REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NYANDARUA WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2019

NYANDARUA WATER AND SANITATION COMPANY
P.O. BOX 164, NYAHURURU. TEL 0704221336
E-mail: nyandawas@gmail.com
Nyandarua County Building,
Next to Nyahururu Post Office,
Sharpe Road.

NYANDARUA WATER AND SANITATION COMPANY

AMENDED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

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

25 FEB 2020

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I. KEY ENTITY INFORMATION

Background information

Nyandarua Water and Sanitation Company Limited was established under the Water Act 2002. The Company is incorporated in Kenya under the Companies Act Cap 486 of the Laws of Kenya.

At Cabinet level, the Company is represented by the Cabinet Secretary for Water, Environment and Natural Resources, who is responsible for the general policy and strategic direction of the water sector.

Principal Activities

The principal activity of the Company is to provide water and sanitation services to residents of Nyandarua County.

Directors

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

1. Eddie Kamau - Chairman
2. Basilio Gachiri – Board secretary
3. Simon Ng'ang'a - Member
4. Peter Mwaura –Member
5. Grace Macharia -Member

Registered Office

Nyandarua Water and Sanitation Company Ltd
Nyandarua County Building,
Sharpe Road
P.O. Box 164-20300
Nyahururu, KENYA

Telephone: 0704221336
E-mail: nyandawas@gmail.com

KEY COMPANY INFORMATION (continued)

Corporate Bankers

1. Kenya Commercial Bank
   Nyahururu Branch
   P.O. Box 64
   Nyahururu

2. Equity Bank Ltd
   Nyahururu Branch
   P.O Box 1048-20300
   Nyahururu

3. Viktas Sacco Ltd
   Nyahururu Branch
   P.O. Box 2183-20300
   Nyahururu

Independent Auditors

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

Principal Legal Advisers

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

II. THE BOARD OF DIRECTORS

DIRECTOR'S NAME	DATE OF APPOINTMENT	KEY QUALIFICATIONS AND WORK EXPERIENCE
1.(Chairman) Eddie Kamau 	14th August 2014 3 years	Retired trained teacher. He is engaged in various activities targeting the Community and is currently the Tana and Athi River Development Authority's (TARDA) Community Liaison Officer for Kinangop. Term expired
2. (member) Grace Macharia 	14th August 2014	Bachelor of Education graduate from Nairobi University. She is a secondary school Principal and a career teacher. She is also involved in Community activities in her home area and is currently Organising Secretary of Kenya Secondary School Heads Association Nyandarua West Branch. Term expired
3. (Member) Peter Mwaura 	14th August 2014	Holds a Diploma in Analytical Chemistry from Eldoret Polytechnic. Has worked as an untrained teacher and an intern at Rift Valley Water Services Board. Currently works at PACE Ministries, an NGO based in Nyahururu. Term expired

Board of directors (continued)

4. Simon Ng'ang'a (Member) 	14th August 2017	CEC Minister for Water, Environment, Energy and Natural Resources, County Government Of Nyandarua. Holder of BSC in water engineering Date of birth 1st January 1983.
5. Basilio Gachiri(Secretary) 	5th September 2016	Certificate in water technology. Diploma Water Engineering. Higher Diploma in Construction. Born 11th November 1959. Senior administrative officer.

II. MANAGEMENT TEAM

Name	Main area of responsibility	Key qualification
1. Basilio Gachiri 	**Managing director**	Certificate in water technology. Diploma Water Engineering. Higher Diploma in Construction. Born 11th November 1959. Senior administrative officer. Work experience: 30 years
2. Francis N Muchiri 	**Technical manager**	Diploma in water Technology and Higher National Diploma in Water Engineering. Born 20th July 1965. Snr. Superintendent Water Engineering Work experience: 20 years
3.Joel Gichuki 	**Commercial manager**	CPA (K). Date of birth.23hJan 1986. Work experience: 7 years

III. CHAIRMAN STATEMENT.

The chairman did not serve the whole year. Thus no chairman statement.

III. MANAGING DIRECTOR'S REPORT

It is with pleasure that I take this opportunity to present to you the Nyandarua Water and Sanitation Company's Annual Performance report for the year ended 30th June 2019. The performance has been quite reasonable, despite many challenges. We have forged ahead with our mission to provide Water and Sanitation Services to our customers in the most cost effective way guided by our slogan "Quality Water for All"

FINANCIAL REVIEW

The company's turnover increased from 22.76 million to 26.56 million during the year under review. This represents a growth 14%.

We attribute this to improved efficiency in service delivery as well as commitment of staff to duty. During the same period, we posted a net surplus of 3.8 million compared to the previous year's surplus of 2.9 million.

The total operating expenses decreased from Kshs.21.55 million the previous year to Kshs.20.657 million. Various factors contributed to this.

During the year, we inherited a new scheme at Mirangine (Gwakiogo) and we are now connecting water to consumers. We have also laid pipes as follows: Kasuku tunnelling, Kibathi tunnelling, gravity line from Ngomongo treatment works.

We have also increased our staff to improve on service delivery. We have also procured more pumps to replace the older and dilapidated ones to increase efficiency and reliability in supplying water.

COMPANY'S FUTURE OUTLOOK

We are stepping into the future with a lot of optimism. With renewed vigour and confidence, we look ahead to an even more successful future.

We have completed automating our billing and revenue collection thus increase efficiency by:

- reduced paper work,
- releasing bills on time,
- Saving on time previously wasted on bill related works.

