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REPORT

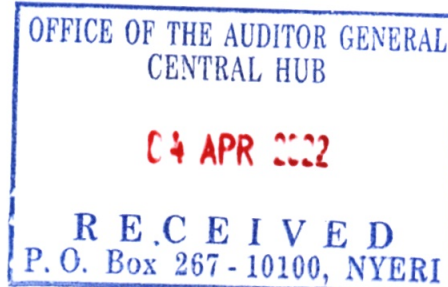
OF

THE AUDITOR-GENERAL

ON

**GATAMATHI WATER AND SANITATION
COMPANY LIMITED**

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



GATAMATHI WATER AND SANITATION LIMITED

REPORTS AND FINANCIAL STATEMENTS

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

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

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I. KEY COMPANY INFORMATION

Background information

Gatamathi Water and Sanitation Limited was incorporated as a limited Company by Guarantee (No shareholding) on 23rd March, 2006 through Water Act 2002. The Company currently has seven members of Board of directors. Five of the members are elected annually during an Annual General Meeting while two are representatives of the Murang'a County Government. The Board is elected by stakeholders who come from Kangema, Mathioya Sub-Counties and Gatari ward in Kiharu Sub-County.

The company provides water and sanitation services as per Conditions set in the licence from Water Services Regulatory Board(WASREB) . The area contracted are in Mathioya Sub-County, Rwathia ward in Kangema Sub-County and Gathuki-ini location in Gatari ward of Kiharu Sub-County.

The supply area covers 314 Km² with a population of 132,000 people. The WSP manages Gatango and Mathioya schemes.

Total active connections are 9100 with an actual served population of 75,286. There are 3,500 dormant connections.

GATANGO WATER SUPPLY

The scheme was started in 1968 and commissioned in 1972. The source of water is North Mathioya River 3.5 km inside the forest. The level of service was by communal water points (CWP) which were 72 CWP's in number. The scheme covered Kiru and Kamacharia Wards in Mathioya Sub-County, and some parts of Gatari ward in Kiharu Sub-County.

Area covered during commissioning was 85.47 km². Later, the residents opted for individual connections. The area now has been extended to cover Gatari totaling about 108KM³.

The design period was from 1972- 1982. Augmentation report by AB Brokonsult which was to cover a period of 20 years from 1984-2004 was not implemented. There are 3800 active connections serving a population of 25,000.

By the time the company took over the management of the scheme in May 2006, water was not reaching Kamacharia, Kanjama and Kagumo-ini.

The scheme has a potential to serve Gatari ward if the proposed funding by Athi Water Works Development Agency.

MATHIOYA WATER SUPPLY

The scheme was started as a self-help project in the late 1970's. The source of water is Hembe River, a tributary of Githugi River of North Mathioya River. The Government later took over and engaged Bish & Partners Ilaco Consulting Engineers who come up with a design report. The scheme was commissioned in 1984.

The service level was by individual connections.

The area covered was Njumbi and Gitugi locations in Mathioya Sub-County, Rwathia location in Kangema Sub-County. Area covered is 134KM³ and the population served is 51,000 with 5,300 active connections.

MEASURES TO IMPROVE SERVICE DELIVERY

i) Gatango Water Supply

Athi Water Works Development Agency is funding a new intake, mainline from the intake in the forest to the Kairo Tank, a distance of 8.9 km. Then a new line for Gatari ward for a distance of 21.6 Km. Rehabilitation of the existing Kairo-Kiria-ini-Kamacharia and Kairo-Kiambuthia-Kagumo-ini has been ongoing.

ii) Mathioya Water Supply

Mathioya requires funding for gravity main to serve people at Kiamuturi, Kagongo, Ruiru and Miro in Mathioya Sub-County and Wanjerere, Nyagatugu and Tuthu in Kangema Sub- County in order to phase out pumping which proved to be uneconomical .The existing gravity mainlines also requires rehabilitation and improvement of treatment works.

Principal Activities

The principal activities of the company are to manage water facilities, provide water and sanitation services in the Contracted areas.The areas contracted are in Mathioya Sub-County, Rwathia ward in Kangema Sub-County and Gatari ward of Kiharu Sub-County.

Directors

The Directors who served the Company during the year were as follows:

- | | |
|-----------------------------|--|
| 1. Mr. Washington M. Mwangi | Chairman |
| 2. Ms. Serah W. Gichuku | Member |
| 3. Ms. Magdalene M. Kiriko | “ |
| 4. Mr. Antony Maina | Alternate to CEC Water and Infrastructure |
| 5. Mr. Samuel Kinyanjui | Alternate to CEC –Finance, IT and Planning |
| 6. Mr. Charles M.Muriuki | Managing Director |
| 7. Ms Joyce K.Wachira | Left on 18th March 2021 |
| 8. Mr. Geoffrey W. Warui | Left on 18 th March 2021 |

Corporate Secretary

Gikuhi Kiana

P.O. Box 1271-10100

Nyeri

Registered Office

Gatamathi Water and Sanitation Limited

Nyakianga next to DO's Office – Mathioya

Off Kangema Othaya Road

P.O. Box 93 -10204

Kiria-ini.

Corporate Headquarters

Gatamathi Water and sanitation Limited

Nyakianga next to DO's Office – Mathioya

Off Kangema Othaya Road

P.O. Box 93 -10204

Kiria-ini.

