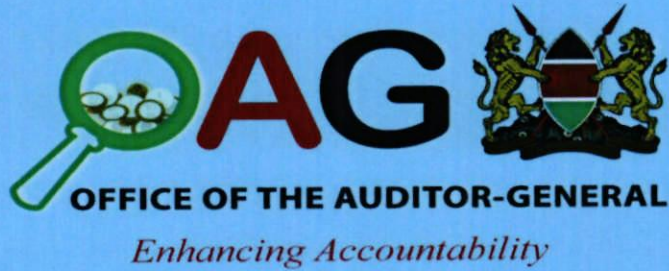


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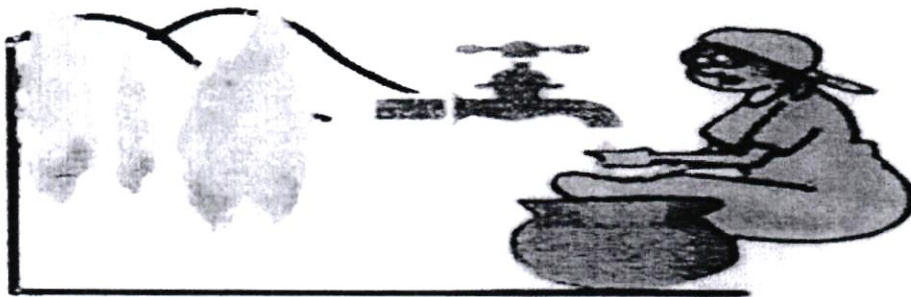
**OF**

**THE AUDITOR-GENERAL**

**ON**

**GATANGA COMMUNITY WATER  
SCHEME**

**FOR THE YEAR ENDED  
30 JUNE, 2019**



*Gatanga Water*

---

*GATANGA COMMUNITY WATER SCHEME*

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019**

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

OFFICE OF THE AUDITOR GENERAL  
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**GATANGA COMMUNITY WATER SCHEME**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

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<b>Table of Contents</b>	<b>Page</b>
THE BOARD OF TRUSTEES .....	vi
MANAGEMENT TEAM.....	xii
CHAIRMAN'S STATEMENT .....	xiv
REPORT OF THE MANAGING DIRECTOR .....	xv
CORPORATE GOVERNANCE STATEMENT.....	xvi
MANAGEMENT DISCUSSION AND ANALYSIS .....	xviii
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING ...	xx
REPORT OF THE DIRECTORS .....	xxi
STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	xxii
REPORT FROM THE OFFICE OF AUDITOR GENERAL.....	xxiii
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019.....	1
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 .....	2
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019 .....	3
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019 .....	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019.....	5
NOTES TO THE FINANCIAL STATEMENTS .....	6
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....	34

## **GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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### **Background information**

The company was established under the Trustees Act Cap 164 (Perpetual Succession Act). At County Government of Murang'a level, the company is represented by the Sub-County administrator. The trustees are responsible for the general policy and strategic direction of the company

### **Principal Activities**

The principal activity of the trust is to ensure efficient and effective provision of water Services in its area of jurisdiction. The mandate and objectives of Gatanga Community Water Scheme are enshrined in the Trust deed. The principal object of the Trust is to carry out the business of water provision within the area under its jurisdiction as provided for in the Service Provider Agreement.

### **VISION**

To be the leading Water service provider that meets customer expectations now and in future.

### **MISSION STATEMENT.**

To effectively provide quality, affordable and sustainable water in Gatanga Constituency through the development and management of appropriate water supply infrastructure.

### **STRATEGIC OBJECTIVES.**

The following are the strategic objective that the Trust will aim at achieving during the period of this contract;

1. Supply reliable, sustainable, quality and affordable water.
2. To enhance revenue collection
3. To enhance customer satisfaction.
4. To attract, develop, and retain highly skilled and motivated staff.
5. To undertake organizational structure and cultural change.
6. To carry out system change.

## **GATANGA COMMUNITY WATER SCHEME**

### **Annual Reports and Financial Statements For the year ended June 30, 2019**

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#### **DIRECTORS**

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

- |                      |                     |   |
|----------------------|---------------------|---|
| 1. Joseph Kibe       | - Chairman          | - appointed on 10 <sup>th</sup> March 2005  |
| 2. J.B Karanja       | - Vice Chairman     | - appointed on 10 <sup>th</sup> March 2005  |
| 3. G. Chege          | - member            | - appointed on 10 <sup>th</sup> March 2005  |
| 4. B.N Kamanja       | - member            | - appointed on 10 <sup>th</sup> March 2005  |
| 5. Edward W. Njoroge | - Member            | - appointed on 10 <sup>th</sup> March 2005  |
| 6. Jane Chege        | - Member            | - appointed on 10 <sup>th</sup> March 2005  |
| 7. J.M Gathee        | - Member            | - appointed on 10 <sup>th</sup> March 2005  |
| 8. S.N Kibe          | - Member            | - appointed on 10 <sup>th</sup> March 2005  |
| 9. J.N kangethe      | - member            | - appointed on 10 <sup>th</sup> March 2005  |
| 10. Carol Mwaura     | - Company Secretary | - appointed on 24 <sup>th</sup> August 2012 |
| 11. G. Njoroge       | - Managing Director | - appointed on September 2015               |

#### **Corporate Secretary**

Mrs. Carol Mwaura  
P.O. Box 26513-00504  
Nairobi, Kenya  
Email: info@mmmadvocates.com

#### **Registered Office**

Gatanga community water scheme  
P.O. Box 6133-01000, Thika  
Mabanda Do's Office compound  
Thika-Gatanga road

## **GATANGA COMMUNITY WATER SCHEME**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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#### **Corporate Headquarters**

Gatanga Community Water Scheme  
P.O. Box 6133-01000, Thika  
Mabanda Do's Office compound  
Thika-Gatanga road

#### **Corporate Contacts**

Telephone: (254) 0708688778, 0708686360  
E-mail: [gatawa@yahoo.com](mailto:gatawa@yahoo.com)

#### **Corporate Bankers**

Barclays Bank of Kenya-Thika branch  
P.O. Box 219-01000,  
Thika

#### **Independent Auditors**

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

#### **Principal Legal Advisers**



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

## GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements  
For the year ended June 30, 2019


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### THE BOARD OF TRUSTEES

 <p><b>JOSEPH KIBE- THE CHAIRMAN</b> Political Science Degree Holder</p>	<p>The chairman of the Board of Trustee</p>
 <p><b>J.B KARANJA- VICE CHAIR</b> O LEVEL</p>	<p>The representative of Kariara Location &amp; chairman finance committee</p>