We also intend to increase area of coverage, replace defective meters and dilapidated infrastructure and install zonal and master meters.

CONCLUSION

I must state that we could not achieve all our wishes due to revenue challenges. Despite this I wish to convey my sincere thanks and appreciation to the Board of Directors for the dedication and commitment to duty. The Board's guidance and directions has seen us through big challenges and brought us this far.

To our customers and stakeholders, I wish to thank them for their unwavering support and trust throughout the year. In particular, I wish to thank the county government through the ministry of water for their enormous contribution to the improvement of this company.

Special thanks go to my Central Management Committee and all the staff of Nyandarua Water and Sanitation Company. This is the team that has worked tirelessly throughout the year to ensure that the Company delivers on its mandate to ensure service delivery to all. I am honoured to be your team captain and say a big thank you to you all.

We are facing the future with confidence. We shall strive to continue working as a team. With our unity of purpose, we are well prepared to steer the company to even greater heights.

Thank you.

Signature.. Date...24/02/2020.

Basilio Gachiri
Managing Director

IV. CORPORATE GOVERNANCE STATEMENT

The Principles of Corporate Governance are incorporated in the Water Sector to ensure that the Sector operates in a smooth and Co-ordinated manner. Water forms the backbone of any economy and therefore the county puts a lot of emphasis on any activity that promotes smooth running of the sector. The needs to have the Corporate Governance Principles in place are as follows: -

(i) Ensure the profitability and efficiency of Water services delivery
(ii) Create ethical business enterprises and their capacity to create wealth and employment
(iii) Improve relationships between the different players in the water sector so as to be able to deliver quality affordable water in a sustainable manner
(iv) Improve the relationship between such water enterprises and their various stakeholders comprising shareholders, managers, employees, customers, suppliers etc.

BOARD OF DIRECTORS

The Company has a Board of Directors who give direction to the company management. The Board is constituted and guided by the Articles and Memorandum of Association which are complimented by Water Service Regulatory Board's Corporate Governance Guidelines.

Composition of the board

The Board is constituted competitively using guidelines by the Water Service Regulatory Board and also the Articles of Association. Membership is drawn from various stakeholder groups representing various interest group with the host community e.g. business community, professional organizations, institutions, special interest groups etc. The Company has five (5) directors forming the Board. Three (3) are elected from the stakeholders using a process that ensures equitable distribution in both gender and regional balance while two (2) are appointed by the Governor. The Managing Director is the Secretary to the Board.

Committees of the board

The Board has two functional committees established to assist the execution of its mandate. These are,

(i) Audit and Risk Management Committee
- Grace Macharia
- Peter Mwaura
- Eddie Kamau

ROLE AND RESPONSIBILITIES

1. **External Auditors the Committee shall:**
   (i) Recommend external auditors for appointment by the Board including their compensation for all services; such external auditors shall report directly to the Committee and be independent of the Corporation.

Board meetings

The Board of Directors meet once every quarter i.e. four times a year safe for special sittings when need arises. The Board Committees meet twice a year each.

Remuneration

The Directors do not draw a salary but they are paid sitting allowances during Board or Committee meetings.

Evaluation of Performance

There are methods set out in the Corporate Governance Guidelines by WASREB on how to carry out self evaluation annually.

The Directors also sign a Code of Ethics that further enhance their evaluation.

Signature.. Date...24/02/2020

Basilio Gachiri

Managing Director

V. MANAGEMENT DISCUSSION AND ANALYSIS

Nyandarua Water and Sanitation is a Limited Company domiciled in Kenya and a registered office in Nyahururu town. The company is limited by guarantee having 51% owned by county government of Nyandarua in accordance with water Act 2016 and 49% by Rift Valley Water Development Agency.

It's operating under Rift Valley Water Service Board.

We have organised our operation in to teams that focus on specific area of specialisation to enable us quality service to our client.

This financial statement is prepared in accordance with international financial standard under historical cost convention on the accrual basis except for certain financial instrument which are measured at fair values; Wstf grant, budget comparison and provisions.

Opportunity and strength

-The company have diversified scheme i.e. Gatimu, Kibathi, Mairo-Inya, Ol-J/ Kangui, Kasuku and Kirima.
-The company have successfully operationalised Mairo-Inya scheme which was politically influenced.
-Our core strength is dedicated workforce.

Opportunities -demand for good infrastructure network.
-Higher budgetary allocation for expansion
-Construction of water treatment to meet demand.

Risk Concern
Nyandawas risk management consist of

- Identifying risk
- Assessment of risk
- Mitigation of risk
- Prioritization of risk
- Monitoring of risk

In general, the risk includes –credit risk
-technical risk
-political risk

Financial conditions

Sources of revenue

We derive our revenue from water sale, labour for new customer reconnection and some time tender sale.

Expenditure

As per the approved budget the company incurred cost on direct cost, administrative, operating personnel and finance cost to facilitate smooth running of the business.

Losses/surplus

Since inception the company have been operating at loss. This loss is attributed to regulatory levies which have been included in financial statement as cumulative provision. To break-even the company have written a letter requesting the concern bodies to waive the outstanding amount.

Trade receivable/payable
The total trade receivable amounted to Ksh16.7M/= and total payable is Ksh 16.7 M/=
These receivables are unsecured and part of it relate to receivable which inherited from the leshau karagoini water project.