Corporate Contacts

Telephone: (254) 020-2032602

E-mail: gatamathiwsp@gmail.com

Website: gatamathiwsp.co.ke

Corporate bankers

1. Equity Bank Ltd
Kiria-ini branch
P.O BOX 217-10204
Kiria-ini.

2. Family bank Ltd
Kiria-ini branch
P.O BOX 82-10204
Kiria-ini.

3. Kenya Commercial Bank Ltd
Kiria-ini branch
P.O BOX 42-10204
Kiria-ini.

Independent Auditors

Auditor General






The Office of Auditor General
Anniversary Towers, University Way
P.O. Box 30084
G.P.O 00100


Nairobi, Kenya

Principal legal Advisers

1. The Attorney General
State law office
Harambee Avenue
P.O. Box 40112
City square 00200
Nairobi, Kenya
2. Triple N W & Co. Advocates
Hazina Towers 9th Floor
Monrovia Street, Wing B Room 901
P.O. Box 28074-00100
Nairobi, Kenya
3. Tana Water Works Development Agency lawyer

II. THE BOARD OF DIRECTORS

| NAME | POSITION | EXPERIENCE AND POSITION IN THE SOCIETY |
|--|-------------------|---|
|  Washington M. Mwangi | Chairman | Born 1961, “O” Level, Former Vice Chairman Murang’a County Council. Prominent farmer and businessman |
|  (Name not explicitly stated in image) | Managing Director | Education –Higher National Diploma- Water Engineering. Executive Master of Business Administration degree Area of responsibility – Implementation of the company’s board policies in line with Licence terms from WASREB . Work experience – 15years’ work experience at Gatamathi Water and sanitation company |
|  Joyce K. Wachira | Board Member | Born 1981, Diploma, Kenya Registered Community Health Nursing |
|  Magdalene M. Kiriko | Board Member | Born 1958, “O” Level, Service Corp, Chairperson BoG-Gikoe Sec School, Chairperson- Gikoe Primary. Businesswoman. |
|  Geoffrey W. Wanyeki | Board Member | Born 1972, “O” Level, Community mobilize, representative of people with disabilities |

| | | |
|---|--|--|
|  Serah W. Gichuku | Board Member | Born 1969,Rwathia Girls Advanced Level CPA I |
| Mr. Antony Maina | Murang'a County Government Representative | Alternate to CEC-Water and Infrastructure |
| Mr. Samuel Kinyanjui | Murang'a County Government Representative | Alternate to CEC-Finance , IT & Planning |
| FCS.Richard K. Gikuhi ,MBA,MKIM,HSC. | Company Secretary | |

BOARD COMMITTEES

| NAME OF THE COMMITTEE | MEMBERS |
|---|--|
| Finance, Technical and Administration Committee | 1.Mr Geoffrey W.Wanyeki – Chairperson 2. Mr. Antony Maina - Member 3.Ms Magdaline M. Kiriko - Member 4.Ms Serah W. Gichuki - Member |
| Audit, Risk and Governance Committee | 1. Ms Joyce K. Wachira - Chairperson 2. Mr Samuel Kinyanjui - Member 3. Ms Serah W. Gichuki - Member 4. Ms Magdaline M. Kiriko – Member |

III.MANAGEMENT TEAM

| | | |
|--|------------------------------------|---|
|  <p>Charles Maina Muriuki</p> | <p>Managing Director</p> | <p>Education –Higher National Diploma- Water Engineering. Executive Master of Business Administration degree</p> <p>Area of responsibility – Implementation of the company’s board policies in line with License conditions from WASREB.</p> <p>Work experience – 15years’ work experience at Gatamathi Water and sanitation company</p> |
|  <p>Agnes Waruguru Kaburu</p> | <p>Technical Services Manager</p> | <p>Education – Diploma in Water Technology-KEWI.</p> <p>Diploma Public Relations –KIM</p> <p>Area of responsibility - Operation and Maintenance, Capital works rehabilitation and ensuring good quality water is availed all the time</p> <p>Work experience - 15years’ work experience at Gatamathi Water and sanitation company</p> |
|  <p>Joseph Ngugi Wanyoike</p> | <p>Commercial Services Manager</p> | <p>Education – Bachelor of Commerce Management science. Area of responsibility – Running of company’s commercial department in the following field: accounts, procurement, personnel, information technology, meter reading and billing sections.</p> <p>Work experience - 14years’ work experience at Gatamathi Water and sanitation company</p> |
| <p>FCS.Richard K. Gikuhi ,MBA,MKIM,HSC.</p> | | <p>Company Secretary</p> |

IV. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I have the pleasure to present to you the Financial year 2020/2021 report. The report outlines the Financial and operation performance of the Company for the period. Overall, the Company continued to show improvement in service provision to our customers in our expanding coverage area which now totals 345KM².

Share holding

The Company is wholly owned by the County Government of Murang'a

Board of Directors

The Board is made of Eight(8) members, two from the County Government and the other Five are elected from stake holder groups during Annual General meeting and the Managing Director.

Overview of performance

During the year, the Company continued expansion to reach as many customers as possible. This is as laid out in our five year Strategic plan covering the period 2017-2022. The Board held the required meetings and played its oversight and policy making roles thus ensured that the interest of the stakeholders were taken care of.

