To build a more efficient, effective and highly motivated team, which enhances the company's competitive position and improved employee morale; and
- f) To promote the use of the full range of development opportunities, ensuring that where a formal course is chosen it is the most appropriate solution.

The company has adopted the Balanced Scorecard approach to performance management. The Scorecard is based on four perspectives that are assigned weights as follows:

Customer/Market Perspective – 80%

Internal Business Processes Perspective – 5%

Financial Perspective – 10%

Business Enablers Perspective -5%

On OSHA, Commitment of the Company and its employees is guided through implementation of the Occupational Health and Safety Act (OSHA), the approved policy is Cascaded through all sections. Also, in place is the occupational, health and safety committee in Company in compliance with OSHA regulations.

**iii) Market place practices-**

The company has a draft anti-Corruption policy awaiting Boards approval that is in line with The Anti-Corruption and Economic Crimes Act 2003 and The Public Officer Ethics Act, 2003.

All Staff Members have signed a declaration of their observance of the code of conduct, upon joining the Company which they endeavor to comply with in day to day work.

Lack of compliance would lead to disciplinary measures including summary dismissal, as per the Company Disciplinary Policy.

The company is guided by procurement policy/ manual that is compliance with the public procurement and Assets Disposal Act, 2015. Procedure covers procurement planning, registration of suppliers, processing of requisitions, bidding, contracts management and receipt and issuance of goods and services.

**iv) Corporate Social Investments / Community Engagements**

**Community Engagement**

**1) Public participation meetings/Stakeholder's engagement meeting**

Held on 26<sup>th</sup> May 2021 at Eton Hotel.

This was to sensitize customers in the aforementioned on; Update on the commencement of the Consultancy Services for Detailed Design Review, ESIA, RAP and Supervision of works for **The Proposed Thika Water Supply Augmentation Project Karimenu – Maryhill Water Works: Contract No. KE-THIWASCO-18892-CS-QCBS.**

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)**

**2) Water Clinics:**

Due to Covid 19 outbreak, public water clinic meetings were not held.

During the customer service week, we facilitated sensitization to customers via ecards through our social media platforms.

Our customers were sensitized on:

- i. How to use USSD Code
- ii. Current water rationing program
- iii. Water saving tips
- iv. Cashless modes of payment and ongoing projects.
- v. In addition, we also sensitized them on how to settle their bills via Mpesa and at the bank and Equity agents.
- vi. Exhauster and water bowser services.
- vii. Continuous projects update through e-cards and e-monthly publications

**3) Community meetings**

The community was mobilized to attend the public meetings in regard to the Karimenu - Mary hill water Augmentation project. The public meetings for ESIA Activities were held in May 2021, organized in conjunction with SMEC Consultant in the various locations such as Maryhill Ngoingwa Tola, Witeithie, Munyu, Kiganjo, Gatwanyaga among others

**4) Other Charitable donations and activities**

- **Donating of Thiwasco bottled water**
- **Charity Lions Diabetic Walk:** Sponsored the 20 km walk to raise funds on 14th November 2020.
- **Annual customer service week** -5<sup>th</sup> -9<sup>th</sup> October 2020.

**5) FUTURE PLANS.**

- Continuously donating water tanks for handwash in schools and other institutions
- Face lifting of various public schools
- Plans to continue with our annual tree planting program with a target of 5000 trees yearly.
- Continue providing our services closer to the people through water clinics and public participation programs quarterly.
- Branding of water kiosks in low-income areas and building new ones.
- Clean up activities within our area of jurisdiction
- Participate in the Annual Forest challenge
- Participating in marathon e.g., Ndakaini marathon.

## 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 THIWASCO affairs.

### Principal activities

The principal activities of THIWASCO are to ensure efficient and sustainable provision of quality and affordable water and sewerage services in its area of jurisdiction. The core business includes the following: 1. Sourcing for water

2. Treatment of water
3. Collection and treatment of sewerage
4. Distribution of water
5. Billing customers for water and sanitation service provision
6. Revenue collection

### Results

The results of THIWASCO for the year ended June 30, 2021 are set out on page 1-36

### Dividends

The directors do not recommend the payment of dividends within the financial year ended June 2021.

### Directors

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

### Auditors

The Auditor General is responsible for the statutory audit of THIWASCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

.....  
Nyongesa Nafula & Co. Advocates  
Company Secretary

Date: 24/3/21

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of THIWASCO's financial statements, which give a true and fair view of the state of affairs of THIWASCO for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes:

- i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of THIWASCO;
- 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 THIWASCO;
- v) selecting and applying appropriate accounting policies; and
- vi) making accounting estimates that are reasonable in the circumstances.

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

### Approval of the financial statements

THIWASCO's financial statements were approved by the Board on...<sup>24</sup>... March 2022 and signed on its behalf by:

Chairman of the Board  
Eng. Joseph M. Wakimani

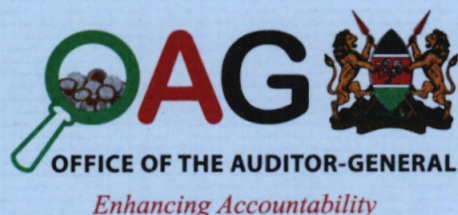
Sign...

Managing Director  
Dr. Moses Kinya

Sign...

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

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

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Thika Water and Sewerage Company Limited set out on pages 1 to 40, which comprise the statement of financial position as at 30 June, 2021, and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Thika 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 Public Finance Management Act, 2012, Companies Act, 2015 and the Water Act, 2016.

### **Basis for Qualified Opinion**

#### **1. Presentation and Disclosures in the Financial Statements**

The financial statements presented for audit as at 30 June, 2021 have the following errors and omissions:

- i. Corporate Governance statement lacks individual Board member score card
- ii. Environmental and sustainability reporting has the following missing headings : -  
Sustainability strategy and profile  
Responsible competition practice  
Responsible supply chain and supplier relations  
Responsible marketing and advertisement  
Product stewardship
- iii. The Independent Auditors section lacks the Auditor-General as the Auditor of the Company
- iv. The financial statements reflect the statement of profit and loss and other comprehensive income for the year ended 30<sup>th</sup> June, 2021 instead of the statement of profit or loss and other comprehensive income for the year ended 30 June, 2021.
- v. The statement of financial position reflects creditors and accruals and inventory while Notes 21(a) and Note14 reflects trade and other payables and inventories respectively.
- vi. The section under management team contains names and qualifications of the management team. However, the section reflects no information on years of experience and dates of appointments.

This is 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 which states that, the Accounting Standards Board shall provide frameworks and set generally

accepted standards for the development and management of accounting and financial systems by all State organs and public entities

In the circumstances, the annual report and the financial statements for the year ended 30 June, 2021 as prepared and presented are not as per the International Financial Reporting Standards (IFRS) prescribed format.

## **2. Understated Revenue**

The statement of profit or loss and other comprehensive income as at 30 June, 2021, reflects Kshs.659,981,000 as revenue from water billing services. However, the billing data provided for audit review revealed that the Company had adjusted downwards water billing revenue by Kshs.40,681,251. No plausible explanation was provided for the adjustments.

In the circumstances, the accuracy of total billing revenue of Kshs.659,981,000 could not be confirmed.

## **3. Variances in Trade and Other Receivables**

The statement of financial position as at 30 June, 2021 and the corresponding Note 15 reflects net trade and other receivables balance of Kshs.451,749,000. Included in this balance is Kshs.440,752,000 in respect of water debtors. Further, Note 15(a) to the financial statements reflects gross trade receivables amount of Kshs.517,323,000 with a provision of Kshs.76,570,000 for bad and doubtful debts. However, the aging analysis provided reflects a balance of Kshs.505,368,000 which differs with the gross trade receivables balance of Kshs.517,323,000 resulting to unreconciled variance of Kshs.11,955,000.

As a result, the accuracy of the trade and other receivables balance of Kshs.451,749,000 could not be confirmed.

## **4. Non-Disclosure of Water Inventory**

The statement of financial position as at 30 June, 2021 reflects an inventory balance of Kshs.33,095,000 which includes pipes and fittings, chemicals and water meters. However, the Management did not disclose the undetermined opening and closing water stocks held in the reservoirs, water treatment plant and in the water system in the financial statements, which should have been a part of cost of sales.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.33,095,000 could not be confirmed.