IV.REPORT OF THE DIRECTORS

During the financial year ended June 30, 2019 there were no directors hence there was no report of the directors.

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with the Public Audit Act 2015 or Certified Public Accountants nominated by the Auditor General to carry out the audit of the entity for the year/period ended June 30, 2019 on his behalf.

Signature.. Date...24/02/2020

Basilio Gachiri

Managing Director

II. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, - (entities should quote the applicable legislation under which they are regulated)) require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period.

The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes:

(i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;

(ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;

(iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;

(iv) safeguarding the assets of the entity;

(v) selecting and applying appropriate accounting policies; and

(vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – entities should quote applicable legislation as indicated under).

The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Company's financial statements were approved by the CMT on 24/02/2020 and signed on its behalf by:

....

B.G. Gachiri

Managing Director

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NYANDARUA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Nyandarua Water and Sanitation Company Limited set out on pages 19 to 55, which comprise the statement of financial position as at 30 June, 2019, and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Nyandarua Water and Sanitation Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and do not comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Errors in the Annual Reports and Financial Statements

The annual reports and financial statements prepared and presented for audit had the following anomalies;

i. Statement of Directors' Responsibilities at page 17 indicates the financial statements were approved by Corporate Management Team instead of the Board of Directors;

ii. The statement of profit or loss and other comprehensive income at page 19 indicates net loss instead of net profit after tax; and

iii. Key entity information at pages 3 makes refers to the Water Act, 2002 instead of the Water Act, 2016.

Consequently, the annual reports and the financial statements as prepared and presented are not compliant with International Financial Reporting Standards on presentation and disclosure as prescribed by the Public Sector Accounting Standards Board.

2.0 Inaccuracies in the Financial Statements

The financial statements as prepared and presented for audit had the following errors which remains uncorrected;

i. The Managing Director's report at page 9 indicates net surplus of Kshs.3.8 million while the statement of profit or loss and other comprehensive income reflects net surplus of Kshs.4.09 million resulting to an unreconciled variance of Kshs.0.3 million;

ii. The statement of financial position reflects comparative balance on property, plant and equipment of Kshs.20,262,497 which is at variance with the disclosure in Note 12 to the financial statements which reflect two different amounts of Kshs.18,485,890 and Kshs.19,982,497, for the same period;

iii. The statement of comparison of budget and actual amounts reflects total income performance difference deficit of Kshs.526,375 instead of Kshs.314,355;

iv. The statement of financial position reflects comparative total assets balance of Kshs.33,123,326 instead of the recast balance of Kshs.34,901,933, resulting to an understatement of Kshs.1,778,607; and

v. The statement of profit or loss and other comprehensive income reflects operating profit of Kshs.4,086,322 while the corresponding disclosure Note 19 to the financial statements reflects an amount Kshs.3,874,302 resulting to unreconciled variance of Kshs.212,020.

In the circumstance, the accuracy, completeness and fair statement of the financial statements as prepared and presented could not be confirmed.

3.0 Inaccuracies in Reported Figures

Review of the reported balances in the financial statements revealed that some components were at variances with the recomputed balances in the schedules presented for audit as detailed out below: -

Component	Reported (Kshs.)	Recomputed (Kshs.)	Variances (Kshs.)
Administration Cost	5,138,149	5,084,424	53,725
Operation Costs	3,291,337	4,191,337	(900,000)
Property, Plant & Equipment-NBV	16,393,446	18,485,890	(2,092,444)

Component	Reported (Kshs.)	Recomputed (Kshs.)	Variances (Kshs.)
Customer Deposit Collected	435,400	210,000	225,400
Totals	**25,258,332**	**27,971,651**	

In the circumstance, the accuracy and fair statement of the reported balances in the financial statements could not be confirmed.

4.0 Irregular Board Allowances

The statement of profit and loss and other comprehensive income, and as disclosed in Note 8 to the financial statements reflects an amount of Kshs.5,138,149 in respect of administrative costs. Included in this amount is full board allowances amount of Kshs.131,800 paid to Directors whose term of office expired in December, 2017. The expenditure is therefore irregular.

In the circumstance, the validity of the board allowance of Kshs.131,800 for the year ended 30 June, 2019 could not be confirmed.

5.0 Undisclosed Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities balance of Kshs.19,321,665 which exceeds current assets balance of Kshs.17,539,728 resulting to a negative working capital of Kshs.1,781,937. However, this has not been disclosed by way of a Note to the financial statements. This was contrary to paragraph 25 of International Accounting Standards (IAS) 1 which requires an entity to disclose material uncertainties relating to its ability to continue as a going concern. There is also no evidence of measures being taken to improve the financial performance.

Consequently, the financial statements as prepared and presented are not compliant with International Financial Reporting Standards (IFRS).

6.0 Unsupported and Undisclosed Non-Current Assets

The statement of financial position and as disclosed in Note 12 to the financial statements reflects property, plant and equipment balance of Kshs.16,393,466. Included in this amount is land and water tanks valued at Kshs.1,000,000 and Kshs.4,000,000 respectively, inherited from the Rift Valley Water Services Board. However, Management did not provide for audit proof of ownership by way of land title deed, handover and takeover minutes between the parties. Further, title deeds for various parcels of land at Olkangui, Gatimu, Kibathi and Shamata for the water treatment plants, pump station and water tanks all totaling to eleven (11) were not provided for audit review nor incorporated in the financial statements.