We held a stakeholders' forums prior to conducting the AGM. The 6th AGM was successfully conducted in March 2021.

Financial performance

The turnover for the period was Kshs 55,758,860.00 which was an improvement from Kshs 55,317,515.00 realised for the year 2019/2020. This is taking into consideration of the difficult operational environment occasioned by the pandemic. The generated income was used to fund operations and extension of services to unserved customers.

Conclusion

As the Chairman, I wish to affirm the Board commitment to steer the Company in achieving our mandate. Above all, I congratulate the Board Members, the management and entire staff for the dedication they have shown in service provision to our customers. It is my hope that the Company will continue improving services to our customers. We hope that the support that you have accorded us throughout will continue.

Thank you and God bless us all.


Washington M. Mwangi

CHAIRMAN OF THE BOARD

V. REPORT OF THE MANAGING DIRECTOR

I take this opportunity to report to you the Company's performance for the period ended 30th June 2021.

INTRODUCTION:

One of the main objectives in the water provision sub-sector is to offer water and sanitation services to the people which are adequate and available all the time. However, we have not been able to do so due to the dilapidated infrastructure we inherited. The WSP management has been using the little water our conveyance system can be able to deliver to the customers. In that regard, we have been able to ration the little commodity to upper parts of our supply areas like Kairo, Kiria-ini, Gacharageini, Kihoya, Rwathia, Karunge, Ngutu, and Gitugi.

However services are improving as we replace the old distributions lines with new pipelines across the supply area through the last mile connectivity programme. Areas not served are two fifths of the contracted area of supply. By the end of the programme in the next year ,most areas will be served with water.

SPECIFIC GOALS

They are meant to aim the following:

- i) To supply portable water
- ii) To revive old connections
- iii) To increase new connections
- iv) To expand pipe network to areas not served
- v) To improve hygiene and sanitation practices

Current Challenges

- i) The Company is faced with low revenue collection due to Covid-19 pandemic
- ii) High Non Revenue Water of about 66%
- iii) High operational cost due to old system e.g. AC pipes in Gatango Water supply
- iv) Infrastructure damage during road construction.
- v) Lack of office space.

Ways of meeting the goals and overcoming the challenges

The augmentation and expansion of Gatango Water Supply to Gaturi, Mugeka and Gathuki-ini will greatly improve our service delivery. So far Iruri residents have tap water as an improvement of Kiria-ini-Iruri line, the WSP will be able to meet the above goals and overcome the most of the challenges. Currently, various water projects are underway and we expect them to be completed next financial year

Thank you all



C.M. Muriuki
MANAGING DIRECTOR

VI. STATEMENT OF THE PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY2020/2021

| STRATEGIC | OBJECTIVE | KPI | ACTIVITIES | ACHIEVEMENTS |
|----------------------|--------------------------------------|----------------|--|---|
| Growth and expansion | To increase Company's customer base. | Coverage | -Extension and rehabilitation of pipelines in Gatari division. | -Laid 9km 6' mainline from Gakurwe to Kiambuigi tank. -Laid service lines of various diameter ranging from 3/4'-2' for a total distance of 20km. |
| | | | -Construction of 2no. water kiosk for Gatari area. | -The two kiosks are complete and operational served by Kigetuni and Kigongo boreholes. |
| | | | Laying of 8' and 6' mainline from Gakurwe tank to Wangaita. | -Mainline laid Up to Kiambuigi BPT. |
| | | | | During the year under review the company increased the number of new connections by 669no. Our coverage now stands at 57%. |
| | | Metering ratio | Meter installation | Installed 307 consumer/individual meters. The company's metering ratio stands at 55%. |

| | | | | |
|---|--|-------------------------------|--|---|
| | | Revenue collection efficiency | Procurement of motor vehicle | -Given one double cab pick-up (KBX103Z) by Athi Works Development Agency. |
| Review of human resource management | | Staff Productivity | Training as per training needs assessment | -Customer Care and Public Relation seminar- One staff -Performance management seminar-3 staffs attended. |
| Adopt and integrate technologies into company's processes | | Non-Revenue Water | Taking customer meters coordinates for both supplies | -This was achieved 100% for metered customers in both Gatango and Mathioya. |

VII. CORPORATE GOVERNANCE STATEMENT

The Company is incorporated as a limited company by guarantee. It has seven members of board of directors who represent various stakes as explained below:-

- i. Two (2) members nominated by the County Government of Murang'a one of who shall be the Chief Officer in-charge of water and the other the Officer in charge of Finance. Such nominees shall not be from among the elected officials.
- ii. One member from the business and manufacturing community nominated by their bodies.
 - a) Farmers organizations
 - b) Chamber of Commerce & Industry
- iii. One local professional nominated by their professional bodies.
 - a) Education Institutions
 - b) Professional bodies
- iv. One representatives from resident organizations
 - a) Youth & People with disabilities
 - b) Water Resource Users Association
 - c) Health Institutions
- v. One member from a women organization – Maendeleo Ya Wanawake Organisation – Mathioya
- vi. One member representing all religious organizations

The board of Directors holds four full board and four sub-committee meetings and two special meetings where circumstances calls for.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

2.0 PAST PERFORMANCE

Over the years, the Company has achieved steady growth as evidenced in improvement in the standard service provision indicators which are universal in the sector.

During the financial year 2020/2021, the Company operated under a challenging environment.