## **5. Accuracy of the Statement of Cash Flows**

The statement of cash flows for the year ended 30 June, 2021 reflects comparative cash and cash equivalents at the end of the year balance of Kshs.19,043,829,000 while the cash and cash equivalent at the beginning reflects Kshs.19,044,000 resulting to unexplained variance of Kshs.19,024,785,000. Further, the statement of cash flows presented does not reflect the section of cash flows from financing activities.

In the circumstances, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2021 could not be confirmed.

## **6. Property Plant and Equipment**

### **6.1 Lack of Ownership Documents for Motor Vehicles and Motor Cycle**

Review of motor vehicles and Motor cycle ownership documents revealed that ownership documents of seven (7) motor vehicles and one motor cycle in the Company's fleet list were not provided for audit review.

As a result, the ownership, validity and completeness of motor vehicles and cycles of Kshs.24,333,000 could not be confirmed.

### **6.2 Lack of Land Ownership Documents**

The statement of financial position reflects property, plant and equipment balance of Kshs.315,826,000 as disclosed in Note 13 which includes land valued at Kshs.28,596,000. A review of land documents revealed that, the Company had 30 parcels of land that had no ownership documents.

In the circumstances, the completeness and ownership of the parcels of land of Kshs.28,596,000 could not be confirmed.

## **7. Unsupported Creditors and Accruals**

The statement of financial position and as disclosed in Note 21(a) reflects creditors and accruals balance of Kshs.218,014,000. This balance comprises of payables to the defunct Municipal Council of Thika and Athi Water Services Board of Kshs.48,502,827 and Kshs.169,511,521 respectively. However, no documents were provided to support these balances. Further, the payables are long outstanding and the Company did not provide reasons for non-settlement of the payments.

In the circumstances, the accuracy and completeness of the creditors and accruals balance of Kshs.218,014,000 could not be confirmed.

## **8. Unauthorized Borrowing from Customers Water Deposits**

The statement of financial position reflects customer deposits balance of Kshs.83,199,000 and as disclosed in Note 21(b). During the year under review, an internal borrowing from the customer deposits of Kshs.24,875,000 was made. However, the board approval for this internal borrowing was not provided for audit review. In addition, the corresponding cash book balance for customer deposits reflects Kshs.39,804,508 while Note 19 under bank and cash balances reflects Kshs.39,087,000 resulting to unexplained variance of Kshs.2,492. Further, the customers' deposits ledger was not submitted for audit review.

In the circumstances, the accuracy and completeness of customer deposits balance of Kshs.83,199,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Thika 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**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amount reflects final budget and actual on comparable basis of Kshs.707,348,000 and Kshs.728,278,000 respectively resulting to an over-collection of Kshs.20,004,000 or 3% of the budget. Similarly, the Company spent Kshs.675,202,000 against an approved budget of Kshs.728,278,000 resulting to an under-expenditure of Kshs.53,076,000 or 7% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the stakeholders.

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

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

#### **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. Delayed Project Completion**

The Company entered into a contract dated 1 April, 2019 with a construction company to rehabilitate Kangoki trunk sewer project at a contract price of Kshs.27,587,849 for a duration of six (6) months. An extension of time was requested and granted by fifteen (15) weeks through a letter dated 7 December, 2020, to a revised completion date of 15 January, 2021 at no extra cost. An amount of Kshs.20,717,550 was paid as at 30 June, 2021 out of which Kshs.10,698,519 was paid during the year under review. Further, review of documents revealed that the performance bond lapsed on 22 February, 2021 and it has not been renewed, and the project was still incomplete.

In the circumstances, value for money, effectiveness and efficiency of the resources spent on the project could not be confirmed.

### **2. Lack of Completion, Inspections and Acceptance Certificates**

During the year under review three (3) internally funded projects including upgrading and extension of water supply pipeline at Kisii-landless-Kwa Jomo were awarded to a company at a contract sum of Kshs.12,863,670. Kshs.7,780,522 was paid during the year under review. However, no completion and inspection and acceptance certificates and reports were not provided for audit review.

In the circumstances, the validity and value for money on the projects could not be confirmed.

### **3. Non-Revenue Water**

During the year ended 30 June, 2021, the Company produced water totalling to 14,083,006 cubic meters (m<sup>3</sup>) an increase of 3% from previous year production of 13,687,384 cubic meters (m<sup>3</sup>). The Company's annual consumption was 9,136,825 m<sup>3</sup> which is approximately 66% of the total production. However, the Company had no organizational policies and strategies in place for managing the levels of non-revenue water of 33% of the total production due to theft, non-functioning water meters and active leakage leading to approximately Kshs.221,100,000 in lost revenue.

In the circumstances, the organizational policies and strategies in place for managing the levels of non-revenue water could not be confirmed.

#### **4. Use of Outdated Billing Tariffs**

During the year under review, the Company reported water and sewer billing revenue of Kshs.659,980,683. However, the tariffs used was based on a gazette notice of 18 November, 2016 for financial years 2016/2017, 2017/2018 and 2018/2019. As a result, the tariffs in use were outdated. In addition, the license and tariffs were based on the Water Act, 2002 which was repealed and replaced with the Water Act, 2016.

In the circumstances, the Company's compliance with Water Services Regulatory Board (WASREB) regulations on use of approved tariffs could not be confirmed.

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 matter 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**

##### **Lack of IT Strategic Plan and Data Recovery Plan**

Review of the Company's Information Technology (IT) controls revealed that the Management was running Enterprise Resource Planning (ERP) applications for customer service, billing and revenue collection, procurement, payroll and financial reporting. In addition, the Company had an approved IT security policy in place, active IT steering committee and training program in place to build IT capacity. However, the following deficiencies were noted: -

- i. There was no IT strategic plan that supports business requirements and ensures that IT spending remains within the approved IT strategic plan.
- ii. There was no approved disaster recovery plan.
- iii. There were no policies in place which cover physical access to IT environments.

iv. The Company did not have a formal, documented and tested emergency procedure.

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

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of 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 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.

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 money is applied in an effective manner.

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 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 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 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:

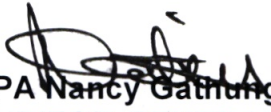
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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**

**14 July, 2022**

THIKA WATER AND SEWERAGE COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2021

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

		2020/2021	2019/2020
<b>REVENUE</b>	<b>Notes</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
Billing	6	659,981	649,543
Cost of sales	7	129,983	-
<b>Gross profit</b>		<b>529,998</b>	<b>649,543</b>
Other income	8(a)	19,476	10,022
Donations and grants	8(b)	47,895	770
<b>TOTAL REVENUE</b>		<b>597,368</b>	<b>660,335</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	10	522,869	115,486
Board expenses	(a)	-	6,491
Staff Costs	(b)	-	290,923
Operations and Maintenance Costs	(c)	-	220,538
General expenses	(d)	-	11,686
<b>TOTAL OPERATING EXPENSES</b>		<b>522,869</b>	<b>645,124</b>
<b>Profit before taxation</b>		<b>74,500</b>	<b>15,211</b>
Income tax expense (30%)	12	22,350	4,563
<b>Profit after taxation</b>		<b>52,150</b>	<b>10,648</b>
ADD: Interest from FDA	9	926	3,610
<b>Profit after Interest and tax</b>		<b>53,076</b>	<b>14,258</b>

THIKA WATER AND SEWERAGE COMPANY LIMITED  
Annual Reports and Financial Statements for the year ended June 30, 2021

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

		2020/2021	2019/2020
		ksh''000''	ksh''000''
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Land	13	28,596	-
Property, Plant and Equipment	13	287,230	273,911
<b>TOTAL NON-C. ASSETS</b>		<b>315,826</b>	<b>273,911</b>
<b>CURRENT ASSETS</b>			
Inventory	14	33,095	21,937
Trade and other receivables	15	451,749	464,721
VAT recoverable	16	14,342	14,342
Deposits & prepayments	17,18	20,600	73,124
Cash & Bank balances	19	107,405	19,043
<b>TOTAL CURRENT ASSETS</b>		<b>627,191</b>	<b>593,167</b>
<b>TOTAL ASSETS</b>		<b>943,018</b>	<b>867,078</b>
<b>FINANCED BY:</b>			
Share Capital	20(a)	100	100
Capital reserve	(b)	223,237	223,237
General Reserve	(c)	132,586	63,605
<b>TOTAL EQUITY</b>		<b>355,923</b>	<b>286,942</b>
<b>NON-CURRENT LIABILITIES</b>			
Creditors & Accruals	21(a)	218,014	218,014
Customers water Deposits	(b)	83,199	94,259
Long term loan	(c)	24,875	-
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	(d)	114,141	149,748
Provisions	(e)	146,866	118,115
<b>TOTAL LIABILITIES</b>		<b>587,095</b>	<b>580,136</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>943,018</b>	<b>867,078</b>

The financial statements were approved by the Board on 24. March 2022 and signed on its behalf by:

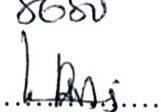
Chairman of the Board  
Eng. Joseph M. Wakimani

Managing Director  
Dr. Moses Kinya

Head of Finance  
CPA. Rosemary Wamaitha  
MBR/No. 8680

Sign.....