In the circumstance, the accuracy, completeness, fair statement and ownership of property, plant and equipment balance of Kshs.16,393,466 as at 30 June, 2019 could not be confirmed.

7.0 Accuracy of Depreciation Charge and Fully Depreciated Assets

The statement of profit or loss and other comprehensive income and as disclosed under Note 9 to the financial statements reflects operations and maintenance cost of Kshs.3,291. Included in this amount is depreciation charge for the year of Kshs.2,092,444. However, re-computation of the depreciation yielded an amount of Kshs.2,592,444 resulting to an unexplained variance of Kshs.500,000.

In addition, 12 to the financial statements discloses depreciated assets with historical cost of Kshs.605,673 but which continue to render services to the Company as they continue to be in use. However, no valuation has been taken to determine the useful value and incorporate them in the books.

In the circumstance, the accuracy and fair statement of the property, plant and equipment balance of Kshs.16,393,466 as at 30 June, 2019 could not be confirmed.

8.0 Unsupported Trade and Other Payables

The statement of financial position and as disclosed under Note 18(a) to the financial statements reflects trade and other payables of Kshs.16,461,265 as at 30 June, 2019. However, the balances have not been supported by way of detailed listing of the creditors and the reasons for the delayed payment.

In the circumstance, the accuracy and fair statement of trade and other payables balance of Kshs.16,461,265 as at 30 June, 2019 could not be confirmed.

9.0 Unsupported Customer Deposits

The statement of financial position and as disclosed under Note 18b to the financial statements reflects customer deposits balance of Kshs.2,860,400. However, the holding bank account at Equity Bank, had a balance of Kshs.97,432 resulting to an unexplained and unreconciled variance of Kshs.2,762,968.

Consequently, the accuracy and completeness of customer deposits balances of Kshs.2,860,400 as at 30 June, 2019 could not be confirmed.

10.0 Unsupported Contract Staff Cost

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects personnel cost of Kshs.12,228,364. Included in this amount is contracted staff cost of Kshs.2,389,292. However, supporting information by way of approved attendance registers, time worked, time off and overtime, deductions and remittances, payroll numbers, national identity numbers and personal identification numbers were not provided for audit.

Consequently, the accuracy and completeness of the contracted staff expenditure of Kshs.2,389,292 for the year ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nyandarua Water and Sanitation

Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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 amounts reflects total revenue of Kshs.34,342,758 against a budget of Kshs.40,700,000 resulting to a revenue shortfall of Kshs.6,357,242 or 14% of the budget. The revenue shortfall negatively impacted on the achievement of planned activities as it resulted in underfunding of the annual budget by Kshs.5,142,123 representing 16% of the approved budget.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Filing of Annual Returns

The Company did file the annual returns with the Registrar of Companies. This was contrary to Section 705 of the Companies Act, 2015 which requires that companies make annual returns within 28 days after the anniversary of the date on which it was incorporated.

To the extent, the Company is in breach of the law.

2.0 Non-Revenue Water

Available records indicate that the Company produced 622,915 cubic meters (M^3) of water out of which 329,146 cubic meters (M^3) were billed to customers. This resulted a balance of 293,769 cubic meters (M^3) unbilled water representing 47% of the production as Non-Revenue Water (NRW). The NRW exceeded the set threshold of 25% approved by the Water Services Regulatory (WASREB) guidelines.

The significant level of non-revenue water is an indication of inefficiency and lack of effectiveness in the use of public resources and, may negatively impact negatively on the Company's profitability and its long-term sustainability.

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, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Lack of Risk Management Policy

The Company Management had not put in place risk management policy, strategies and risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. This was contrary to Regulation 158 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

In the absence of a risk management policy and a business continuity/disaster recovery plans, the company is exposed to risks of inability to recover quickly in the event of disaster and is in breach of the law.

2.0 Weak Controls Over Debt Management

The statement of financial position and as disclosed under Note 16 to the financial statements reflects trade receivables balance of Kshs.16,692,788. However, aging analysis in support reveals that debts amounting to Kshs.11,495,020 or 69% of the balance have been uncollected for periods exceeding one year. No satisfactory reasons have been rendered for the failure to collect and the actions being taken to recover. This is indicative of weak controls over the debt management.

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 Companies Act, 2015, except for the matters under the Basis for Qualified Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Overall Governance sections of my report, I report based on my audit, that:

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

ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,

iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Directors and those Charged with Governance

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

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

The Directors are 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, the Directors are also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease 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 Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the directors 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 the Directors 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