This was mainly in:-

- 1) Water flow disruption occasioned by road repairs and upgrading by the County Government and Kenya Rural Roads Boards. This affected flow in Kagumo-ini from Kanjama in Kiru Ward in Mathioya Sub-County.
- 2) The current Tarrif in place only covers 97% of the Company's operational costs leaving no funds for investments.
- 3) During the second half of the year, incremental weather affected operations. This was by destruction of the infrastructure, landslides and depressed demand.
- 4) Throughout the year, the Company operated under the adverse effects of the Covid -19 pandemic which affected recourses allocation. The resource had to be channelled towards pandemic mitigation endeavours leaving little funds for development. Considerable efforts had to be made in customer out reach. Despite this, the company managed to improve performance and achieved the following:-

2.1 ACHIEVEMENTS FOR THE PERIOD WERE

- a) Billing increased to Kshs 55,758,860.00 in the year compared with Kshs 55,315,515.00 billed in F/Y 2019/2020.
- b) Installed 307 No. customer meters
- c) Capacity builds 56 No members of staff.
- d) Connected 669 new previously unserved customers.
- e) So as to reach unserved customers, the Company replaced, rehabilitated 70 Kilometres of various sizes diameter uPVC and HDPE pipes from internally generated funds and those supplied by Athi Water Works Development Agency.
- f) Reviewed Human Resources manual as to incorporate best practices and emerging issues in the sector.

- g) Continued with licence application process up to the point where we qualified for the current interim one which will be in place for two years.
- h) Successfully held the 6th Annual General Meeting during the year.

2.2 WHAT WAS NOT ACHIEVED

- i) Meter installation target was not achieved. Only 307 No customer meters were installed. This is because the Company did not have funds from internal sources to procure more meters and pressure reduction valves .Though proposals were made to both Athi and Tana Water Works for metering subsidy, none was offered during the year.
- ii) The anticipated connection of large numbers of customers downstream in Kamune was limited by lack of small diameters pipes for last mile connectivity.

3.0 KEY STRATEGIC AREAS

For improved services provision and sustainability, the Company will continue concentrating on four strategic areas which have been identified as the drivers towards achieving the desired standards of the key performance indicators. The strategic areas are:-

- i) Growth which will be funded by internally generated funds and partnering with external entities. Proposal will be made for funding to Murang'a County Government, the National Government, Athi and Tana Water Works Development Agencies. The funding is meant for rehabilitation of old infrastructure, increase in metering ratio, inadequate office space and amenities, address non-revenue water challenge and increase in coverage. The Company is also planning to seek fund from Water Service Trust Fund in form of a loan for Non Revenue Water reduction, pressure management and services extension.
- ii) Review of human resource management:-Human capital is the driving force for any meaningful success. The Company will continue engaging the employees in a positive manner. The human resources and policy manual will be reviewed to take on board current trends in the market.
- iii) Embrace customer oriented culture:- the strategy will create an environment of a good relationship between customers and the company . To get expectations of the customers, customer satisfaction survey will be conducted.

- iv) Adopt and integrate technology to the company's processes:- the company will embrace the technology to fasten the services to the customers and improve office services in accounting, procurement, customer care, human resource and improved billing.
- v) Expansion and Water Quality improvement of Gatango Water Supply to reach upper Gatari Ward is ongoing. Athi Water Works Development Agency is undertaking the project. A pipeline from new intake to Gakurwe tank and further transmission to Kiambuigi tank is ongoing.
- vi) For Mathioya Water Supply, a proposal to phase out pumping system and replace it with gravity system and rehabilitation of pipe network is under Consideration by Athi Water Works Development Agency.
- vii) The company has already digitalized its pipe network including upper Gatari for planning and operations purposes.

3.1 Key Performance indicators (KPI) For the Financial year 2020/2021

Universally, there are set parameters that are used to measure the performance of a Water Services utility for effective management. The Company applies these parameters and set continuous improvement for each indicator. The performance in the parameters for the year 2020/2021 was as summarized next below :-

| No. | Objectives | status as at 30 th June 2020 | Target as at 30 th June 2021 | Actual As at 30 th June 2021 | Measure |
|-----|-------------------------------|---|---|---|---------|
| 1 | Coverage Area | 49 | 55 | 57 | % |
| 2 | Water Quality | 95 | 97 | 95 | % |
| 3 | Hours of Service | 22 | 23 | 23 | Hours |
| 4 | Metering Ratio | 60 | 65 | 59 | % |
| 5 | Non Revenue Water | 65 | 60 | 63 | % |
| 6 | Revenue Collection Efficiency | 75 | 98 | 95 | % |
| 7 | Staff Productivity | 5 | 5 | 6 | % |
| 8 | Personnel cost as %age O&M | 44 | 40 | 49 | % |
| 9 | O&M Cost Coverage | 84 | 100 | 97 | % |

SECTION B

COMPLIANCE WITH STATUTORY REQUIREMENTS

The Company complies with statutory requirements in terms of remitting deductions. Currently the company is not involved in any litigation.

SECTION C

KEY PROJECTS AND INVESTMENT DECISIONS THE COMPANY IS

PLANNING/IMPLEMENTING

To increase on coverage, the Company extended services to Kamune, Lower Kamacharia and Ngutu and Gitugi. This was from internally generated funds.