Sign.....

Sign.....

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

	<i>Share Capital</i>	<i>General Reserves</i>	<i>Capital Reserve</i>	<i>Total</i>
	<i>ksh''000''</i>	<i>ksh''000''</i>	<i>ksh''000''</i>	<i>ksh''000''</i>
<i>Balance as at 1st July 2019</i>	<i>100.00</i>	<i>88,358</i>	<i>223,237</i>	<i>311,695</i>
<i>Prior year Adjustment</i>		<i>4,545</i>		<i>4,545</i>
<i>Prior year Adjustment</i>		<i>(43,556)</i>		<i>(43,556)</i>
<i>surplus for the period</i>		<i>14,258</i>		<i>14,258</i>
<i>Balance as at 30 June 2020</i>	<i>100</i>	<i>63,605</i>	<i>223,237</i>	<i>286,942</i>
<i>Balance as at 30 July 2020</i>	<i>100</i>	<i>63,605</i>	<i>223,237</i>	<i>286,942</i>
<i>Prior year Adjustment</i>	<i>-</i>	<i>15,905</i>	<i>-</i>	<i>15,905</i>
<i>surplus for the period</i>	<i>-</i>	<i>53,076</i>	<i>-</i>	<i>53,076</i>
<i>Balance as at 30 June 2021</i>	<i>100</i>	<i>132,586</i>	<i>223,237</i>	<i>355,923</i>

THIKA WATER AND SEWERAGE COMPANY LIMITED  
Annual Reports and Financial Statements for the year ended June 30, 2021

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

		<b>2020/2021</b>	<b>2019/2020</b>
	<b>Notes</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
<b>Cash generated from/ (used in) operations</b>	<b>22</b>	150,697	<b>81,037</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	13	-35,518	-51,698
Land		-28,596	0
Proceeds from disposal of property		1,779	185
Net cash generated from/ (used in) investing activities		-62,334	-51,513
Increase/(decrease) in cash and cash equivalents		88,363	29,521
Cash and cash equivalents at beginning of the year		19,044	-10,477
<b>Cash and cash equivalents at end of the year</b>		<b>107,406</b>	<b>19,043,829</b>

THIKA WATER AND SEWERAGE COMPANY LIMITED  
 Annual Reports and Financial Statements for the year ended June 30, 2021  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE  
 PERIOD ENDED 30 JUNE 2021**

		Original budget	Adjustments	Final budget	Actual on comparabl e basis	Performan ce difference	Varian ce
		2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	(%)
No.	Revenue	Kshs ('000')	Kshs ('000')	Kshs ('000')	Kshs ('000')	Kshs ('000')	
1	Billing revenue	750,000	(120,000)	630,000	659,981	29,981	5%
2	Other income	10,811	3,812	14,623	20,402	5,779	40%
3	Donations and grants	-	62,725	62,725	47,895	(14,830)	-24%
	<b>Total income</b>	<b>760,811</b>	<b>(53,463)</b>	<b>707,348</b>	<b>728,278</b>	<b>20,004</b>	<b>3%</b>
	<b>Expenses</b>						
4	Administration Costs	73,670	10,640	84,310	87,925	(3,615)	-4%
5	Board Expenses	10,000	-	10,000	10,755	(755)	-8%
6	Staff costs	310,427	(21,940)	288,487	283,820	4,667	2%
7	Operations & Maintenance Costs	262,685	(18,004)	244,681	238,464	6,217	3%
8	General Expenses	7,850	250	8,100	11,468	(3,368)	-42%
9	Income tax expense	-	-	-	22,350	(22,350)	-
	Depreciation cost				20,419	(20,419)	-
	<b>Total expenditure</b>	<b>664,632</b>	<b>-</b>	<b>635,578</b>	<b>675,202</b>	<b>(39,624)</b>	<b>-</b>
	<b>Surplus for the period</b>	<b>96,179</b>	<b>(53,463)</b>	<b>71,770</b>	<b>53,076</b>	<b>19,620</b>	<b>-</b>

Note:

- a) The administrative costs, Board expenses, staff costs & operation and maintenance are within the budgetary limits of under 10% /over as provided for in the template.
- b) General expenses surpassed the budget by 3,368,000 due to re-organization as the template of other office expenses which was budgeted under administrative costs

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Thika water and sewerage company Ltd, is established by and derives its authority and accountability from PFM Act. THIWASCO is wholly owned by the Kiambu County Government of Kenya and is domiciled in Kenya. The principal activity of THIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in its area of jurisdiction.

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

The financial statements have been prepared on a historical cost basis. 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 THIWASCO's accounting policies.

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

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

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

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

#### IFRS 16: Leases

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 recognize 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 recognize 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.

### 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

Revenue is recognized to the extent that it is probable that future economic benefits will flow to THIWASCO and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of THIWASCO's activities.

- i. **Revenue from the sale of goods and services** is recognized in the year in which *THIWASCO* delivers services to customers/consumers, Meter readings carried out and billed for units consumed.

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

- ii. **Grants from National Government** are recognized in the year in which THIWASCO actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii. **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in the comprehensive income statement on a time proportion basis using the effective interest rate method.
- iv. **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v. **Other income** is recognized as it accrues.

**b) In-kind contributions**

In-kind contributions are donations that are made to THIWASCO 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, THIWASCO 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 recognized in profit or loss in the income statement.

**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 cost of ongoing but incomplete works on buildings and other civil works and installations.

THIKA WATER AND SEWERAGE COMPANY LIMITED  
Annual Reports and Financial Statements for the year ended June 30, 2021  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The annual rates in use are:

Freehold Land	Nil
Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

**e) Intangible assets**

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

**f) Amortization and impairment of intangible assets**

Amortization is calculated on the reducing balance method over the estimated useful life of computer software of three years.

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

**g) Finance and operating leases**

Leases which confer substantially all the risks and rewards of ownership to THIWASCO are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

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

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

**h) Inventories**

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

**i) 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.

**j) Taxation**

**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 THIWASCO 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 THIWASCO operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and 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.

**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 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

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

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.

**k) Cash and cash equivalents**

Cash and cash equivalents comprise cash at hand and cash at bank.

Bank account balances include amounts held at the Company's Bank accounts at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**l) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

**m) Trade and other payables**

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

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

**n) Retirement benefit obligations**

THIWASCO operates a defined contribution 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. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 15% of basic pay plus house allowance, per employee per month.

**o) Provision for staff leave pay**

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

**p) Budget information**

The original budget for FY 2020-2021 was approved by the Board of directors in February 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 THIWASCO upon receiving the respective approvals in order to conclude the final budget. The need to review the budget was necessitated by need to cut down on non-essential spending and redirect expenditure to stabilization of the operations against by backdrop of an anticipated economic downturn resulting from the Covid-19 pandemic.

THIWASCO'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. 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.

**q) Comparative figures**

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

**r) 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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of THIWASCO'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.

#### I. 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. THIWASCO 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 THIWASCO. Such changes are reflected in the assumptions when they occur.