24 December, 2021

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018-2019 Kshs	2017-2018 Kshs
REVENUES			
Revenue	6(a)	26,575,748	22,762,785
Cost of sales	7	(15,595,094)	(10,692,476)
Gross profit		**10,980,654**	**12,070,309**
In kind contribution	6(b)	4,054,260	5,115,140
Other Income	6(c)	9,755,637	5,622,750
Grant			
TOTAL REVENUES		**24,790,551**	**22,808,199**
OPERATING EXPENSES			
Administration Costs	8	5,138,149	5,187,042
Selling Costs/ Operation & maintenance	9	3,291,337	4,291,860
Personnel cost	10	12,228,364	10,294,675
TOTAL OPERATING EXPENSES		**20,657,850**	**19,773,577**
Operating surplus /(deficit)		**4,132,701**	**3,034,622**
Finance cost	11	46,379	48,989
Net (deficit)/before tax		4,086,322	2,985,633
Tax			
Net loss after tax		**4,086,322**	**2,985,633**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 Kshs	2018 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	16,393,446	20,262,497
Intangible assets	13	1,966,667	1,000,000
Total Non-Current Assets		**18,360,113**	**21,262,497**
Current Assets			
Inventories	14	47,857	45,250
Trade receivables	16	16,692,788	12,176,323
Other receivables	15	282,500	282,500
Cash and Bank balances	17(a)	516,583	1,135,363
Total Current Assets		**17,539,728**	**13,639,436**
Total Assets		**35,899,841**	**33,125,326**
EQUITY AND LIABILITIES			
Capital and Reserves			
capital	21	5,304,334	5,304,334
Retained earnings	24	(4,385,796)	(10,744,947)
Inherited capital gain	25	5,000,000	5,000,000
WSTF grant	26	10,659,639	12,436,246
Capital and Reserves		**16,578,177**	**13,772,240**
Current Liabilities			
Trade and other payables	18(a)	16,461,265	18,649,693
Customer deposit	18(b)	2,860,400	2,480,000
Total Current Liabilities		**19,321,665**	**21,129,693**
TOTAL EQUITY AND LIABILITIES		**35,899,841**	**33,125,326**

The financial statements were approved on 24/02/2020 and signed on its behalf by:

Managing Director

Name:

Sign:

Head of Finance

Name: Joel Gichuki

Sign:

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	capital	Retained earnings	Total
	kshs	kshs	ksh
At July 1, 2017	**5,304,334**	**(13,730,580)**	**(8,426,246)**
	-	-	-
Loss for the year	-	2,985,633	**2,985,633**
	-		-
At June 30, 2018	**5,304,334**	**(10,744,947)**	**(5,440,613**
At July 1, 2018	**5,304,334**	**(10,744,947)**	**(5,440,613)**
	-	-	
Prior adjustment (KRA)	-	2,272,828	2,272,828
	-	-	
Surplus for the year	-	**4,086,322**	**4,086,322**
	-		
	-	-	
At June 30, 2019	**5,304,334**	**(4,385,796)**	**918,538**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018-2019 Kshs	2017-2018 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	19	2,757,827	3,137,889
Net cash generated from/(used in) operating activities		2,757,827	3,137,889
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12		(1,292,000)
Purchase of intangible assets	13	(1,600,00)	(1,500,000)
Net cash generated from/(used in) investing activities		1,157,827	345,889
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash generated from/(used in) financing activities		(1,776,607)	(1,776,607)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(618,780)	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,135,364	789,474
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**17(b)**	**516,584**	**1,135,363**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	ORIGINAL BUDGET	ACTUAL COMPARABLE BASIS	PERFORMANCE DIFFERENCE	REMARKS
	2018-2019	2018-2019	2018-2019	2018-2019
	Kshs	Kshs	Kshs	
Revenue	36,500,000	26,575,748	(9,924,252)	heavy rain
Meter rent	150,000	167,150	17,150	Due to automation
Reconnection fee	3,600,000	7,027,500	3,427,500	Due to automation
Seconded staff	-	4,054,260	-4,054,260	
Deferred income	-	1,776,607	-1,776,607	
Overprovision of RVWSB		212,020	-212,020	
misc	100,000	174,860	74,860	Due to automation
Labor fee	150,000	152,500	2,500	Due to automation
penalty	200,000	245,000	45,000	Due to automation
Total income	**40,700,000**	**40,385,645**	**(526,375)**	
Expenses				
Direct cost	7,985,000	15,595,094	7,610,094	Due to reallocation
Administrative	11,662,200	5,138,149	(6,524,051)	Due to reallocation
Staff cost	10,710,000	12,228,364	1,518,364	Increased no of staff
Operation and maintenance	750,000	3,291,337	2,541,337	Adopted new project
Finance cost	50,000	46,379	(3,621)	Reduced transaction cost
Total expenditure	**31,157,200**	**36,299,323**	**5,142,123**	
Surplus for the period	**9,542,800**	**4,086,322**	**(5,668,498)**	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nyandarua water and sanitation entity is established by and derives its authority and accountability from Water Act 2016. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is water.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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 2019

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 recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019(Continued)

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) **Relevant new standards and amendments to published standards effective for the year ended 30 June 2019(Continued)**

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where it originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

iii) Early adoption of standards

Nyandarua water & sanitation co. did not early – adopt any new or amended standards in year 2019.

iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

i) **Revenue from the sale of goods and services** is recognised in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Grants from National Government** are recognised in the year in which Nyandarua water and sanitation co. 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 recognised in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Other income** is recognised as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

A partial depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis 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 recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity 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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories

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

j) Trade and other receivables

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

k) 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 the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Current income tax (Continued)

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 Nyandarua water & sanitation co. 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Deferred tax (Continued)

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.

l) Cash and cash equivalents

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

m) Borrowings

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

n) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2019. 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 Kshs.1,080 per employee per month.

p) Provision for staff leave pay

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

q) Exchange rate differences

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

r) Budget information

The original budget for FY 2018-2019 was approved by the Board of directors Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon being approved by the board in order to conclude the final budget.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Budget information (Continued)

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 23 of these financial statements.

s) Service concession arrangements

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

t) Comparative figures

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

u) 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, 2019.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of Nyandarua water & sanitation co. 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.