The Company is also working with Athi Water Works Development Agency who are implementing rehabilitation of Gatango water Supply. This is through funds from the World Bank as part of the Northern Collector Tunnel Projects.

Also under the same funds from the World Bank, a contractor -MS Wotasan Engineering & Bainridge Contractors were engaged by Athi Water Works Development Agency to lay pipes in areas that had no network. These Projects Covers Mathioya, parts of Kangema and Kiharu Constituencies.

On non-revenue water reduction, the WSP is in the process of seeking for a loan to install water meters, pressure management equipment and extension of service lines to hitherto unserved areas.

SECTION D

MAJOR RISKS FACING THE COMPANY

Currently, the Company is operating on a tariff that cannot fully cover the cost of operation and finance minor investments. This has led to increased short term liabilities. A cost recovery tariff has been applied for from the regulator and is in advanced stages of approval.

The Covid-19 pandemic has negatively affected the Company in terms of operation and cash flow. These effects are projected to spill over to the next financial year.

SECTION E

MATERIAL ARREARS IN STATUTORY/FINANCIAL OBLIGATIONS

As at close of the period, the Company had accrued Kshs 14,563,159.00 as management fees payable to Tana Water Works Development Agency who is the principal, WASREB Kshs 6,160,025.00 who is the regulator and Water Management Authority (WRA) Kshs 3,405,700.00. The employees are further owed Kshs 7,689,316.00 as accrued gratuity.

SECTION F

FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

The Company follows corporate governance guidelines from the regulator and other relevant laws. There are no any governance issues or conflict of interest.

IX .ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The company recognises the critical role of safe guarding the environment for its sustainability.

To this end, the following activities were carried out to conserve and improve the environment:

- a) Successes-trees were planted in the catchment area at Mioro Treatment Works as follows:
 - giant bamboos trees
 - podo trees
 - pine trees
 - construction of gabions at the newly constructed Gatango intake and at the bank of North Mathioya river and at Hembe river at the gravity main
- b) Efforts to manage biodiversity-start tree nurseries at Mioro Treatment Works and Kihari Treatment Works and repair damaged gabions at newly constructed Gatango intake
- c) On waste management,the company have written a proposal for funding by Water Services Trust Fund.This is expected to mitigate waste management at informal settlement areas around kiria-ini town .it will involve installation of yard taps and construction of soak pits to manage waste waters. However, the company have been liaising with public health office in addressing sanitation issues.
- d) Efforts to reduce environmental impact of the organisation's products-the company is in the process of developing work plan as a guide for implementation of water safety plan and environmental policy

I. EMPLOYEE WELFARE

Gatamathi subscribed to the doctrine of equal opportunity employer. Recruitment was undertaken on the basis of fair competition and merit, representation of Kenya's diverse communities; adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons living with disabilities and minorities. The company policy is to recruit and retain high-qualified staff, with appropriate academic and professional qualifications and experience, and reward them for their efficient productivity. Vacancies in the company are filled competitively from the labor market and internally where relevant competencies exist.

Skills Inventory. The company develops, updates, analyzes and maintains the skills inventories for all their staff and share with key stakeholders when need be. The analysis establishes the type

and level of skills available, existing skills gaps and recommends appropriate interventions like short-term training and seminars.

The company recognizes its corporate responsibility under the Occupational Safety and Health Act of 2007 (A 2007. In fulfilling this responsibility, the company will undertake to observe Occupational safety and Health standards well beyond the minimum statutory requirement. The company will adopt all reasonable and proactive measures to:

- a. Create a safe working environment;
- b. Uphold environmentally friendly practices;
- c. Provide appropriate training and awareness to its employees;
- d. Take responsibility for Occupational Health Safety and Environment of the work place;
- e. Continuously monitor Occupational Health, Safety and Environment through regular inspection and Audits

a) Responsible supply chain and supplier relations

During the year2020/2021, the company operated under the budget approved by the board. A procurement plan was developed, tenders prepared and advertised in Daily Nation. Evaluation was done by ad-hoc committee of employees with different skills set. The committee was appointed by the accounting officer as per procurement Act. The tenderers were notified of the result of evaluation.

The Procurement process started when the procurement officer raises an L.P. O or L.S. O, as need be . The ad-hoc inspection committee inspected the goods to determine whether they met the standards as per the company specifications and that of KEBS. The company took a minimum of days 60 and maximum of 90 days to pay the contracted suppliers hence **No** complaints from the suppliers or PPOA on delayed payments or corruption.

b) Responsible marketing and advertisement

The company placed its adverts through daily Nation and media Kangema FM. for tenders. This gave every potential tenderer an equal opportunity.

c)Product stewardship

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (CONTINUED)

The company ensured purchase of goods which were environmental friendly for instance we purchased goods that can be recycled or disposable to avoid environmental pollution and ensured the products were of good human health.

CORPORATE SOCIAL RESPONSIBILITY

During the financial year 2020/2021, the company has been able to assist one vulnerable family to have access to clean and affordable water through paying for the full connection package i.e. connection fee Ksh 2,000.00 and deposit Ksh 1,000.00. The family was also assisted with connection fittings worth Ksh 5,810 and a 1500 litres storage tank.