**GATANGA COMMUNITY WATER SCHEME**



**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

	<p>Gatanga location &amp; technical committee member</p>
<p>GILBERT .CHEGE O LEVEL</p>	

	<p>Mugumoini location &amp; Finance committee member</p>
<p>B.N KAMANJA- MEMBER O LEVEL</p>	


# GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements  
For the year ended June 30, 2019

 <p>EDWARD NJOROGE -MEMBER BACHELORS OF COMMERCE</p>	<p>Kariara location&amp; chairman Audit committee</p>
 <p>JANE CHEGE- MEMBER BACHELORS OF COMMERCE</p>	<p>Kigio location</p>


**GATANGA COMMUNITY WATER SCHEME**


**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

 <p>J.M GATHEE- MEMBER O LEVEL</p>	<p>Kiriaini location &amp; Finance committee member</p>
 <p>S.N KIBE -MEMBER O LEVEL (deceased)</p>	<p>Kigoro location &amp; chairman technical committee</p>

**GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**


 <p>J.N KANGETHE O LEVEL</p>	<p>Kihumbu-ini location &amp; technical committee member</p>
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 <p>CAROL MWAURA- COMPANY SECRETARY LLB DEGREE</p>	<p>Mukurwe location &amp; Finance member</p>
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**GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**



 <p>G. NJOROGE- MANAGING DIRECTOR HIGHER DIPLOMA IN WATER ENGINEERING</p>	<p>Managing Director</p>
--	--------------------------

**GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

**MANAGEMENT TEAM**

 <p>G. NJOROGE- MANAGING DIRECTOR HIGHER DIPLOMA IN WATER ENGINEERING</p>	<ul style="list-style-type: none"> <li>a)Developing for the approval of the Board, strategic and business plans, including annual work-plans, budget and performance targets,</li> <li>b)Ensuring effective of the company strategic plan</li> <li>c)Ensuring safe custody and management of company’s assets</li> <li>d)Providing strategic leadership and direction, including the management and development to the human resources of the company,</li> <li>e)Planning, coordinating and implementing all activities of the company in line with the policies and directives approved by the Board of Directors</li> </ul>
 <p>MICHAEL MUGO MWAMBIA- COMMERCIAL MANAGER BACHELOR OF COMMERCE &amp; CPA(K) Joined September 2017</p>	<ul style="list-style-type: none"> <li>a. Establishes and ensure compliance with the financial management systems for effective implementation of the company goals and objectives.</li> <li>b. Ensures efficient billing, revenue collection, disbursements, accounting and reporting.</li> <li>c. Oversees preparations of budgets, and periodic financial performance reports for the company.</li> <li>d. Prepares budgets and monitors expenditures</li> <li>e. Acts as the Financial controller of the company</li> </ul>

## GATANGA COMMUNITY WATER SCHEME

### Annual Reports and Financial Statements For the year ended June 30, 2019



ISAAC GICHUKI- TECHNICAL MANAGER  
DIPLOMA IN WATER ENGINEERING  
HIGHER DIPLOMA IN GROUND WATER TECHNOLOGY  
LEFT ON MARCH 2019

- a. Directing, coordinating, controlling, monitoring and managing the company's technical operations and ensuring good operations and maintenance of infrastructure for quality water and sanitation services
- b. Designing all projects to be undertaken by the company
- c. Ensuring that the water is treated and that the quality meets WHO standards
- d. Ensuring that Unaccounted for Water (UFW)/Non Revenue Water is reduced to acceptable levels
- e. Ensuring proper management of the technical assets

## **GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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### **CHAIRMAN'S STATEMENT**

The financial year 2018/2019 has come to an end and on behalf of the board of Trustees all the staff of Gatanga Community Water Scheme, It's my pleasure to present the financial statements for the period.


During the period under review, my board guided the Trust in accordance to our mandate and as guided by the regulator.

The Trust has forwarded a proposal to Athi Water Development Agency for the expansion of the project to accommodate areas next to Thika town

Our organization in the next strategic plan 2017-2022 has come up with project designs to cover the same.

It's also our hope that the National Government and the County Government of Murang'a or any other funding Agency will fund the development.

I would like to thank all the board members and the staff for the year ends and hope that they will continue putting more effort to improve on service delivery in the coming years.

  
J.G. KIBE. DATE.....12/9/2019.....  
**CHAIRMAN OF THE BOARD**

## GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements  
For the year ended June 30, 2019

---

### REPORT OF THE MANAGING DIRECTOR

The financial year 2018/2019 has been one where the Trust recorded growth in several areas. There was modest increase in revenue collection.

The Trust has endeavoured to improve on debt collection and on policy of aging debt analysis. During the period under review Athi water Works Development Agency handed over to us the completed works which was under construction. The project will increase our production by 3000m<sup>3</sup> per day. It's our anticipation that the increase in production will have a corresponding increase in revenue. However, since we are using the old pipe distribution system to run the handed over project, the U.F.W challenge will affect our distribution.

During the year the number of connections increased from 7782 to 8821 representing an increase of 13%.

The coverage of our scheme is approximately 68% but the project that has been funded by Athi water Works Development Agency will increase coverage to about 80% of the population. The main challenges remain as follows; non- revenue water, old infrastructure which result in high operational costs and cultural change on part of our customers.

It is our wish to continually endeavour to improve on service provision as we target to have 100% coverage.

Cooperation between the Water Service Provider and the County Government of Murang'a need to be enhanced for a better water service provision.

Management will endeavour to work hard and improve on all operation aspects

  
**GIKERI NJOROGE.**

DATE.....12/9/2019.....

**MANAGING DIRECTOR**

## GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements  
For the year ended June 30, 2019

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### CORPORATE GOVERNANCE STATEMENT

Gatanga Community Water Scheme is incorporated in Kenya under the Trustee's Act Cap 164 Under section 47(h) of the Water Act 2002 Water Service Regulatory Board is supposed to develop guideline for and provide advice on the cost effective and efficient management and operation of water services.

This can only be achieved if the leadership in the water sector by principle of good governance.

Good governance is embedded in the tenets of corporate governance.