State all judgements, estimates and assumptions made: e.g.

5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESITMATION UNCERTAINTY (Continued)

Estimates and assumptions

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

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

Provision for bad debt

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. REVENUE

(a) Total billing for the year

	2018/2019	2017/2018
	Kshs	Kshs
Gross sales of goods	26,575,748	22,762,785
Total	**26,575,748**	**22,762,785**

(b) In kind contribution

	2018/2019	2017/2018
	Kshs	Kshs
Reccurrent salaries	4,054,260	5,115,140
Total	**4,054,260**	**5,115,140**

(c) OTHER INCOME

	2018- 2019	2017-2018
Description	Kshs	Kshs
Reconnection	7,027,500	4,854,910
Labour for new connections	152,500	131,000
Over provision of RVWSB	212020	
Top up written off		400,000
Misc	174,860	71,000
Meter rent	167,150	77,400
Deferred income from grant(restated)	1,776,607	1,776,607
Penalties	245,000	88,340
Total	**9,755,637**	**7,399,357**
Total revenue	**40,385,645**	**28,385,546**

7. COST OF SALES

	2018/2019	2017/2018
	Kshs	Kshs
Chemical cost	535,921	265,852
Water bill	7,684,519	4,403,143
Kplc bill	4,594,354	4,021,224
Supply for production	2,780,300	2,002,257
Total	**15,595,094**	**10,692,476**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ADMINISTRATION COSTS

Description	2018-2019 Kshs	2017-2018 Kshs
Abstraction fees	561,790	209,650
RVWSB	-	1,500,000
Wasreb (1%)	868,434	227,628
Waspa	55,000	55,000
NSSF	284,368	102,869
Audit fees provision	255,200	255,200
Airtime	307,100	245,200
Legal fees		
Full board allowances	131,800	350,400
Office water & lighting	23,235	
Licenses, permits	16,500	91,500
Travel and sub	984,150	927,080
Office expenses	270,319	316,193
Printing, stationery, computers and accessories	380,720	219,856
Staff welfare	81,100	30,000
Seminars and training	268,000	240,000
Telephone and postage/ internet	126,173	168,390
Rentokil	15,160	18,947
CSR	30,000	
Insurance	30,000	
Software main	120,000	
Rent	60,000	35,000
Motor bike repair	139,550	
Motor vehicle repair	129,550	194,129
Total	**5,138,149**	**5,187,042**

9. OPERATIONS AND MAINTENANCE COSTS

Description	2018-2019 Kshs	2017-2018 Kshs (restated)
Fuel	283,750	214,760
Tax arrears	-	3,040,000
Uniform and soap	-	
Provision Bad debt	109,878	185,943
Amortization	633,333	500,000
Depreciation charge provision(Restated)	2,092,444	2,127,764
Repair and maintenance equipment	171,932	-
Total	**3,291,337**	**6,068,467**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Personnel costs

Description	2018-2019 Kshs	2017-2018 Kshs
Seconded and permanent staff salaries	9,037,276	5,115,140
Management allowances	1,020,000	600,000
Contracted staff	2,086,088	4,523,935
Staff bonus	85,000	-
Other wages	-	55,600
Total	**12,228,364**	**10,294,675**
The average number of employees at the end of the year was:		
Permanent staff	21	10
Seconded staff	5	7
contracted	20	27
Total	**46**	**44**

11. FINANCE COSTS

Description	2018-2019 Kshs	2017-2018 Kshs
Bank charges	46,378	48,989
Total	**46,378**	**48,989**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. PROPERTY, PLANT AND EQUIPMENT

2018	land	Reticulation network	Water tank	Computers & related equipment	Office equipment furniture & fittings	Water pumps	Motor bikes	Total
COST OR VALUATION	Kshs	(Restated)	Kshs	Kshs	Kshs	Kshs	Kshs	kshs
At June 30, 2017				349,940	306,266	-	-	656,206
Additions		14,212,853		-	-	-	-	14,212,853
At july1,2017	-		-	349,940	306,266	-		**14,212,853**
Cost 1 July 2017				349,940	306,266			
additions				45,000				1,292,000
Inherited assets	1,000,000	14,212,853	4,000,000					5,000,000
Cost as at 30 June , 2018	**1,000,000**	**14,212,853**	**4,000,000**	**394,940**	**306,266**	**127,000**	**1,120,000**	**21,161,059**
DEPRECIATION								
At july1,2017	0	1,776,607		315,041	232,364			**547,405**
Charge for the year				49,066	6,216	15,875	280,000	351,157
Accumulated depreciation								
As at 30 June 2017				364,107	238,580	15,875	280,000	898,562
NET BOOK VALUE At June 30, 2019								
At June 30 2018	1,000,000	12,436,246	4,000,000	30,833	67,686	111,125	840,000	18,485,890
At June 30 2017				**34,899**	**73,902**			**108,801**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, plant and equipment include the following items that are fully depreciated:

[redacted]		
Computers and related equipment	231,388	60,193
Office equipment, furniture and fittings	256,566	32,071
Totals	**487,954**	**60,193**
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