#### II. 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
- Changes in the market in relation to the asset

#### III. Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date.

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

		2020/2021	2019/2020
<b>6</b>	<b>BILLING/REVENUE</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
	Water & Sewer sales	659,981	649,543
	<b>Total water &amp; sewer sales</b>	<b>659,981</b>	<b>649,543</b>
<b>7</b>	<b>Cost of sales</b>		
	Electricity on production	110,788	-
	Chemicals	19,195	-
	<b>Total cost of sales</b>	<b>129,983</b>	<b>-</b>
<b>8(a)</b>	<b>OTHER INCOME</b>		
	Sewer Connection charges	2,418	3,792
	Water connection charges	5,408	-
	Exhauster services	228	-
	Reconnection fee and penalties	4,834	-
	Other Miscellaneous Income	395	6,121
	Water tanker	734	-
	Gain on disposal	38	109
	Decrease in provision for bad debts	5,422	-
	<b>Total miscellaneous income</b>	<b>19,476</b>	<b>10,022</b>

Revenue generated from Water connection, exhauster, reconnections and water illegalities were included under Miscellaneous income in the previous year.

Water tanker wasn't there the previous year hence No allocation in terms of its income.

		2020/2021	2019/2020
<b>8(b)</b>	<b>DONATIONS AND GRANTS</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
	<b>Donations for COVID-19</b>	<b>-</b>	<b>770</b>
	Grant WSTF - CLSG	44,125	-
	Grant-WSTF (In kind)	3,770	-
	<b>Total grants</b>	<b>47,895</b>	<b>770</b>
<b>9</b>	<b>Interest from Commercial bank - Fixed Deposit Account</b>	<b>926</b>	<b>3,610</b>

THIKA WATER AND SEWERAGE COMPANY LIMITED  
Annual Reports and Financial Statements for the year ended June 30, 2021  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

		<b>2020/2021</b>	<b>2019/2020</b>
<b>10</b>	<b>ADMINISTRATION COSTS</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
	Board expenses(10a)	10,755	-
	Staff costs (10b)	283,820	-
	Operations and maintenance (10c)	108,481	-
	General expenses (10d)	11,468	-
	Office rent	1,915	1,752
	Publishing, Printing and Stationery	3,157	2,897
	Postal, Bulk SMS, Telephone & internet expenses	9,419	1,268
	Telephone expenses	-	1,314
	Audit fees	421	421
	Workshop and conferences	3,783	1,581
	Legal and Professional fees	6,439	7,416
	Advertising and publicity Expenses	1,006	1,486
	Staff welfare	796	-
	Staff Training Expenses	8,800	-
	Terminal dues	80	-
	License renewals	1,079	409
	Insurance	4,551	3,650
	Travel expenses-Mileage	-	373
	Travelling and Accommodation -Local	12,568	5,842
	Travelling and Accommodation -External	-	3,476
	Staff team building	-	13
	Staff wellness program	1,527	-
	Depreciation	20,419	23,528
	Bank Charges & commissions	523	1,162
	General office expenses	-	4,114
	COVID-19 Measures	1,878	1,584
	Security	12,051	10,879
	OSHA Programme	55	392
	Staff uniforms	2,601	939
	Computer Accessories, maintenance & repair	1,015	462
	Computer repair & maintenance	-	136
	Internet expenses	-	4,992
	Telephone IPBX (Desktop wireless)	860	-
	Enterprise risk management	912	1,380
	Bad debts written off	12,489	20,230
	Increase in provision for bad debts	-	2,679
	Provision for receivables-wsp	-	11,110
	<b>Total Administrative costs</b>	<b>522,869</b>	<b>115,485</b>

THIKA WATER AND SEWERAGE COMPANY LIMITED  
Annual Reports and Financial Statements for the year ended June 30, 2021  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

		2020/2021	2019/2020
10a)	<b>BOARD EXPENSES</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
	Board Allowances & expenses	9,795	5,531
	Honoraria	960	960
	<b>Total Board expenses</b>	<b>10,755</b>	<b>6,491</b>
	The board was fully constituted unlike in the previous period.		
		2020/2021	2019/2020
10b)	<b>STAFF COSTS</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
	Salaries and Allowances	219,063	220,987
	Casual wages and interns	4,463	3,221
	Pension Employers contribution	21,603	22,533
	N.S.S.F Employers contribution	345	317
	Overtime allowance	4,966	6,526
	Performance Bonus	3,842	2,946
	Gratuity	9,455	8,665
	Final/Terminal dues	-	1,329
	Staff welfare	-	457
	Provision for Staff service pay	6,830	8,409
	NITA	390	-
	Medical expenses	12,863	9,288
	Staff Training Expenses	-	6,245
	<b>Total staff costs</b>	<b>283,820</b>	<b>290,923</b>
	<b>The average No. of employees at end of the period was:</b>		
	Permanent employees-Management	22	22
	Permanent employees-Unionisable	195	204
	Temporary & contracted employees	24	25
	<b>Total</b>	<b>241</b>	<b>251</b>

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

10c)	<b>OPERATIONS AND MAINTENANCE COSTS</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
	Rehabilitation and improvement of treatment works	7,495	-
	Repairs & maintenance Building & stations	1,326	2,254
	Motor vehicle Operating Expenses	10,015	7,873
	Electricity	10,082	118,624
	Chemicals	-	20,376
	Water meters	13,552	10,990
	Abstraction Levies-WRA	5,761	5,632
	Effluent discharge Levies-WRA	4,675	-
	Sewer discharge licences-NEMA	-	100
	Regulatory Levy -WASREB	26,961	26,382
	Standards levy (KEBS)	136	132
	Pipes & fittings	13,444	16,533
	water testing	183	103
	Other tools & equipment	3,321	1,250
	Repairs & maintenance of plant, machinery, equipment & pumps	11,530	10,290
	<b>Total Operational Costs</b>	<b>108,481</b>	<b>220,539</b>

Inclusive in motor vehicle/Cycles Operating Expenses, in a fleet transferred to the company by Athi Water Works Development Agency. (AWWDA) and the defunct Municipal Council of Thika.

REG. NO	MAKE	MODEL	OWNERSHIP
GK 298B	Honda	D 200	Defunct Municipal Council of Thika
GK 238K	Suzuki	TS 185	Defunct Municipal Council of Thika
GK 239K	Suzuki	TS 185	Defunct Municipal Council of Thika
KBG 653C	Suzuki	TS 125	AWWDA
KBG 654C	Suzuki	TS 125	AWWDA
KBG 655C	Suzuki	TS 125	AWWDA

		<b>2020/2021</b>	<b>2019/2020</b>
10d)	<b>GENERAL EXPENSES</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
	Subscription fees	580	456
	Corporate Social responsibility	970	1,644
	Cleaning materials	-	758
	Other office expenses	4,349	-
	Stake holders	2,705	1,030
	Annual internal stakeholders meeting	1,656	1,576
	ISO 9001:2015 Audits	1,117	482
	Asset tagging	84	-
	Branding of company properties	7	-
	Sports-WASCA	-	4,906
	Other sports events	-	833
	<b>Total general expenses</b>	<b>11,468</b>	<b>11,685</b>

WASCO games didn't take place during the year due to restrictions borne by the pandemic outbreak and adherence to the Government directives and guidelines on Covid 19.

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

**11) Operating profit/ (loss)**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>ksh''000''</b>	<b>ksh''000''</b>
<b>The operating profit/(loss) is arrived at after charging/(crediting):</b>		
Staff costs (note 10b)	283,820	290,923
Depreciation of property, plant and equipment	20,419	23,528
Board Expenses (note 10a)	10,755	6,491
Operations and Maintenance costs (note 10c)	108,481	220,539
Bad debts write off	12,489	20,230
General Expenses (note 10d)	11,468	11,685
Provision for bad and doubtful debts	(5,422)	13,789
Auditors' remuneration - current year fees	421	421