This has been adhered to by senior management of Gatanga Community Water Scheme by governing the entity integrity in a manner which entrenches and enhances the objectives agreed under the license and service provision agreement.

The good governance has ensured;

- The stability and credibility of the water provider financially
- Improved the relationship between the water provider and the stakeholders -It has also ensured efficiency in the provision of services to the customers.

The Board of Trustees has been adhering to the Memorandum of Articles and Association and act as Agents of the Water Services Board.

The Board of Trustees as per the guideline of Water Services Board has ensured that they have signed the code of conduct of ethics, schedule of full board meeting at the end of every year, approve an annual budget in consultation with respective water service board etc. this therefore means that the board of directors make the strategic policies to be implemented by the senior managers for the smooth running of the water provider The board of directors comprises of 10 members. The directors are from different professions as per the guideline of the Water Services Board. We have adhered to the gender rule as there are two females in the board.

The board has formed various committees namely; finance, technical and audit committee.

## **GATANGA COMMUNITY WATER SCHEME**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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This has enhanced the good productivity of the company.

The board has also been trained on Corporate Governance i.e they have gone through a thorough training on their roles, duties, responsibilities and obligation as well as the Board practices and procedures on first appointment.

The board also ensures various reports have been submitted to the relevant institutions as required and policies and regulations are adhered to by the company including the statutory deduction and subsequent remittance.

## GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements  
For the year ended June 30, 2019

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### MANAGEMENT DISCUSSION AND ANALYSIS

Area of operation is Gatanga Sub County. The water utility is owned by County Government of Murang'a. There were no grants received in the financial year 2018/2019, entity finances its operations and it's self-sustaining

The company has formed a non-revenue team which is working to ensure that there is minimum water loss. The company comparatively performance in 2018/2019 was better than 2017/2018 due to increase in revenue collection from 36,115,627 to 37,182,107 which represents a 3% increase.

Gatanga community water scheme complies with various statutory requirements that is the Water Act of 2016 and trust deed Act. Cap 164. The company is not exposed to any Contingent liabilities.

Gatanga community Water scheme is a Trust hence it cannot be able to finance its project through equity.

The projects are financed either through internally generated revenue, grants from Government and Development partners. The scheme has a role to play since the existing project funded by the national Government and development partners financing through performance /result bases financing.

#### **Operational Risks.**

The scheme inherited old dilapidated infrastructure and this has contributed to high Non Revenue water. During the years the scheme has invested in various projects to improve the infrastructure. However, the funds required for overhauling the whole network is beyond the scheme's affordability.

#### **Market Risks.**

The scheme has no interest bearing financial instrument and has no any outstanding loan.  
Capital Risk,

The company is not exposed to capital risk

## **GATANGA COMMUNITY WATER SCHEME**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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#### **Credit risk.**

The scheme supplies water on credit and gives the customers a period of 14 days to clear their bills. However, not all consumers are able to clear their bills on time, this give rise to credit risk. At the end of the year the trade receivables amounted to Ksh. 60,129,307.5 and the highest percentage was owed by Murang'a South Water and Sanitation Company on bulk water bills amounting to ksh.2, 248,325, Part of these debts date back from the national water and ministry which are untraceable.

#### **Liquidity risks**

The scheme has various obligation and liabilities. The scheme manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flow

## **GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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### **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Water service providers shall endeavour to ensure that their organizations are responsible corporate citizens and that they have due regard for the interest of all stakeholders and the community in which they operate.

Gatanga Community water scheme has ensured that the local has enjoyed the existence of the scheme by employing some of the locals' persons with required qualifications. The scheme also ensure it promote and is sensitive on preservation and protection of the environment by playing part on planting of trees.

The scheme also visits the pro-poor areas and helps them especially with free piped water for up to 6000litres per month. This has improved the area they live in.

The scheme also ensures participation of stakeholders by calling for meetings and allows them to air their views to better the society.

## **GATANGA COMMUNITY WATER SCHEME**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

#### **REPORT OF THE DIRECTORS**

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The Board of Trustees submits their annual report together with the financial statements for the year ended 30<sup>th</sup> June 2019 which discloses the state of affairs of the Trust.

#### **INCORPORATION**

The Trust (water scheme) is registered in Kenya under the Trustees (perpetual succession) Act chapter 164 and is domicile in Kenya. The address of the registered office is set out in page v

#### **1 RESULTS**

The results of the entity for the year ended 30<sup>th</sup> June 2019 are set out on page 1. Deficit for the year ended 30 June 2018 was Kshs. 1,345,110 and a deficit of Kshs. 3,419,456 for the year ended 30<sup>th</sup> June 2019.

#### **2 PRINCIPAL ACTIVITIES**

The principle activities are to ensure availability of sustainable, affordable and quality water services to the residents living within the scheme area (Gatanga District) of operation or jurisdiction by sourcing, treating, distributing and water conservation while billing and collecting revenue from the water consumers who are the residents of the area

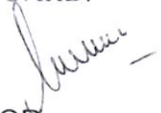
#### **3 TRUSTEES.**

The Trustees who held office during the year are listed on page iv

#### **4 AUDITORS**

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

BY ORDER OF THE BOARD.

GIKERI NJOROGE.  
  
MANAGING DIRECTOR

DATE.....12/9/2019.....

## GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements  
For the year ended June 30, 2019

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 requires the board of Trustees to prepare financial statements for each year. The financial statements are expected to give a true and a fair view of the state of affairs of the trust at the end of the financial year, and the operation result of the scheme for the year. It also requires the Trustees to ensure that the water scheme keep proper accounting records which discloses with reasonable accuracy at any time, the financial position of the scheme. They are also responsible for safeguarding the assets of the scheme. The Trustees are responsible for the preparation and presentation of Gatanga community water scheme'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 Gatanga community water scheme; (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 Gatanga community water scheme; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Trustees accept responsibility for the Gatanga community water scheme'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 Trustees are of the opinion that Gatanga community water scheme'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 entity'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

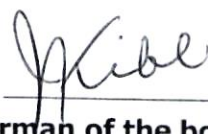
Entity's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

Gatanga community water scheme's financial statements were approved by the board on 12<sup>th</sup> September, 2019 and signed on its behalf by:

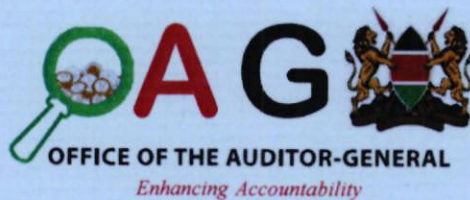
  
\_\_\_\_\_  
**Managing Director**

  
\_\_\_\_\_  
**Director**

  
\_\_\_\_\_  
**Chairman of the board**

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON GATANGA COMMUNITY WATER SCHEME FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Gatanga Community Water Scheme set out on pages 1 to 35, which comprise the statement of financial position as at 30 June, 2019, and the statement of 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 effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Gatanga Community Water Scheme as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and Public Finance Management Act, 2012.