2019	Freehold land	Reticulation network	Water tank	Computers & related equipment	Office equipment furniture & fittings	Water pumps	Motor bikes	Total
COST OR VALUATION								kshs
At June 30, 2018	1,000,000	14,212,853	4,000,000	394,940	306,266	127,000	1,120,000	21,161,059
Additions						-		-
At july1,2018	1,000,000	14,212,853	4,000,000	394,940	306,266	127,000	1,120,000	21,161,059
Cost 1 July 2018								
additions								
Inherited assets								
Cost as at 30 June , 2019	1,000,000	14,212,853	4,000,000	394,940	306,266	127,000	1,120,000	21,161,059
DEPRECIATION	0	-	0					
At july1,2018		1,776,607		364,107	238,580	15,875	280,000	2,675,169
Charge for the year		1,776,607		13,750	6,212	15,875	280,000	2,092,444
Depreciation As at 30 June 2019		3,553,214		377,857	244,792	31,750	560,000	4,767,613
NET BOOK VALUE At June 30, 2019								
At June 30 2019	**1,000,000**	**10,659,639**	**4,000,000**	**17,083**	**61,474**	**95,250**	**560,000**	**16,393,446**
At June 30 2018	**1,000,000**	**12,436,246**	**4,000,000**	**30,833**	**67,686**	**111,125**	**560,000**	**19,982,497**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, plant and equipment include the following items that are fully depreciated:

	Normal cost or valuation	Annual depreciation charge
	2019	2019
	Kshs	kshs
Computers and related equipment	349,107	231,388
Office equipment, furniture and fittings	256,566	256,566
Totals	**605,673**	**487,954**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. INTANGIBLE ASSETS

	2018-2019	2017-2018
COST		
At July 1	1,500,000	
Additions	**1,600,000**	1,500,000
Amortisation	(500,000)	(500,000)
Amortisation charge for the year	(633,333)	
NET BOOK VALUE	**1,966,667**	**1,000,000**

[Intangible asset relate to billing software acquired during the year.]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. INVENTORIES

	2018-2019 Kshs	2017-2018 Kshs
Chemicals	47,857	45,250
	47,857	**45,250**
	=====	=====

[Inventory is valued at the lower value, market value and net realizable value]

15. OTHER RECEIVABLES

	2018-2019 Kshs	2017-2018 Kshs
Nyahuwasco (deposit for bulk water connection)	57,500	57,500
KPLC (deposit)	225,000	225,000
	282,500	**282,500**
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. TRADE RECEIVABLES

	2018-2019 Kshs	2017-2018 Kshs
Opening balance	12,520,686	5,280,674
Add :Total billings	26,575,748	22,762,785
Less :Total collections	(23,955,064)	(15,522,773)
Total: Trade Receivables	**15,141,370**	**12,520,686**
Provision bad debt	(454,241)	344,363
Other debtors	2,005,659	0
Total receivables	**16,692,788**	**12,176,323**
	=====	=====

	2019-2018 Kshs	2017-2018 Kshs
The ageing analysis of the gross trade receivables were as follows		
Below 3 months	5,197,768	-
Over 120 days	11,495,020	-

[provision for bad debt is estimated at the rate of 3% gross trade receivable which is received every financial year by the board.
Other debtors relate to reconnection arrears and meter rent]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17(a) CASH AND BANK BALANCES

	2018-2019 Kshs	2017-2018 Kshs
Bank	516,583	1,135,363
At end of the year	**516,583**	**1,135,363**
	=====	=====

	2018-2019 Kshs	2017-2018 Kshs
KCB (1102124575)	30,164	336,895
KCB (1102121584)	161,191	89,371
Equity	97,432	699,171
Viktas Sacco	227,795	9,926
Total	**516,583**	**1,135,363**
	=====	=====

17 (b) cash and cash equivalents

	2018-2019 Kshs	2017-2018 Kshs
Cash and bank balances	516,583,.46	1,135,363
Cash and cash equivalent	**516,583.46**	**1,135,363**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 (a) TRADE AND OTHER PAYABLES

	2018-2019 Kshs	2017-2018 Kshs
Water resource management authority	317,680	50,512
Rift valley water service board	10,955,848	11,167,868
Water service provider association	375,000	320,000
Water service regulatory body	918,130	349,696
Nyahuwasco	567,524	665,758
Rentol kill	3,790	3,789
Car and General	-	680,000
Smart people Africa	600,000	500,000
Payroll deductions	179,073	40,636
Kenya Power and Lighting Company	455,848	255,434
External auditors	1,831,200	1,576,000
Tax arrears	257,172	3,040,000
TOTAL	**16,461,265**	**18,649,693**
	=====	=====

18(b) customer deposit

	2018-2019 Kshs	2017-2018 Kshs
Opening balance	2,480,000	2,661,500
Collected within the year	435,400	248,000
Refund within the year	(55,000)	(38,000)
Closing balance	**2,860,400**	**2,480,000**
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO CASH GENERATED FROM/ (USED IN) OPERATIONS

[redacted]		
Operating profit/(loss)	3,874,302	2,985,633
Depreciation	2,092,444	351,157
amortisation	633,333	500,000
Prior year adjust	2,272,828	-
(Gain)/loss on disposal of property, plant & equipment	-	0
Operating profit/(loss)before working capital changes	**8,872,908**	**3,836,790**
Increase in prepayments	-	14,945
(Increase)/decrease in inventories	(2,607)	119,319
Increase)/decrease in trade and other receivables	(4,516,465)	(6,433,822)
Increase(/decrease)in trade and other payables	(2,188,428)	5,782,157
Increase/(decrease) in customer deposit	380,400	(181,500)
Cash generated from/(used in) operations	**2,757,827**	**3,137,889**
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RELATED PARTY DISCLOSURES