**12) INCOME TAX EXPENSE/(CREDIT)**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>ksh''000''</b>	<b>ksh''000''</b>
Taxation expense is based on PBT for the year at 30%	<b>22,350</b>	<b>4,563</b>
Current year deferred tax charge	0	0
<b>Total</b>	<b>22,350</b>	<b>4,563</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13) PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	LAND	BUILDINGS	PLANT & EQUIPMENTS	FURNITURE & FITTINGS	MOTOR VEHICLES/BIKES	OFFICE EQUIPMENTS	BORE HOLE	METER READING DEVICES	SOFTWARES	CAPITAL WORK IN PROGRESS	WATER & SEWERAGE INFRASTRUCTURE	TOTALS
<b>COST</b>												
BAL B/F: 1.7.2019	-	4,708	30,034	7,314	17,313	20,646	9,433	466	12,598	-	200,142	302,654
ADDITIONS FOR THE YEAR:	-	-	1,953.60	540.86	16,404.00	1,665.28	9,256.46	-	1,999.84	-	19,877.86	51,697.90
DISPOSAL FOR THE YEAR:	-	-	-	-	-	(240)	-	(83)	-	-	-	(323)
<b>TOTAL COST</b>	-	<b>4,708.43</b>	<b>31,987.51</b>	<b>7,854.62</b>	<b>33,716.80</b>	<b>22,071.63</b>	<b>18,689.82</b>	<b>382.46</b>	<b>14,598.29</b>	-	<b>220,019.77</b>	<b>354,029.35</b>
<b>DEPRECIATION</b>												
AT 1ST JULY 2019	-	561	7,453	2,912	5,661	14,605	3,795	215	5,964	-	15,567	56,732
ELIMINATED ON DISPOSAL	-	-	-	-	-	(92)	-	(50)	-	-	-	(142)
CHARGE FOR THE YEAR:	-	105	2,982	618	6,790	2,393	2,277	63	2,633	-	5,667	23,528
AS AT 30TH JUNE 2020	-	666	10,435	3,530	12,451	16,905	6,072	228	8,597	-	21,234	80,115
<b>NET BOOK VALUE AT 30/6/2020</b>	-	<b>4,042.38</b>	<b>21,552.09</b>	<b>4,324.66</b>	<b>21,265.78</b>	<b>5,166.66</b>	<b>12,617.41</b>	<b>154.63</b>	<b>6,001.31</b>	-	<b>198,785.90</b>	<b>273,910.75</b>
BAL B/F: 1.7.2020	0	4,708	31,988	7,855	33,717	22,072	18,690	382	14,598	-	220,020	354,029
TRANSFER AT COST	-	(1,291.18)	-	-	-	-	-	-	-	11,312	(10,021.03)	(0)
DISPOSAL/ELIMINATION AT COST	-	-	-	-	-	-	-	-	-	-	(2,556)	(2,556)
ADDITIONS FOR THE YEAR:	28,596	-	4,204	343	9,834	1,375	2,056.55	-	-	13,370	4,335.24	64,114
DISPOSAL FOR THE YEAR:	-	-	-	-	-	-	-	(33.26)	-	-	-	(33.26)
<b>TOTAL COST</b>	<b>28,596</b>	<b>3,417</b>	<b>36,192</b>	<b>8,198</b>	<b>43,551</b>	<b>23,447</b>	<b>20,747</b>	<b>349</b>	<b>14,598</b>	<b>24,682</b>	<b>211,779</b>	<b>415,552</b>
<b>DEPRECIATION</b>												
AT 1ST JULY 2020	-	666	10,435	3,530	12,451	16,905	6,072	228	8,597	-	21,234	80,115
ELIMINATED ON DISPOSAL	-	(46.21)	-	-	-	-	-	(23.17)	-	-	(740.00)	(809.38)
CHARGE FOR THE YEAR:	-	70	2,968	568	6,767	1,978	337	39	1,998	-	5,695	20,415
AS AT 30TH JUNE 2021	-	690	13,404	4,098	19,218	18,883	6,409	243	10,595	-	26,188	99,725
<b>NET BOOK VALUE AS AT 30th JUNE 2021</b>	<b>28,596</b>	<b>2,727</b>	<b>22,789</b>	<b>4,100</b>	<b>24,333</b>	<b>4,564</b>	<b>14,337</b>	<b>105</b>	<b>4,003</b>	<b>24,682</b>	<b>185,590</b>	<b>315,820</b>

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

In addition to the land captured under assets movement schedule, below is additional disclosure of land parcels whose process of having the ownership transferred to Thika water & Sewerage Company Ltd is ongoing.

: LAND PARCELS									
Item No.	Project Name	County Name	Name of Parcel	Title No.	Date of Title Issuance	Land Reference No.	Land Size (Ha)	Current Registered Owner	Current Status
1.	Water Treatment Site LR. NO. 11151	Kiambu	Water Treatment Site LR. NO. 11151	N/A	not known	LR. NO. 11151	3.237	County Government of Kiambu (formerly municipal council of Thika)	Comprises of water intake/inlet, water treatment works, pumps and houses, reservoirs, ablution blocks, staff houses and ablution block.
2.	Thika Municipality	Kiambu	Thika Municipality	N/A	not known	Block 10/685-716		County Government of Kiambu	Staff quarters on one side and undeveloped land on the other side.
3.	Thika River Intake	Kiambu	Thika River Intake	N/A	not known	LR. NO. 295/16	0.298	County Government of Kiambu	This is the site for water intake from Thika River, the plot is developed with a weir across Thika River, inlet channels, pump house and residential houses.
4.	Bendor Lagoons	Murang'a	Bendor Lagoons	N/A	not known		0.2023	County Government of Kiambu	It has two ponds enclosed by compacted Earth embankments.
5.	Kimatu's Reservoir	Murang'a	Kimatu's Reservoir	N/A	not known			County Government of Kiambu	A steel tank on a steel platform capacity of 16m <sup>3</sup> . The plot set aside for the tank measures 20ft by 30ft.
6.	Bendor	Murang'a	Bendor	N/A	not known		0.02	County Government of	The property is developed with residential staff houses.

	Reservoir		Reservoir					Kiambu	
7.	Staff Residential Property	Kiambu	Staff Residential Property	N/A	not known	LR. No. 4918/8	4.451	County Government of Kiambu	The property is developed with residential staff houses.
8.	Mary Hill Reservoir	Kiambu	Mary Hill Reservoir	N/A	not known		0.3086	County Government of Kiambu	The plot is developed with a circular reinforced concrete tank.
9.	Chania Ward Reservoir	Kiambu	Chania Ward Reservoir	N/A	not known		3.00	County Government of Kiambu	The development comprises of the pump house, store, workers house, reservoir and ablution block
10.	Section Nine Reservoir	Kiambu	Section Nine Reservoir	N/A	not known		0.23 ha	County Government of Kiambu	The plot is developed on an elevated reinforced concrete tank resting on a reinforced concrete structure. The tank is set on the North Eastern corner of the plot capacity is 48m <sup>3</sup> .
11.	Control Base Reservoir	Kiambu	Control Base Reservoir	N/A	not known			County Government of Kiambu	The plot has an elevated reinforced concrete tank with a capacity of 36m <sup>3</sup> , and a semi-permanent iron sheet structure.
12.	Kimathi Estate Reservoir Twin Tank	Kiambu	Kimathi Estate Reservoir Twin Tank	N/A	not known		0.1076	County Government of Kiambu	There is a twin steel tank resting on a steel structure with a capacity 448m <sup>3</sup>
13.	Makongeni Reservoir	Kiambu	Makongeni Reservoir	N/A	not known		0.94	County Government of Kiambu	Erected on the plot is an elevated steel water storage tank resting on a steel structure.

14.	Gatundu / Landless Reservoir	Kiambu	Gatundu / Landless Reservoir	N/A	not known		0.108	County Government of Kiambu	An erected elevated steel water tank with a capacity of 192m <sup>3</sup> and a pump house constructed
15.	Old Sewerage Treatment site	Kiambu	Old Sewerage Treatment site	N/A	not known			County Government of Kiambu	The pump installed to direct sewer from the Northern trunk to the new sewer work. The structure also includes sewer tank and staff houses
16.	New Sewerage Treatment Work	Kiambu	New Sewerage Treatment Work	N/A	not known		40	County Government of Kiambu	Developed on this plot are waste stabilization ponds and residential houses.
17.	Kilimambogo DC's Office	Kiambu	Kilimambogo DC's Office	N/A	not known			County Government of Kiambu	There is a borehole, a pump house and an office
18.	Weteithie Reservoir	Kiambu	Weteithie Reservoir	N/A	not known		0.726	County Government of Kiambu	The plot comprises of an elevated plastic tank resting on a steel structure and a site office

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

**INVENTORIES**

14)	INVENTORIES	2020/2021	2019/2020
	<i>ITEMS</i>	<b>ksh''000''</b>	<b>ksh''000''</b>
	<i>Pipes and fittings</i>	23,026	15,476
	<i>Chemical</i>	1,103	1,239
	<i>Water meters</i>	8,966	5,222
	<b>Total</b>	<b>33,095</b>	<b>21,937</b>

**Note:** Inclusive in the inventories are water meters 12 pieces of 8'' and 1 piece of 12'' received from Defunct Athi water services Board. These meters are not valued due to lack of documentation.