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

##### **1.0 Long Outstanding Accounts Receivables**

The statement of financial position and as disclosed in Note 8 to the financial statements reflects accounts receivables balance of Kshs.54,469,976 as at 30 June, 2019. Included in this balance are trade receivables of Kshs.60,129,308 after provision for bad debts of Kshs.6,012,931. The trade receivables include debts of Kshs.30,773,030 which have been outstanding for a long period. Management did not provide evidence of efforts to recover the long outstanding account receivables. Further, the Scheme had not established a debt management policy as of 30 June, 2019.

As a result, the accuracy and recoverability of the account receivables balance of Kshs.54,469,976 as at 30 June, 2019 could not be confirmed.

## **2.0 Unsupported Customer Deposits**

The statement of financial position reflects customers' deposits balance of Kshs.9,261,093 as at 30 June, 2019. However, a review of bank statements and cash book revealed that the actual customer deposits balance as at 30 June, 2019 stood at Kshs.1,154,681.30 resulting to an unexplained and unreconciled variance of Kshs.8,106,411.70. Further, the Scheme did not have a policy on borrowings from customers' deposits account.

Consequently, the accuracy and completeness of the customers' deposits balance of Kshs.9,261,093 as at 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 Gatanga Community Water Scheme 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 comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.50,417,665 and Kshs.37,182,107 respectively resulting to an under-collection of Kshs.13,235,558 or 26% of the budget. Similarly, the Scheme expended Kshs.40,723,245 against an approved budget of Kshs.48,348,619 resulting to an under-expenditure of Kshs.7,625,374. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

## **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, 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**

### **1.0 Non-Revenue Water**

During the financial year under review, the Scheme produced a total of 1,985,115 cubic meter (m<sup>3</sup>) of water out of which a volume of only 1,069,929 M<sup>3</sup> was billed to customers resulting to non-revenue water volume of 888,186 m<sup>3</sup> or approximately 44% of the total water produced. This is 19% above the allowable 25% prescribed by the Water Services Regulatory Board (WASREB) guidelines. The non-revenue water of 44% may have resulted in loss of sales estimated at Kshs.23,041,137.

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

### **2.0 Non-Compliance with the Law on Fiscal Responsibility - Wage Bill**

The incurred personnel costs of Kshs.23,835,545 which was 56% of the total expenditure of Kshs.42,298,223. This is contrary to the provisions of Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015

Consequently, Management is in breach of the law.

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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 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 my audit;
- (ii) In my opinion, proper books of account have been kept by the Scheme, so far as appears from the examination of those books;
- (iii) The Scheme's statement of financial position and statement of comprehensive income are in agreement with books of account; and
- (iv) In my opinion, the information given in the report of the Directors on page xxi is consistent with the financial statements.

### **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 Scheme'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 are aware of the intention to liquidate the Scheme 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 Scheme'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 Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme'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 Scheme 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 Scheme 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**

**11 January, 2022**

**GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019.**

INCOME	NOTE	2018/2019	2017/2018
		KSHS	KSHS
Water sales	1	37,182,107	36,115,627
Other income	2	-	2,241,594
Grants	3	1,146,660	1,351,200
<b>TOTAL INCOME</b>		<b><u>38,328,767</u></b>	<b><u>39,708,421</u></b>
<b>OPERATION EXPENSES</b>			
Administration Expenses	4	39,576,585	38,494,160
Depreciation of Property, Plant and Equipment	5	2,721,638	2,559,371
<b>TOTAL OPERATING EXPENSES</b>		<b><u>42,298,223</u></b>	<b><u>41,053,531</u></b>
Deficit for the year before tax		<b><u>(3,969,456)</u></b>	<b><u>(1,345,110)</u></b>
Income tax		-	-
Deficit after tax		<b><u>(3,969,456)</u></b>	<b><u>(1,345,110)</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Surplus on revaluation of PPE		400,000	-
<b>DEFICIT FOR THE YEAR ENDED 30TH JUNE 2019</b>		<b>(3,569,456.40)</b>	<b>(1,345,110.20)</b>

**GATANGA COMMUNITY WATER SCHEME**

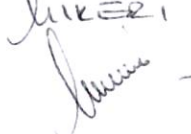
**Annual Reports and Financial Statements**

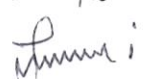
**For the year ended June 30, 2019**


**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	NOTE	2018/2019 <u>KSHS</u>	2017/2018 <u>KSHS</u>
<b><u>NON -CURRENT ASSETS</u></b>			
Property, plant & Equipment	6	23,473,322	25,187,973
<b><u>Current Assets</u></b>			
Inventories	7	161,500	102,700
Accounts Receivables	8	54,469,976	51,834,803
cash and cash equivalents	10	<u>1,430,470.27</u>	<u>2,346,851.65</u>
<b>Total Current Assets</b>		<u><b>56,061,946.32</b></u>	<u><b>54,284,354.53</b></u>
<b>TOTAL ASSETS</b>		<u><b>79,535,268</b></u>	<u><b>79,472,328</b></u>
<b><u>EQUITY AND LIABILITIES</u></b>			
Capital Reserves		16,443,575	16,443,575
General Reserves		26,170,448	29,739,905
<b>Capital and Reserves</b>		<u><b>42,614,023</b></u>	<u><b>46,183,480</b></u>
<b><u>Current Liabilities</u></b>			
Accounts Payable	14	10,398,187	9,563,961
Customer Deposits	15	9,261,093	8,713,093
Provision Account	16	17,261,965	15,011,793
<b>Total Current Liabilities</b>		<u><b>36,921,245</b></u>	<u><b>33,288,847</b></u>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u><b>79,535,268</b></u>	<u><b>79,472,328</b></u>