A **related party** is an entity that is **related** to the entity that is preparing financial statements(referred to as the reporting entity).

a) National Government

The company relates to the national government through the ministry of water irrigation which sets policy guidelines. There was no transaction within the financial year.

b) County Government of Nyandarua

During the financial year the company received:

INKIND CONTRIBUTION

	[illegible]-2019 [illegible]	2017-2018 Kshs
Salaries	4,054,260	5,115,140
Total	4,054,260	5,1115,140

Seconded staffs are:	**Designation**
Basilio Gachiri	MD
Peter Ndegwa	TM
Hannah Mwangi	Snr Supt water
Cecilia Waweru	Snr inspector water
John KIberenge	S.CH Building

NOTES TO THE FINANCIAL STATEMENTS (Continued

C. Rift valley water services board

There was no transaction during the financial year.

d. Board of director.

	[illegible]	2017/2018 Kshs
Sitting allowance	131,800	350,400
	131,800	**350,400**
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e. Top-up allowances

The Managing director and the Technical manager don't earn salaries and are only given allowances as follows per month;

	2018-2019 Kshs	2017-2018 Kshs
Managing Director	50,000	30,000
Technical Manager	35,000	20,000
Total	**75,000**	**50,000**
	=====	=====

21 Capital

The capital was derived from opening balances from the ministry of water and irrigation during the inception of the company, which amounted to Kshs. 5,304,334

22. Retirement benefit obligation.

Some employees are seconded from the county government of Nyandarua of which the obligation lies with the county government.

Some employees are employed by the company of which the obligation lies with the company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Share capital

The company is limited by guarantee without share capital.

24. Revenue reserve.

This refers to accumulated losses over the year

		2018-2019 Kshs	[illegible]
	Accumulated losses	**(4,385,796)**	**(10,744,947)**
	Tax provision year 2017/2018	3,040,000	
	Less agreed amount	(767,172)	2,272,828
	Accumulated loss after adjustment		(8,472,119)
25	Inherited capital gain	**5,000,000**	**5,000,000**
26	Wstf project	**10,659,639**	**12,436,246**

27. The Entity is domiciled in Kenya

28. The reporting currency is Kshs.

29. Non-Revenue water (NRW)
This is water that have been produced but have not been sold.
To minimise non-revenue the management have install 6 zonal meters to date and have increased additional additional field staff. Currently the NRW is at the rate of 47%. High percentage is as result of unserviceable meter reading to low recording.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

30. TAX COMPUTATION

	2018-2019 Kshs	2017-2018 Kshs
Profit and loss	3,853,383	2,985,633
ADD: Depreciation	2,092,444	351,157
Amortisation	633,333	500,000
Bad debt provision	129,547	344,363
	6,729,626	**4,181,154**
Less: wear and tear	(1,108,268)	(851,157)
Adjusted taxable profit	**5,621,358**	**3,329,997**
Loss b/d	10,400,584	13,730,580
Loss b/f	**4,779,226**	**10,400,583**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Wear and tear allowance 2017-2018

[redacted]						
WVD:01/07/2017	73,902	34,899	-	-	-	108,801
Addition	-	45,000	127,000	1,120,000	1,500,000	2,792,000
Disposal	-	-	-	-	-	-
	73,902	79,899	127,000	1,120,000	1,500,000	2,900,801
Wear and tear for the year	**6,216**	**49,066**	**15,875**	**280,000**	**500,000**	**851,157**
WVD 30/06/2018						
	67,686	**30,833**	**111,125**	**840,000**	**1,000,000**	**2,049,644**

Wear and tear allowance 2018-2019

[redacted]						
WVD:01/07/2018	67,686	30,833	111,125	840,000	1,000,000	2,049,644
Addition	-	-	-	-	1,600,000	1,600,000
Disposal	-	-	-	-	-	-
	67,686	30,833	111,125	840,000	2,600,000	3,649,644
Wear and tear for the year	8,461	9,250	13,891	210,000	866,667	1,108,268
WVD 30/06/2019	59,225	21,583	97,234	630,000	1,733,333	2,541,376

32. Inter entity transaction

During the year there were no transaction.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. Progress on follow ups auditor's recommendations

The following is the issue raised by the external auditor; management comments and the vocal person to resolve issue raised

Reference no. of the audit report	Observation from the auditor	Vocal person (name & designation)	Status (resolved/not resolved)	Time frame
2017/2018 (1)	Personnel cost	Rahab mathenge (HR)	Resolved	
2017/2018 (2)	Property plant and equipment	Basilio Gachiri(MD)	Following the matter from county government for handing over report(Not resolved)	By June 2020
2017/2018 (3)	Long outstanding receivable	Basilio Gachiri(MD)	Waiting for the board to write off old debt(not resolved)	By June 2020
2017/2018 (4)	Unreconciled trade and other payable	Joel Gichuki(CM)	Will be available during the next audit(Not resolved)	By June 2020
2017/2018 (5)	Over statement of customer deposits	Basilio Gachiri(MD)	Review of inherited pojects customer deposit and writing off those without deposit through board resolution	By June 2020
2017/2018 (6)	Unreconciled capital and reserve	Monica Muturi (account clerk)	The company is in the process of amending the articles of association	By June 2020

The financial statements were approved on 24 Feb 2020 and signed on
Its behalf by;

Managing Director