The company also assisted the following public institutions with storage water tanks which were donated by Athi Water Works Development Agency. The tanks were for roof harvesting and hand washing during the pandemic.

| INSTITUTION | CAPACITY | No of beneficiaries |
|--|-----------------|----------------------------|
| Thuita Secondary | 3000 ltrs | 130 |
| Kiria-ini Police post | 3000 ltrs | 30 |
| Gaturi Home for the aged | 6000 ltrs | 50 |
| Kiamuri Primary | 3000 ltrs | 350 |
| Kiambu Primary | 6000 ltrs | 380 |
| Mweru Primary | 6000 ltrs | 450 |
| Githanga Primary | 6000 ltrs | 520 |
| Thuita Primary | 6000 ltrs | 360 |
| Don orion school for the mentally challenged | 3000 ltrs | 30 |
| Jua Kali Kiria-ini market | 3000 ltrs | 70 |
| Kiriaini tea buying centre | 1500 ltrs | 170 |
| Karunge Primary | 1500 ltrs | 670 |
| Kairi Primary | 1500 ltrs | 300 |
| Total | | 3,510 |

X.REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Company's affairs.

Principal activities

The principal activities of the company are to manage water facilities and provide water and sanitation services on behalf of The County Government of Murang'a as mandated by Water Act 2002 and 2016 and the current in Interim licence from Water Services Regulatory Board.

Results

The results of the Company for the year ended June 30, 2021 are set out on page 27 - 45.

Dividends

The company does not declare any dividend since it is limited by guarantee and therefore does not have a share capital.

Directors

The members of the Board of Directors who served during the year are shown on page 7 - 8.

Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with the Section 192 of the Public Finance Management (PFM) Act, 2012,

By Order of the Board

Gikuhi Kiana
Corporate Secretary
Po Box, 93-10204

KIRIAINI

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

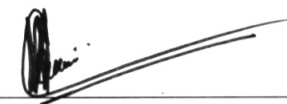
The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2021, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

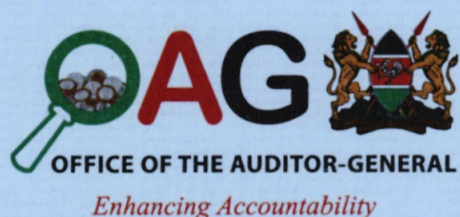
The Company's financial statements were approved by the Board on 23rd March 2022 and signed on its behalf by:

Board Chairman: Sign  Date 23/3/2022

Managing Director: Sign  Date 23/3/2022

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON GATAMATHI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Gatamathi Water and Sanitation Company Limited set out on pages 27 to 45, which comprise the statement of financial position as at 30 June, 2021, statement of comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

Report of the Auditor-General on Gatamathi Water and Sanitation Company Limited for the year ended 30 June, 2021

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1.0 Material Uncertainty in Relation to Going Concern

The statement of comprehensive income reflects operating loss of Kshs.3,668,046 (2020: - loss Kshs.4,483,587) which increased the accumulated losses from Kshs.56,010,243 as at 30 June, 2020 to accumulated losses of Kshs.59,678,289 as at 30 June, 2021. In addition, the current liabilities balance of Kshs.57,972,892 exceeded the current assets balance of Kshs.31,403,698, resulting in a negative working capital of Kshs.26,569,194 as at 30 June, 2021.

The above precarious financial performance and position is an indication of the existence of a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern and to meet its obligations as and when they fall due. The financial statements have therefore been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Murang'a and its creditors. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company Management to reverse the undesirable precarious financial situation have not been disclosed in the notes to the financial statements.

2.0 Communication Services and Supplies

The statements of comprehensive income reflects Kshs.59,417,442 in respect of total administrative costs which includes Kshs.729,122 in respect of expenditure on communication services and supplies paid to a company contracted to supply, execute, support, upgrade and train on EASYWAY water services management software. However, the contract amount was Kshs.400,000 inclusive of the supply and execution to completion of such work entered into through a contract costing. In addition, the documented contract details provided for audit indicates that the project commenced on 17 July, 2020 but supporting payment documents were not provided for audit review hence the expenditure on the contract could not be ascertained.

In the circumstances, the validity, accuracy and completeness of the communication services and supplies amount of Kshs.729,122 could not be ascertained.

3.0 Trade and Other Receivables

The statement of financial position reflects Kshs.28,496,841 in respect to trade receivables after provisions, which is a slight decrease by Kshs.295,489 or approximately 1% from previous year balance of Kshs.28,792,330. The persistent accumulation of trade and other receivables may affect the Company's existence in the near future.

Further, the Company made provisions of Kshs.29,190,916 or 51% for doubtful receivables which is an indication that the Company has a poor debt collection mechanism. In addition, there is no policy in place for the provision of bad and doubtful debts and the aged debtor's analysis provided for audit did not indicate the period that the receivables have been outstanding.

In the circumstances, the recoverability of the receivables of Kshs.28,496,841 as at 30 June, 2021 is in doubt.

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

Key Audit Matters

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

Other Information

The Board of Directors is responsible for the other information, which comprises the statement of performance against predetermined objectives, Chairman's statement, the report of the Managing Director, the statement of corporate governance, management discussions and responsibilities, statement of corporate social responsibility and the statement of Directors responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Excess Non-Revenue Water

The Company had a total water production of 2,790,003 cubic (m³) in the year under review. Out of the volume produced, 1,020,566 cubic meters (m³) was registered and billed to the customers. The remaining balance of 1,769,437 cubic meters (m³) or approximately 63.4% was water produced but not translated to sales which is 38.4% above the allowable loss of 25% set by Water Services Regulatory Board (WASREB) Guidelines.