**15) TRADE AND OTHER RECEIVABLES**

	2020/2021	2019/2020
	<b>ksh''000''</b>	<b>ksh''000''</b>
<i>Water debtors(14a)</i>	440,752	464,621
<i>Staff debtors</i>	1,735	1,735
<i>Billing services-WSPs</i>	10,897	11,110
<i>Share capital (County govt of. kiambu)</i>	100	100
<i>Staff debtors (questionable vouchers)</i>	3,039	3,039
<b>TOTAL</b>	<b>456,523</b>	<b>480,605</b>
<i>Others:</i>		
· <i>Provision for bad and doubtful receivable-staff debtors (questionable)</i>	(3,039)	(3,039)
· <i>Provision for bad and doubtful receivable-staff debtors</i>	(1,735)	(1,735)
· <i>Provision for bad and doubtful receivable-WSPs</i>	-	(11,110)
<b>Net trade and other receivables</b>	<b>451,749</b>	<b>464,721</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2020/2021	2019/2020
<b>15.(a)</b>	<b>TRADE RECEIVABLES</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
	Gross Trade receivables	517,323	546,613
	Provision for doubtful receivables	(76,570)	(81,992)
	<b>NET TRADE RECEIVABLES</b>	<b>440,752</b>	<b>464,621</b>

At June 30, the ageing analysis of the gross trade receivables was as follows:

	ksh''000''	ksh''000''
Less than 30 days	3,427	
Between 30 and 60 days	2,594	
Between 61 and 90 days	(11,121)	
Between 91 and 120 days	510,468	
Over 120 days	0	
<b>Total</b>	<b>505,368</b>	

Decrease in trade receivables is noted as a result of collection initiative employed within the year and integration of billing system from meter reading to *collection of revenue*.

15. b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2020-2021	2019-2020
	<b>ksh''000''</b>	<b>ksh''000''</b>
At the beginning of the year	81,992	79,312
Additional provisions during the year	(5,422)	2,680
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	<b>76,570</b>	<b>81,992</b>

		2020/2021	2019/2020
<b>16)</b>	<b>VAT RECOVERABLE</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
	<i>Vat recoverable</i>	14,342	14,342
		<b>2020/2021</b>	<b>2019/2020</b>
<b>17)</b>	<b>DEPOSITS AND PREPAYMENTS</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
	<i>Salary advance</i>	2,540	7,179
	<i>Prepaid expenses</i>	12,226	11,111
	<i>Deposits</i>	334	334
	<b>TOTAL DEPOSITS</b>	<b>15,100</b>	<b>18,624</b>

The company streamlined on salary advances due to cashflow constraints amidst the pandemic.

On prepaid expenses, it includes a payment to CIC insurance for staff medical scheme.

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

**18) SHORT TERM DEPOSITS**

	2020/2021	2019/2019
	ksh''000''	ksh''000''
Cooperative Bank of Kenya (FDA)	0	49,000
Bank Guarantee	5,500	5,500
<b>TOTAL</b>	<b>5,500</b>	<b>54,500</b>

With the maturity of FDA, it wasn't reinvested /re-fixed by year end until the beginning of the next financial year.

**19) BANK AND CASH BALANCES**

	2020/2021	2019/2020
	ksh''000''	ksh''000''
<b>19 CASH AND BANK BALANCE</b>		
Cash at bank-Equity Revenue	59,120	21,538
Cash at bank-Co-op -Customers' Deposits	39,807	1,592
Cash at bank-Co-op -Current account	-	-
Family bank-CLSG	-	-
Cash in hand	149	1
Cash at bank-Equity Operations acc	8,311	(4,467)
M-pesa	18	380
<b>TOTAL</b>	<b>107,405</b>	<b>19,044</b>

- The bulk of the cash at bank was held at Equity Bank, Cooperative Bank of Kenya, who are main bankers
- The make – up of bank balances and short-term deposits above is as below:

**Detailed analysis of the cash and cash equivalents**

Financial institution	Bank Branch	Account number	2020/2021	2019/2020
<b>a) Current account</b>			<b>ksh''000''</b>	<b>ksh''000''</b>
Equity bank (Operations)	Thika Supreme Branch	0090295185223	8,311	(4,467)
Equity Bank(revenue)	Thika Supreme Branch	0090294392028	59,120	21,538
Co-operative bank	Thika Branch	01136278498000	39,807	1,592
Family Bank-CLSG	Thika Branch	005000010760	0	-
<b>b) Fixed deposits account</b>				
Co-operative bank	Thika Branch	FDA	0	49,000
<b>c)Others(specify)</b>				
cash in hand		Cash box	149	0.83
M pesa		M-pesa account	18	380
<b>Grand total</b>			<b>107,405</b>	<b>73,544</b>

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

**20) (a). ORDINARY SHARE CAPITAL**

	<i>2020/2021</i>	<i>2019/2020</i>
	<b>ksh</b>	<b>ksh</b>
<i>(a) Share capital (County Government of Kiambu)</i>	<i>100,000</i>	<i>100,000</i>

Capital Reserves: Capital reserves represent the figure inherited from the defunct Municipal council of Thika as at 08/09/2009

	<b>ksh''000''</b>
Opening water debtors	249,894
Trade creditors	-1,845
Other creditors	-3,542
Customer deposits	21,267
Capital reserve	223,237

**(c) General reserve from the statement of changes in equity**

	<i>2020/2021</i>	<i>2019/2020</i>
	<b>ksh''000''</b>	<b>ksh''000''</b>
General reserve	<b>132,586</b>	<b>63,605</b>

**RETAINED EARNINGS /GENERAL RESERVE**

The retained earnings represent amounts available for distribution to THIWASCO 's shareholders. THIWASCO 's do not distribute retained earnings hence are utilized to finance the company operation's activities.

**21) (a) TRADE AND OTHER PAYABLE**

	<i>2020/2021</i>	<i>2019/2020</i>
<b>NON-CURRENT LIABILITIES</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
<i>Defunct Municipal council of Thika</i>	<i>48,503</i>	<i>48,503</i>
<i>Defunct Athi water services board</i>	<i>169,511</i>	<i>169,511</i>
<b>TOTAL NCL</b>	<b>218,014</b>	<b>218,014</b>

These are long term liabilities which emanated from the relationship the company shared years back.

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

		<b>2020/2021</b>	<b>2019/2020</b>
		<b>ksh''000''</b>	<b>ksh''000''</b>
<b>b)</b>	<b>Customer deposits</b>	83,199	94,259
<b>c)</b>	<b>Long term loan - Internal</b>	24,875	-

**Customer Deposit represents water deposit placed by customers.**

*The long-term loan is an internal borrowing from the customer deposit account*

		<b>2020/2021</b>	<b>2019/2020</b>
<b>d)</b>	<b>CURRENT LIABILITIES</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
	<i>Trade payables</i>	49,795	72,679
	<i>Payroll creditors</i>	7,936	17,963
	<i>Creditors-Water</i>	11,954	19,017
	<i>Other payables</i>	44,456	40,088
	<b>TOTAL CURRENT LIABILITIES</b>	<b>114,141</b>	<b>149,747</b>

Other payables include Ksh. 42m owed to the regulator- WASREB

		<b>2020/2021</b>	<b>2019/2020</b>
<b>(e)</b>	<b>PROVISIONS PAYABLE</b>	<b>ksh''000''</b>	<b>ksh''000''</b>
	<i>Audit fee</i>	1,263	842
	<i>Provision for corporate tax</i>	75,303	52,953
	<i>Staff service pay</i>	70,300	64,319
	<b>TOTAL PROVISIONS</b>	<b>146,866</b>	<b>118,114</b>