The financial statements were approved by the Board on 12/9/19 2019 and signed on its behalf by:

M.D  
Name: MUKERI NIGORIE  


Head of Finance  
Name: M. MWAMBIA  
ICPAK M/NO: 16045  


  
Chairman of the Board  
Name:

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

	Capital Reserves	General reserves	Total
Bal B/F 1 July 2017	16,443,575	31,085,015	47,528,590
Total Net comprehensive income		(1,345,110)	(1,345,110)
Bal c/d 30 June 2018	16,443,575	29,739,905	<b>46,183,480</b>
Opening Balance as at 1 July 2018	16,443,575	29,739,905	46,183,480
Total Net comprehensive income	-	(3,569,456)	(3,569,456)
closing balance as at 30th June 2019	<u>16,443,575</u>	<u>26,170,448</u>	<u>42,614,023</u>

*GATANGA COMMUNITY WATER SCHEME*

Annual Reports and Financial Statements  
For the year ended June 30, 2019

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	<u>2018/2019</u>	<u>2017/2018</u>
	<u>KSHS</u>	<u>KSHS</u>
Cash flow from operating activities		
Profit before income taxes	(3,969,456)	(1,345,110)
Adjust for		
Depreciation	<b>4</b> 2,721,638	2,559,371
Operating profit before working capital changes	<u>(1,247,818)</u>	<u>1,214,261</u>
Working capital changes		
Increase in inventories	<b>7</b> (58,800)	35,400
Increase Accounts receivables	<b>8</b> (2,635,173)	(3,764,862)
Increase / (Decrease) Payables	<b>14</b> 834,226	896,846
Increase in Members deposits	<b>15</b> 548,000	407,000
Increase/ (Decrease) provision account	<b>16</b> 2,250,172	3,065,397
Cash generated from operating activities	<u>(309,394)</u>	<u>1,854,042</u>
Tax paid	-	-
Net cash generated from operating activities	<u>(309,394)</u>	<u>1,854,042</u>
Cash flow from investing activities		
Acquisition of assets	(606,992)	(429,220)
Net cash flow after investing activities	(606,992)	(429,220)
Net increase in cash & cash equivalent	(916,386)	1,424,821
Cash and cash equivalent at the beginning of year	<u>2,346,851</u>	<u>922,027</u>
Cash and cash equivalent at the end of the year	<u>1,430,470</u>	<u>2,346,851</u>

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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

STATEMENT OF BUDGET AND ACTUAL COMPARISON							
FOR THE YEAR ENDED 30TH JUNE 2019							
	ORIGINAL BUDGET 2018/2019	ADJUSTMENTS 2018/2019	FINAL BUDGET 2018/2019	ACTUAL COMPARABLE 2018/2019	PERFORMANCE DIFFERENCE	PERFORMANCE DIFFERENCE AS %	Explanation of material variances
	Shs	Shs	Shs	Shs	Shs	Shs	
<b>Revenue</b>							
Water billing	50,417,665	-	50,417,665	37,182,107	13,235,558	26	a)
Grants- seconded employees	1,146,660	-	1,146,600	1,146,600	-	-	
<b>Total income</b>	<b>51,564,325</b>	<b>-</b>	<b>51,564,265</b>	<b>38,328,707</b>	<b>13,235,558</b>		
<b>Expenses</b>							
Personnel cost	22,638,192	-	22,638,192	23,835,545	- 1,197,353	- 5	
Administration cost & financial Cost	7,750,000	-	7,750,000	5,809,513	1,940,487	25	b)
Operation costs and general expenses	15,169,767	-	15,169,767	9,273,670	5,896,097	39	c)
Trustee expenses	1,644,000	-	1,644,000	657,858	986,142	60	d)
Grants- seconded employees	1,146,660	-	1,146,660	1,146,660	-	-	
<b>Total expenditure</b>	<b>48,348,619</b>	<b>-</b>	<b>48,348,619</b>	<b>40,723,245</b>	<b>7,625,374</b>	<b>16</b>	
<b>Surplus for the period</b>	<b>3,215,706</b>	<b>-</b>	<b>3,215,646</b>	<b>(2,394,538)</b>	<b>5,610,184</b>	<b>- 16</b>	

*Explanatory notes*

- a) Movement is due to work in progress of the project which we anticipated they will be complete during the financial year
- b) Movement is due to management effort to reduce overall administration cost due reduction in revenue
- c) Movement is due to management effort to reduce overall operation cost due reduction in revenue
- d) Movement is mainly due to an training which was not done

## **GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. GENERAL INFORMATION**

Gatanga Community Water Scheme is established by and derives its authority and accountability from the Trustee's Act cap 164. The entity is wholly owned by the County Government of Kenya and is domiciled in Kenya. The principal activity of the trust is to ensure efficient and effective provision of water 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 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 company'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 Public Finance Management Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented

## GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements  
For the year ended June 30, 2019

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### 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.

### 1. 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)**

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment, no asset has been recognised as leased.

#### *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)*

## GATANGA COMMUNITY WATER SCHEME

### Annual Reports and Financial Statements

#### For the year ended June 30, 2019

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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.

### 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 the entity 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.

## GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements  
For the year ended June 30, 2019

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

*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.

### 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*.

## **GATANGA COMMUNITY WATER SCHEME**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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

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

#### **iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2018.

#### **iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **I. Revenue Recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to Gatanga Community Water Scheme 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 Gatanga Community Water Scheme's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of Gatanga Community Water Scheme's activities as described below.

- (a) Revenue from the sale of goods and services is recognized in the year in which Gatanga Community Water Scheme delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- (b) Grants from National Government are recognized in the year in which Gatanga Community Water Scheme actually receives such grants.
- (c) Finance income comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- (d) Other income is recognized as it accrues.

##### **iii. In-Kind Contributions**

In-kind contributions are donations that are made to Gatanga Community Water Scheme 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, Gatanga Community Water Scheme 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.

## GATANGA COMMUNITY WATER SCHEME

### Annual Reports and Financial Statements

For the year ended June 30, 2019

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

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### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### a) 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.

#### b) 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.

Depreciation on property, plant and equipment is recognized 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	10%
Operational tool	30%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Water pipeline	5%
Software Amortization	10%
Water tanks and plots	0%
Furniture and fittings	12.5%

## **GATANGA COMMUNITY WATER SCHEME**

### **Annual Reports and Financial Statements**

#### **For the year ended June 30, 2019**

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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.