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

2.0 Expired Billing Tariff

The statements of comprehensive income reflects Kshs.55,758,860 in respect of water billed to customers. However, it was noted that the existing tariffs were gazetted on 12 March, 2010 vide Kenya Gazette notice number 2610 effective for 12 months from the date of notice. At the time of the audit, no rates had been approved or gazetted for use by the Gatamathi Water and Sanitation Company.

In the circumstances, the Company may have earned lower incomes from the expired tariffs. Further, the Management was in breach of the law.

3.0 Unmetered Consumers

The statements of comprehensive income reflects Kshs.55,758,860 in respect to sales which comprises of water sales from billed to metered and unmetered consumers totalling to Kshs.35,128,920 and Kshs.20,629,940 respectively. The billing to unmetered consumers is a loss to the Company as consumers may be billed less than what they consumed.

In the circumstances, it's not possible to ascertain if the Company has fully accounted for the water sales on the amount of Kshs 20,692,940 on unmetered consumers.

4.0 Ethnic Staff Diversity

The audit revealed that the Company has employed fifty-three (53) or 98% of its 55 staff were from the dominant ethnic community. This is contrary to Section 65(e) of the County Governments Act, 2012 which requires the County Governments to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

Consequently, the Management was in breach of the law.

5.0 High Staff Costs

The statements of comprehensive income as shown in Note 4(b) reflects Kshs.30,821,458 in respect of staff costs. However, the Company is a large company and the wage bill is set at 35% of total administrative costs which translates to about Kshs.20,796,105 instead of the current 52% contrary to the Water Services Regulatory Board's Corporate Governance, 2018 Section 3.9(10).

The high staff costs might hinder implementation of capital projects or maintenance of existing infrastructure and thereby affecting service delivery. The Management is in breach of the policy guidelines.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Un-Serviced Fire Extinguishers

An audit verification revealed that firefighting equipment and facilities were not properly and adequately maintained. The fire extinguishers were not serviced hence could not assist to fight fire in case of a fire outbreak.

In the circumstances, the Company is at risk in case of fire outbreak.

2.0 Lack of Disaster Recovery Plan

During the audit, it was observed that the organization has no approved IT continuity plan and disaster recovery plan and therefore in the event of disaster the Company may lose data and would not recover from the disaster. Further, the Company doesn't have an IT steering and risk management committee contrary to Paragraph 3.6(a) and (d) of chapter 3 of Code of Governance for State Corporations (Mwongozo) states that the board should establish an ICT policy which is aligned to the objectives of the organization and ensure that an appropriate Business Continuity Plan (BCP) is in place.

In the circumstances, it could not be ascertained how the Company would achieve its IT strategic objectives as well as recover data lost due to any eventuality.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's policies and procedures may deteriorate.

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

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

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

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

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

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


CPA Nancy Gatungu, CBS
AUDITOR-GENERAL

Nairobi

15 July, 2022


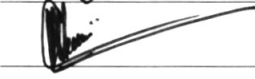

XIII. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2021

| | Note | 2021 Kshs | 2020 Kshs |
|---|------|---------------------------|---------------------------|
| REVENUES | | | |
| Sales | 1 | 55,758,860 | 55,317,515 |
| Grants from National Government | 2 | 770,040 | 2,755,400 |
| Other Income | 3 | 1,608,530 | 1,109,570 |
| | | ----- | ----- |
| TOTAL REVENUES | | <u>58,137,430</u> | <u>59,182,485</u> |
| OPERATING EXPENSES | | | |
| Administration Costs | 4 | 59,417,442 | 61,034,825 |
| Depreciation of property, plant and equipment | | 2,388,034 | 2,631,247 |
| | | ----- | ----- |
| TOTAL OPERATING EXPENSES | | <u>61,805,476</u> | <u>63,666,072</u> |
| OPERATING PROFIT/(LOSS) | 5 | <u>(3,668,046)</u> | <u>(4,483,587)</u> |
| PROFIT/(LOSS) BEFORE TAXATION | | <u>(3,668,046)</u> | <u>(4,483,587)</u> |
| PROFIT/(LOSS) AFTER TAXATION | | <u>(3,668,046)</u> | <u>(4,483,587)</u> |

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

| | Note | 2021 Kshs | 2020 Kshs |
|-------------------------------------|------|--------------------------|--------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 6 | 15,362,958 | 16,614,347 |
| Total Non-current Assets | | 15,362,958 | 16,614,347 |
| Current Assets | | | |
| Inventories | 7 | 1,652,481 | 1,827,795 |
| Trade and other receivables | 8(b) | 28,496,841 | 28,792,330 |
| Bank and cash balances | 9 | 1,254,376 | 1,042,260 |
| Total Current Assets | | 31,403,698 | 31,662,385 |
| TOTAL ASSETS | | <u>46,766,656</u> | <u>48,276,732</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Retained earnings | 10 | (59,678,289) | (56,010,243) |
| Government Grants | | 48,472,053 | 47,782,573 |
| Capital and Reserves | | (11,206,236) | (8,227,672) |
| Current Liabilities | | | |
| Trade and other payables | 11 | 57,133,942 | 56,504,402 |
| Provision for leave pay | 13 | 838,950 | - |
| Total Current Liabilities | | 57,972,892 | 56,504,402 |
| TOTAL EQUITY AND LIABILITIES | | <u>46,766,656</u> | <u>48,276,732</u> |