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

**( ) NOTES TO THE STATEMENT OF CASH FLOWS**

	Note	2020/2021	2019/2020
		ksh''000''	ksh''000''
<b>OPERATING ACTIVITIES</b>			
Cash and cash equivalents at the beginning of the year		19,043	-10,477
Cash generated from/(used in) operations		<b>53,076</b>	<b>14,258</b>
Add Depreciation		20,419	23,528
Net cash generated from/(used in) operating activities before working capital		73,495	37,786
Prior year adjustments		15,905	-39,011
(Increase)/decrease in inventories	13	-11,158	-333
(Increase)/decrease in trade and other receivables	14	12,972	-4,073
(Increase)/decrease in deposits and prepayments	16,17	52,524	-22,893
Increase/(decrease) in Creditors and accruals	20(a,c,d)	-10,732	89,327
Increase/(decrease) customer deposit	20(b)	-11,060	7,873
Increase/(decrease) in provision for payables	20(c)	28,751	12,361
Cash generated from/(used in) operations		150,697	81,037
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	12	-35,518	-51,698
Purchase of land	12	-28,596	0
Proceeds from disposal of property, plant and equipment		1,779	185
<b>Net cash generated from/(used in) investing activities</b>		<b>-62,334</b>	<b>-51,513</b>
Increase/Decrease in cash and cash equivalents		88,363	29,520
Cash and cash equivalents at the beginning of the year		19,043	-10,477
Cash and cash equivalents at the end of the year		<b>107,406</b>	<b>19,043</b>

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

**23) STATEMENT OF CHANGES IN EQUITY**

*STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2020/2021*

	<i>Share Capital</i>	<i>General Reserves</i>	<i>Capital Reserve</i>	<i>Total</i>
	<i>ksh''000''</i>	<i>ksh''000''</i>	<i>ksh''000''</i>	<i>ksh''000''</i>
<i>Balance as at 1st July 2019</i>	<i>100.00</i>	<i>88,358</i>	<i>223,237</i>	<i>311,695</i>
<i>Prior year Adjustment</i>		<i>4,545</i>		<i>4,545</i>
<i>Prior year Adjustment</i>		<i>(43,556)</i>		<i>(43,556)</i>
<i>surplus for the period</i>		<i>14,258</i>		<i>14,258</i>
<i>Balance as at 30 June 2020</i>	<i>100</i>	<i>63,605</i>	<i>223,237</i>	<i>286,942</i>
<i>Balance as at 30 July 2020</i>	<i>100</i>	<i>63,605</i>	<i>223,237</i>	<i>286,942</i>
<i>Prior year Adjustment</i>	<i>-</i>	<i>15,905</i>	<i>-</i>	<i>15,905</i>
<i>surplus for the period</i>	<i>-</i>	<i>53,076</i>	<i>-</i>	<i>53,076</i>
<i>Balance as at 30 June 2021</i>	<i>100</i>	<i>132,586</i>	<i>223,237</i>	<i>355,923</i>

**24) RELATED PARTY DISCLOSURES**

Institutions and other parties related to the company include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties also include management personnel, their associates and close family members. THIWASCO is related to

- i) County Government of Kiambu
- ii) WASREB
- iii) WRMA
- iv) Athi - Water development agency
- v) Core management team
- vi) Board of directors

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Transactions with related parties**

	<b>2020-2021</b>	<b>2019-2020</b>
<b>a) Purchases from related parties</b>	<b><i>ksh''000''</i></b>	<b><i>ksh''000''</i></b>
Purchases of electricity from KPLC	120,870	118,624
<b>b) Grants from the Government</b>		
Grants from WSTF	44,125	0
Donations in kind - WSTF	3,770	0
<b>Total</b>	<b>47,895</b>	<b>0</b>
	<b>2020/2021</b>	<b>2019/2020</b>
<b>c) Key Management Remuneration</b>	<b><i>ksh''000''</i></b>	<b><i>ksh''000''</i></b>
Board of Directors' emoluments	10,755	6,491
Core Management team Compensation	63,928	54,168
<b>Total</b>	<b>74,683</b>	<b>60,659</b>

<b>d) Due to Related Parties</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b><i>ksh''000''</i></b>	<b><i>ksh''000''</i></b>
Due to Water Resources Management Authority	1,692	2,898
Due to Water Services Regulatory Board	42,763	34,733
Due to Athi Water Services Board	169,512	169,512
Due to County Government of Kiambu	48,503	48,503
<b>Total</b>	<b>262,470</b>	<b>255,645</b>

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

**25) OPERATIONAL COMMITMENTS**

The company had committed its resources to a tune of Ksh 4.9m on recurrent expenditure at the year- end for which no provision has been made in these financial statements. Below is a list the commitment:

<b>Lpo no</b>	<b>Date of LPO approval</b>	<b>Description</b>	<b>Supplier's Name</b>	<b>Amount</b>
2130	13th April 2021	Supply & Delivery of valves, HDPE pipes and fittings	Danco Capital Ltd	793,164.86
2200	28th April 2021	Purchase of cleaning materials (Hard broms & Bingo Soap	Glerian Ltd	8,928.95
2201	28th April 2021	Purchase of cleaning materials (soft brooms)	Vibranium Links	5,342.11
2202	28th April 2021	Purchase of cleaning materials (Hand wash cream	Dawamwa Agencies	9,921.05
2203	28th April 2021	Purchase of cleaning materials (React (Acid toilet cleaner)	Kenya County	7,631.58
2209	1st May 2021	Purchase of 40mm cold water meters	Coast Industrial & Safety Supplies	184,735.09
2215	28th May 2021	Purchase of blue company Polo T-Shirt	Chred Designs	402,336.84
2216	10th May 2021	Purchase of riding helmets	Profon Ventures	99,149.47
2020	21st may 2021	Purchase of gas masks	Chred Designs	4,884.21
1979	23rd Dec 2020	Ranger couplings DN 160mm and DN 50mm	Nairobi Ironmongers	180,000.00
2077	2nd March 2021	Ranger coupling 80mm	Nairobi Ironmongers	356,140.35
2070	23rd February 2021	Rubber and Leather gloves	Zere International Ltd	14,100.00
1232	28th June 2019	Cold water meters	Danco Capital Ltd	3,110,527.99
		<b>TOTAL</b>		<b>4,992,127.41</b>

## 26) CAPITAL COMMITMENTS

## INTERNALLY FUNDED PROJECT 2018-2019

Contractor Name	Project	Completion to Date (%)	Final Contract Value (KSH)	Total Expended to Date	Payments to Date (%)	Status
MJENGO AND ALIED CO.LTD	Upgrading and Extension of Thika Level 5 to Bidco Sewer (THIWASCO 050/2017-2018)	8%	26,138,854	NONE	NONE	Dispute with the Contractor, Contract Terminated
Sengerema Limited	For Kangoki Trunk Sewer Line Rehabilitation Project (THIWASCO 045/2018-2019)	87.5%	27,587,849	20,719,550	75%	On 8th May 2021, Notice to Charge Liquidated damages issued. Contractor currently Sourcing for Pipes Contractor requested to regularize return to work by providing Performance Bond, Programme of works, insurances by 19th Oct, 2021
Urban building contractors LTD	Upgrading & Extension of Water Supply Pipeline at Kisii-Landless Kwa Jomo area (THIWASCO 044/2018)	100%	12,863,670	9,497,196	95%	Project Complete, Final Inspection and snagging Done, Project Under DLP, Contractor working on snags
Zila Systems Limited	Upgrading and Extension of Water Supply pipeline At Witeithie Area (THIWASCO 043/2018-2019)	100%	13,174,953	9,412,063	95%	Project Complete, Inspection and snagging Done, Contractor completed snags, Project Under DLP awaiting final inspection and acceptance

## INTERNALLY FUNDED PROJECT 2019-2020

Contractor Name	Project	Completion to Date (%)	Final Contract Value (KSH)	Total Expended to Date	Payments to Date (%)	Status
Birdi Civil Engineering	THIWASCO-001-2020-2021 Rehabilitation of prestressed concrete water tanks	100%	5,659,895	5,376,900	95%	Repair of elevated tank complete, painting Complete

Birdi Civil Engineering	THIWASCO-002-2020-2021 refurbishment of water treatment plant and replacement of Filter media	100%	7,497,544	7,122,666	95%	12 of 12 No. Pen stalks Installed, works on 3 of 3 filters complete at old filter Gallery, Works on filter number replacement of filter media at new gallery complete, 12 out of 12 filters are complete, contractor working on the snags
Birdi Civil Engineering	THIWASCO/065/2021-2022 Upgrade of Thika Water Treatment Plant Rehabilitation Project Phase 1 Works. Raw water inlet works, Rapid Mixing Chamber and Replacement of Raw Water Pumps	0%	3,324,558	-	0%	Site handed over to Contractor. Awaiting Contractor to mobilize to site.
DANCO CAPITAL	Supply and Installation of DMA's Meters at Gatuanyaga And Witeithie Zones. Tender No. THIWASCO/060/2021-2022	0%	3,400,500	-	0%	Site handed over to Contractor. Awaiting Contractor to mobilize to site.
Octagon Builders and General Suppliers Ltd	Rehabilitation of Kenya Tanning Biafra Sewer Line Contract No. THIWASCO/064/2021-2022	0%	796,444	-	0%	Site handed over to Contractor. Awaiting Contractor to mobilize to site.
Octagon Builders and General Suppliers Ltd	Construction of Witeithie Sewer Laterals Contract No. THIWASCO/063/2021-2022	0%	928,851	-	0%	Site handed over to Contractor. Awaiting Contractor to mobilize to site.