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **c) 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.

##### **d) Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of ten 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.

##### **e) Inventories**

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

##### **f) 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.

##### **g) 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.

## GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements

For the year ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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#### 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 the Entity 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 reassessed 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.

## GATANGA COMMUNITY WATER SCHEME

### Annual Reports and Financial Statements

For the year ended June 30, 2019

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

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#### 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.

##### h) 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.

##### i) 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 on 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.

##### j) 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.

## GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements  
For the year ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### k) Retirement benefit obligations

The entity operates two defined contribution schemes for all full-time employees. The schemes are Local Authority Pension Scheme (LAPTRUST) and National Water Pension Scheme. The company joined the pension 5<sup>th</sup> October 2010 and 17<sup>th</sup> February 2006 respectively. The company contributes to these two pension schemes. Under LAPTRUST employer contribute 15% and employee 12% of basic salary and house allowance. Contribution of National Water Pension Scheme is 7.5% by employee and 15% by employer calculated on basic salary only.

##### l) 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.

##### m) Budget information

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

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

## **GATANGA COMMUNITY WATER SCHEME**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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

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#### **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 7 of these financial statements.

##### **n) Service concession arrangements**

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

##### **o) Comparative figures**

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

##### **p) 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, 2018.

#### **5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

## **GATANGA COMMUNITY WATER SCHEME**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

#### **5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION 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

##### **Provisions**

Provisions are recognized when a company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision for bad and doubtful debts is provided at 10% of the trade debtors.

**GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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

**1. REVENUE**

Water billing	37,007,807	36,115,627
	<u>37,007,807</u>	<u>36,115,627</u>
Other incomes		
Conection & reconnection	174,300	551,000
other incomes- refunds	-	1,690,594
	<u>174,300</u>	<u>2,241,594</u>

**2. GRANTS FROM NATIONAL GOVERNMENT**

Salary grant-GOK	1,146,660	1,351,200
	<u>1,146,660</u>	<u>1,351,200</u>

*Salary grant relates to seconded employees from ministry*

## GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements  
For the year ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 3. ADMINISTRATION COSTS

##### 3.a) Personnel Cost

Staff Salaries	16,734,132	15,319,013
staff Salaries paid by MOWI (operational Gr	1,146,660	1,351,200
casual wages	3,486,330	2,811,980
Pension contribution by employer	1,795,066	1,509,495
Gratuity	297,600	297,600
Other staff costs(salary adv written off)	84,000	15,000
Leave allowance& compensation	291,757	252,766
<b>Total Personnel cost</b>	<b>23,835,545</b>	<b>21,557,054</b>

##### 3.b) TRUSTEE EXPENSES

Board sitting allowances	657,858	697,141
Board Training		
<b>Trustee cost</b>	<b>657,858</b>	<b>697,141</b>

## GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements  
For the year ended June 30, 2019

### 3.c) Administration Expenses

Telephone and postage	178,460	225,160
Insurance	136,736	135,362
Printing and Stationery	104,615	130,520
Bulk sms services	203,990	180,000
Travel & accomodation	1,080,150	1,407,750
Training and workshops	200,967	88,992
Electricity	230,716	20,591
Office running Expenses & office repair	548,793	518,623
Provision for bad & Doubtful debts	303,833	415,834
R & M Computer repair & printers	278,250	388,886
A.G.m Expenses (increase in provision)	10,000	-
Christmas party and gift	175,000	175,000
Current:Audit provision	290,000	290,000
Licence and permits	116,500	-
Newspaper & periodicals	27,120	37,400
WASPA(benchmarking and subscription)	205,000	45,000
KWRUA & kimakia subscription	46,000	6,000
Stakeholders meeting	140,000	-
professional subscription	22,400	22,400
Advertisement	234,000	122,575
Consultancy(legal fee & other charges)	934,700	625,700
Sports and Equipments	26,874	329,900
Corporate social responsibility	42,280	6,250
Employee welfare	40,000	-
Internet services	84,000	-
<b>Total Administration Costs</b>	<b>5,660,384</b>	<b>5,171,943</b>

## GATANGA COMMUNITY WATER SCHEME

Annual Reports and Financial Statements  
For the year ended June 30, 2019

### 3.d) Financial expenses

Bank charges	84,325	58,767
M-pesa charges	64,804	
<b>Financial expenses</b>	<b>149,129</b>	<b>58,767</b>

### 3.e) OPERATION COST

water fittings and pipes	1,034,594	3,595,096
Repair and maintenance of water systems	818,878	431,490
Transport and fuel	2,188,309	1,890,758
Repair and maintenance of motor vehicles	687,305	361,730
Repair and maintenance of motor cycles	126,050	61,900
Athi Water Service Board- Lease fees	2,335,172	2,992,892
Water Abstraction Fees - WARMA	671,635	904,500
Regulatory Levy - WASREB	1,115,984	325,735
KFS Annual permit	4,000	135,000
Repair and maintenance of billing system	18,500	
Bore hole electricity	273,243	310,150
<b>TOTAL OPERATION COST</b>	<b>9,273,670</b>	<b>11,009,251</b>

### 4. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation	2,721,638	2,559,371
<b>TOTAL</b>	<b>2,721,638</b>	<b>2,559,371</b>

**GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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

**5. INCOME TAX EXPENSE/(CREDIT)**

**(a) Current taxation**

	2018-2019	2017-2018
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	0	0
Current tax: prior year under/(over) provision	0	0
Current year deferred tax charge	0	0
Prior year under-provision for deferred tax	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**b) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit**

	<u>2018/2019</u>	<u>2017/2018</u>
	KSH	
Surplus for the year	(3,969,456)	(1,345,110)
ADD DISALLOWABLES		
Depreciation	2,721,638	2,559,371
Increase in Provision for bad debts	303,833	415,834
	<b>(943,985)</b>	<b>1,630,095</b>
LESS ALLOWABLES		
Wear and tear	2,721,638	2,559,371
Taxable profit/ (loss)	<u>(3,665,623)</u>	<u>(929,276)</u>
Tax @ 30%	<u>-</u>	<u>-</u>

**GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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

**6. PROPERTY, PLANT AND EQUIPMENT**

GATANGA COMMUNITY WATER SCHEME ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019													
Fixed Assets Movement Schedule													
6													
	<u>Furniture &amp; Fittings</u>	<u>Motorcycles</u>	<u>GENERATOR</u>	<u>Motorvehicle</u>	<u>Equipments</u>	<u>Computers &amp; Peripherals</u>	<u>water pipelines</u>	<u>SOFTWARES</u>	<u>water plots</u>	<u>Operational tool</u>	<u>Building</u>	<u>WATER METERS</u>	<u>Total</u>
Total cost or Valuation as at 01.07.18	606,914	939,620	185,000	1,750,000	502,920	1,555,740	35,202,318	1,114,105	780,000	220,000	4,204,831.00	6,600	47,068,048
additions	-	-	-	-	173,922	270,270	-	102,400	-	-	-	60,400	606,992
REVALUATION	-	-	-	400,000	-	-	-	-	-	-	-	-	400,000
Total cost or Valuation as at 30.06.19	606,914	939,620	185,000	2,150,000	676,842	1,826,010	35,202,318	1,216,505	780,000	220,000	4,204,831.00	67,000	48,075,040
Accum dep as at 31.07.18	589,394	730,405	69,375	1,750,000	502,920	1,535,026	13,662,187	381,143	-	220,000	2,438,801.00	825	21,880,075
Charge for the year	17,520	105,405	23,125	100,000	21,740	143,223	1,760,116	121,651.00	-	-	420,483.10	8,375	2,721,638
Accum dep as at 30.06.19	606,914	835,810	92,500	1,850,000	524,660	1,678,249	15,422,303	502,794	-	220,000	2,859,284.10	9,200	24,601,714
NETBOOK 30/6/2019	-	103,810.00	92,500.00	300,000.00	152,181.75	147,761.00	19,780,015.10	713,711.00	780,000.00	-	1,345,546.90	57,800.00	23,473,322
NETBOOK 30.06.2018	17,520	209,215	115,625	-	-	20,714	21,540,131	732,962	780,000	-	1,766,030.00	5,775	25,187,973
2011/2010													
FULLY DEPRECIATED ASSETS	COST	REVALUED ASSET	COST	ACC DEPN	REVALUED AMOUNT								
MOTORCYCLES	518,000.0	MOTORVEHICLES	1,750,000.00	1,750,000.00	400,000.00								
EQUIPMENTS	502,920.0												
COMPUTER AND PERIPHERALS	1,348,600.0												
OPERATIONAL TOOLS	220,000.0												

# GATANGA COMMUNITY WATER SCHEME

## Annual Reports and Financial Statements

For the year ended June 30, 2019

GATANGA COMMUNITY WATER SCHEME  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2018

Fixed Assets Movement Schedule

6

	<u>Furniture &amp;</u>		<u>GENERATOR</u>	<u>Motorvehicle</u>	<u>Equipments</u>	<u>Computers &amp;</u>		<u>SOFTWARES</u>	<u>water plots</u>	<u>Operational tool</u>	<u>Building</u>	<u>WATER METERS</u>	<u>Total</u>
	<u>Fittings</u>	<u>Motorcycles</u>				<u>Peripherals</u>	<u>water pipelines</u>						
Total cost or Valuation as at 01.07.17	606,914	732,000	185,000	1,750,000	502,920	1,555,740	35,202,318	899,105	780,000	220,000	4,204,831		46,638,828
additions	-	207,620	-	-	-	-	-	215,000	-	-	-	6,600	429,220
Total cost or Valuation as at 31.07.18	606,914	939,620	185,000	1,750,000	502,920	1,555,740	35,202,318	1,114,105	780,000	220,000	4,204,831	6,600	47,068,048
Accum dep as at 01.7.17	513,530	625,000	46,250	1,750,000	502,920	1,472,884	11,902,071	269,732	-	220,000	2,018,318	-	19,320,704
Charge for the year	75,864	105,405	23,125	-	-	62,142	1,760,116	111,411	-	-	420,483	825	2,559,371
Accum dep as at 31.07.18	589,394	730,405	69,375	1,750,000	502,920	1,535,026	13,662,187	381,142	-	220,000	2,438,801	825	21,880,075
NETBOOK 30/7/2018	17,520	209,215	115,625	-	-	20,714	21,540,131	732,963	780,000	-	1,766,030	5,775	25,187,973
NETBOOK 30.06.2017	93,384	107,000	138,750	-	-	82,856	23,300,247	629,374	780,000	-	2,186,513	-	27,318,124
2011/2010													
FULLY DEPRECIATED ASSETS	COST												
MOTORCYCLES	518,000.0												
MOTORVEHICLES	1,750,000.0												
EQUIPMENTS	502,920.0												
COMPUTER AND PERIPHERALS	1,348,600.0												

**GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

**7. INVENTORIES**

	2018-2019	2017-2018
	Kshs	Kshs
Pipes and their fittings	161,500	102,700
	<b>161500</b>	<b>102,700</b>
	=====	=====

**8. (a) TRADE AND OTHER RECEIVABLES**

ACCOUNTS RECEIVABLES

Book debtors-water	60,129,308	57,090,978
Debtors balance (water)	60,129,308	57,090,978
Provision for Bad & Doubtful debts @ 10%	6,012,931	5,709,098
Net (water) debtors	<u>54,116,376.85</u>	<u>51,381,880.08</u>
Laptrust	5,000	5,000
Staff loan	15,500	104,250
Pension (National water)	78,339	78,339
Total kenya	8,035	18,609
Muranga south water & sewerage co.ltd	186,617	186,617
Staff pension paid by Company	30,108	30,108
Tusquee	30,000	30,000
Total Accounts Receivable	<u><b>54,469,976.05</b></u>	<u><b>51,834,802.88</b></u>

Notes

-laptrust and national water are pension scheme where there was an overpayment

-muranga south water relate to sharing of repair of intake when we were sharing

-tusquee relates to deposit made to bulk sms company.

**GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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

**8. (b) TRADE RECEIVABLES**

	2018-2019	2017-2018
	Kshs	Kshs
Gross trade receivables	60,129,308	57,090,978
Provision for doubtful receivables	(6,012,931)	(5,709,098)
	<u>54,116,376</u>	<u>51,381,880</u>
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	6,469,378	2,732,338
Between 30 and 60 days	0	0
Between 61 and 90 days	3,285,275	2,769,621
Between 91 and 120 days	3,125,489	3,129,717
Over 120 days	47,249,165	48,429,302
	<u>60,129,308</u>	<u>57,090,978</u>

**8. (c) STAFF RECEIVABLES**

	2018-2019	2017-2018
	Kshs	Kshs
Gross staff loans and advances	99,500	119,250
Provision for impairment loss(WRITTEN OFF)	(84,000)	(15,000)
	<u>15,500</u>	<u>104,250</u>
Less: Amounts due within one year	(15,500)	(104,250)
Amounts due after one year	<u>0</u>	<u>0</u>

*Amount written off in 2017/2018 relates to the employee who left the company and in 2018/2019 was through demise*

## GATANGA COMMUNITY WATER SCHEME

### Annual Reports and Financial Statements

For the year ended June 30, 2019

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

#### 9. SHORT TERM DEPOSITS

barclays bank accounts		2018/2019	2017/2018
		Kshs	Kshs
Water sale	A/C -1226975	181,090	1,749,429
Customers deposit a/c	A/C- 1226967	1,154,681	573,627
Expenditure a/c	A/C- 1226983	47,472	134
Total Bank Balance		1,383,243	2,323,190

*All our accounts are in Barclays bank*

#### 10. BANK AND CASH BALANCES

	2018-2019	2017-2018
	Kshs	Kshs
Cash at bank	1,383,243	2,323,190
Cash in hand	47,227	23,662
	1,430,470	2,346,852
	=====	=====

*[Provide short appropriate explanations as necessary]*

*All the cash at bank was held at Barclays Bank of Kenya as the main banker*

#### 11. REVALUATION RESERVE

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

#### 12. FAIR VALUE ADJUSTMENT RESERVE

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

#### 13. RETAINED EARNINGS

The retained earnings are utilized to finance operations because Gatanga community water scheme because it's don't pay dividends

**GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**14. TRADE AND OTHER PAYABLES**

	2018/2019	2017/2018
<u>Accounts Payable</u>	<u>Ksh</u>	<u>Ksh</u>
WARMA	3,465,130	3,019,625
Wandi general suppliers	-	220,130
Kenya national audit Office	290,000	290,000
Neema Hardware	225,150	191,470
Salary arrears & gratuity	3,417,715	2,352,348
WASREB	1,423,079	307,095
Bromak general marchants	550,850	1,425,530
MAN U	192,600	539,930
WASPA Subscription	205,000	
ALLAWA	40	437,850
YANA TYRES		63,200
Francisco & Pats Consultants	450,000	150,000
Joyvet Investments LTD		245,150
Njanju Arts & Services		143,000
Accounts Payable	<u>10,219,564</u>	<u>9,385,338</u>
income tax	178,623	178,623
<b>Total Accounts Payable</b>	<b><u>10,398,187</u></b>	<b><u>9,563,961</u></b>

**15. Customer Deposits**

<b><u>9,261,093</u></b>	<b><u>8,713,093</u></b>
-------------------------	-------------------------

**16. Provision Account**

AWSB-Lease	15,511,965	13,176,793
Audit provisions	1,720,000	1,430,000
AGM		240,000
FKE subscription	30,000	30,000
KFS Way leave		135,000
<b>Total Provision Account</b>	<b><u>17,261,965</u></b>	<b><u>15,011,793</u></b>

## GATANGA COMMUNITY WATER SCHEME

### Annual Reports and Financial Statements

For the year ended June 30, 2019

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#### 17. RETIREMENT BENEFIT OBLIGATIONS

The entity operates two defined contribution schemes for all full-time employees. The schemes are Local Authority Pension Scheme (LAPTRUST) and National Water Pension Scheme. The company joined the pension 5<sup>th</sup> October 2010 and 17<sup>th</sup> February 2006 respectively. The company contributes to these two pension schemes. Under LAPTRUST employer contribute 15% and employee 12% of basic salary and house allowance. Contribution of National Water Pension Scheme is 7.5% by employee and 15% by employer calculated on basic salary only.

#### 18. RELATED PARTY DISCLOSURES

##### (a) Government of Kenya

The county Government of Murang'a is the principal trustee of the *Gatanga Community water scheme*, holding 100% of the *Gatanga Community water scheme's* equity interest. Other related parties include:

- i) Athi Water works Development Agency
- ii) Water Resource Authority
- iii) Key management;
- iv) Board of directors;

## **GATANGA COMMUNITY WATER SCHEME**

### **Annual Reports and Financial Statements For the year ended June 30, 2019**

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#### **19. FINANCIAL RISK MANAGEMENT**

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

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

##### **(i) Credit risk**

The entity 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.

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:

## GATANGA COMMUNITY WATER SCHEME

### Annual Reports and Financial Statements

For the year ended June 30, 2019

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

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#### 20. FINANCIAL RISK MANAGEMENT (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from xxxx

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. 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.

## **GATANGA COMMUNITY WATER SCHEME**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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

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#### **21. FINANCIAL RISK MANAGEMENT (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 the entity'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 optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

## **GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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

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#### **22. INCOPORATION**

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

#### **23. EVENTS AFTER THE REPORTING PERIOD**

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

#### **24. CURRENCY**

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

## GATANGA COMMUNITY WATER SCHEME

### Annual Reports and Financial Statements

For the year ended June 30, 2019

#### 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<b>Basis of qualified opinion</b>					
1.	There has been account receivable long outstanding	These were debt inherited from local government when trust was taking over. We have made effort by identifying those customer and those not identified set aside waiting approval to write off	Mr. Michael mwambia-commercial manager	In progress	June 2020
2.	Spending of customer deposit	Spending of customer deposit is done to finance capital expenditure with the approval of Board of Trustee and we also have a standing order of Kes. 100,000 to refund the same amount.	Mr. G Njoroge- Managing Director	resolved	
<b>Basis for conclusion</b>					
1.	There was non-revenue water of 54%	The system that we operate is dilapidated and we have made several proposals to Athi Water for finances and also we have customers who are unmetered and we have written proposals also for funding.	Mr. G Njoroge- MD	In progress	
2.	Budgetary performance	The Trust could not collect the revenue because we had anticipated the project which were ongoing will	Mr. G Njoroge- M.D	In progress	June 2020

**GATANGA COMMUNITY WATER SCHEME**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		be complete in the cause of the year but were not. The expenditure as also under spend because of low collection			

M.D 

Date.....12/9/2019.....

  
Chairman of the Board

Date.....12/9/2019.....