Contract for upgrading and extension of Thika level 5 to Bidco sewer (THIWASCO 050/2017-2018) by Mjengo Allied Co. LTD has since been terminated.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27) Contingent Assets and Liabilities

Contingent Assets

	2020-2021	2019-2020
	Kshs	Kshs
Contingent assets	ksh''000''	ksh''000''
Insurance reimbursements	0	0
Assets arising from determination of court cases	0	0
Reimbursable indemnities and guarantees-performance Bond	1,591	0
<b>Total</b>	<b>1,591</b>	<b>0</b>

This emanated from termination of medical contract with AAR after breach of terms of the contract within the period under audit. The company upon attempting to liquidate the guarantee, AAR moved the court, the matter remained undetermined as at June 2021.

Contingent Liabilities

	2020-2021	2019-2020
	Kshs	Kshs
Contingent liabilities	ksh''000''	ksh''000''
Contingent liabilities arising from KRA audit	57,711	57,711
Others (Specify)	0	0
<b>Total</b>	<b>57,711</b>	<b>57,711</b>

A tax audit was conducted during the year and as a result the KRA office issued a demand letter of Ksh 57,710,864 in regard to Vat on sewer, the matter is under tax tribunal. *No provision is required in these financial statements as the liabilities are not expected to crystallize.*

28) FINANCIAL RISK MANAGEMENT

THIWASCO'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 minimize 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:

i. Credit risk

THIWASCO has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

# THIKA WATER AND SEWERAGE COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2021

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Notes	2020/2021 ksh''000''	2019/2020 ksh''000''
Trade Receivables	14	451,749	464,721
Bank balances & ST Deposits	18	<u>107,405</u>	<u>73,544</u>
		<b><u>559,154</u></b>	<b><u>538,265</u></b>

Customers under the fully performing category are paying for their water & sewer bills as they continue consuming the product. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts

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

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii. Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with THIWASCO's directors, who have built an appropriate liquidity risk management framework for the management of THIWASCO's short, medium and long-term funding and liquidity management requirements. THIWASCO manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
At 30 June 2021	Kshs	Kshs	Kshs	Kshs
	ksh''000''	ksh''000''	ksh''000''	ksh''000''
Trade payables			94,251	94,251
Current portion of borrowings		24,875		24,875
Provisions			146,866	146,866
Water Creditors		11,954		11,954
Employee benefit obligation	7,936			7,936
Owings to related parties -Non current			218,014	218,014
<b>Total</b>	<b>7,936</b>	<b>36,829</b>	<b>459,131</b>	<b>503,896</b>
At 30 June 2020				
Trade payables	-		112,767	112,767
Current portion of borrowings				-
Provisions			118,114	118,114
Water Creditors		19,017		19,017
Employee benefit obligation	17,963			17,963
Owings to related parties -Non current			218,014	218,014
<b>Total</b>	<b>17,963</b>	<b>19,017</b>	<b>448,895</b>	<b>485,875</b>

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

**iii. Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect THIWASCO's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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) Interest rate risk**

Interest rate risk is the risk that THIWASCO'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.

**Management of interest rate risk**

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

**Sensitivity analysis**

THIWASCO 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

**iv) Capital Risk Management**

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

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs(000)</b>	<b>Kshs(000)</b>
Retained earnings	132,586	63,605
Capital reserve	223,237	223,237
<b>Total funds</b>	<b>355,823</b>	<b>283,842</b>
Total borrowings	0	0
cash and bank balances	107,405	-10,477

**29) INCOPORATION**

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

**30) EVENTS AFTER THE REPORTING PERIOD**

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

**31) CURRENCY**

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

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

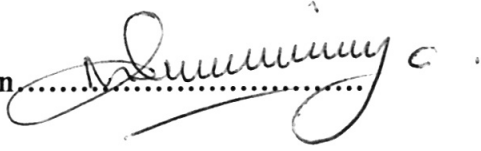
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Referen ce No.	Issue/Observations from Auditor	Management comments	Focal point person to resolve the issue.	status	Time frame
Unsuppo rted Trade & other receivabl es	<p>-The financial statements as at 30 June, 2019 reflects trade and other receivables balance of Kshs.460,647,503. The balance is net of provisions for bad and doubtful receivables amounting to Kshs.79,312,546 and provisions for bad and doubtful staff debtors of Kshs.4,773,974. However, an analysis of the trade and other receivables was not provided for audit review.</p> <p>Further, the receivables balance includes an amount of Kshs. 105,355,982 described as inactive. Although the recoverability of these debts is uncertain, the provision for bad and doubtful debts of Kshs.79,312,546 and Kshs.4,773,974 made in the financial statements against the outstanding balance is inadequate to cover the already determined dormant debtors should they default.</p> <p>Consequently, the accuracy and validity of trade and other receivables balance of Kshs.460,647,503 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.</p>	<p>The analysis to ascertain the debtors of Kes. 460,647,503 was provided for audit. It was an aged from the Billing System to give a clear analysis of the various categories of the balances in accordance to their age.</p> <p>The receivables balance includes an amount of Kes. 105,355,982 described as inactive. The company disconnects accounts with outstanding balances that are older than 30 days. The disconnection takes place as a reminder for the clients to pay for the services rendered by the company for it to operate optimally. These are the disconnected accounts that comprise of the Kes. 105m that are known as inactive accounts hence the description.</p> <p>On staff debtors a provision for doubtful debts of Ksh. 4,773,974 was made in consideration, the recoverability of the said amount to be slim as the officers involved were dismissed administratively, although the company still awaits the report on the investigation from the Directorate of criminal Investigation.</p>	<p>Jeremy Mathenge- Chief Manager Commercial services Rosemary Wamaitha- Chief Manager Finance &amp; Accounting.</p>	WIP	Continu ed exercis e

Long Outstanding Debts	The statement of financial position reflects creditors and accruals balance of Kshs.218,014,348. A review of payables aging analysis revealed that the balance includes Kshs.48,502,827 and Kshs.169,511,521 owed to the defunct Municipal Council of Thika and Athi Water Services Board, respectively which had been outstanding for several years. No explanation was provided for failure to clear the long outstanding creditors of Kshs.218,014,348.	The long outstanding liabilities has been as a result of low water tariff between 2009 to 2016, when the company had an upward tariff review. Before 2016, the Company was not able to meet operational costs and hence was unable to make the monthly commitments to these institutions. Moving forward the Company plans to engage in settlement arrangement in a way that will not affect the day-to-day operations.	Dr. Moses K. Kinya Managing Director	WIP	
Lack of a Functional Board of Directors	As previously reported, the Company had only three (3) Board of Directors in office out of the required nine (9) members. The vacant positions had not been filled as at 30 June, 2019. With only one-third of its membership, the Board cannot function optimally as it cannot constitute the various Board committees to deliberate and oversee specific Board oversight roles such as audit, Human Resources, Finance and implementation committees which are necessary to ensure effective and efficient service delivery to the public.  In the circumstances, it was not possible to confirm the effectiveness of the overall governance structures of the Company.	This resulted from withdrawal of directors representing the County Government of Kiambu by the shareholder through letter ref. KCG/ST/2/42/VOL1/72 dated 5 <sup>th</sup> February 2018.  The Board having statutory duties that must be performed, the Board is now fully constituted WEF December 2020.	Dr. Moses K. Kinya Managing Director	Resolved	

**Managing Director**

**Dr. Moses Kinya**

Sign: 

Date: 24/03/2022