The financial statements were approved by the Board on 23rd March 2022 and signed on its behalf by:

| | | | | |
|-------------------|------|---|------|-----------|
| Board Chairman | Sign |  | Date | 23/3/2022 |
| Managing Director | Sign |  | Date | 23/3/2022 |
| Accountant | Sign |  | Date | 23/3/2022 |

CPA Wambui Priscillah Njeri
Member No: 20056

XV.STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30th JUNE 2021

| | Government grants | Accumulated Losses | Total |
|---|--------------------------|---------------------------|------------------------|
| 2020 | | | |
| As at 1st July 2019 | 47,782,573.00 | (51,869,542.00) | (4,086,969.00) |
| Prior year adjustment- audit fees | | (290,000.00) | (290,000.00) |
| Total comprehensive income | - | (4,483,587.00) | (4,483,587.00) |
| Prior year adjustment- staff leave | - | 632,886.00 | 632,886.00 |
| As at June 30th, 2020 | 47,782,573.00 | (56,010,243.00) | (8,227,670.00) |
| 2021 | | | |
| As at 1st July 2020 | 47,782,573.00 | (56,010,243.00) | (8,227,670.00) |
| Total comprehensive loss | - | (3,668,046.00) | (3,668,046.00) |
| Additions during the year | 689,480.00 | - | 689,480.00 |
| As at June 30th, 2021 | 48,472,053.00 | (59,678,289.00) | (11,206,236.00) |

XVI.STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30thJUNE 2021

| | Note | 2021 | 2020 |
|---|------|--------------------|--------------------|
| | | Kshs | Kshs |
| OPERATING ACTIVITIES | | | |
| Cash generated from/(used in) operations | (14) | 1,348,761 | 1,796,985 |
| Interest Paid | | - | |
| | | ----- | ----- |
| Net cash generated from/(used in) operating activities | | 1,348,761 | 1,796,985 |
| | | ----- | ----- |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | (17) | (1,136,645) | (1,151,285) |
| | | ----- | ----- |
| Net cash generated from/(used in) investing activities | | (1,136,645) | (1,151,285) |
| | | ----- | ----- |
| INCREASED/ (DECREASE) IN CASH AND CASH EQUIVALENTS | | 212,116 | 645,700 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 1,042,260 | 396,560 |
| | | ----- | ----- |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | (9) | 1,254,376 | 1,042,260 |
| | | ===== | ===== |

STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNT FOR THE YEAR ENDED 30TH JUNE 2021

| | ORIGINAL BUDGET | ADJUSTMENT | FINAL BUDGET | ACTUAL ON COMPARABLE BUDGET | PERFORMANCE DIFFERENCE | % OF UTILISATION |
|---------------------------------|----------------------|----------------|----------------------|-----------------------------|------------------------|------------------|
| | Kshs | Kshs | | | Kshs | |
| Income | 59,889,601.00 | - | 59,889,601.00 | 58,137,430.00 | (1,752,171.00) | 97% |
| EXPENSES | | | | | | |
| Administration costs | 7,705,000.00 | 3,482,600.00 | 11,187,600.00 | 11,120,467.00 | (67,133.00) | 99% |
| Operation and maintenance costs | 12,256,000.00 | (5,631,000.00) | 6,625,000.00 | 6,595,119.00 | (29,881.00) | 99% |
| Bank and M-pesa charges | 1,241,000.00 | 300,000.00 | 1,541,000.00 | 1,592,808.00 | 51,808.00 | 103% |
| Personnel costs | 28,344,490.00 | 1,580,000.00 | 29,924,490.00 | 30,821,458.00 | 896,968.00 | 103% |
| Other operation costs | 11,015,363.00 | 268,400.00 | 11,283,763.00 | 11,675,624.00 | 391,861.00 | 103% |
| TOTAL EXPENSES | 60,561,853.00 | - | 60,561,853.00 | 61,805,476.00 | 1,243,623.00 | 102% |
| LOSS FOR THE YEAR | (672,252.00) | - | (672,252.00) | (3,668,046.00) | (2,995,794.00) | 547% |

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. **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 financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company.

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

2. **Revenue recognition**

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

- i) Revenue from the sale of goods and services is recognised in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government are recognised in the year in which the Company actually receives such grants.
- iii) Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

iv) Other income comprises of sale of tenders and is recognised as it accrues.

3. In-kind contributions

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

4. Property, plant and equipment

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

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

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

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

5. Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance method.

| | |
|--|--------|
| Buildings and civil works | 12.5 % |
| Plant and machinery | 12.5 % |
| Motor vehicles, including motor cycles | 25% |
| Computers and related equipment | 12.5% |
| Office equipment, furniture and fittings | 12.5% |

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

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

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

6. **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.

7. **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.

8. **Taxation**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the

reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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

9. **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 Equity Bank, Family Bank, Kenya commercial bank and M-Pesa account at the end of the financial year. 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.

10. **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 Company or not, less any payments made to the suppliers.

11. **Retirement benefit obligations**

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200.00 per employee per month. Also employees are under registered pension scheme where the company contributes 15% of the basic pay plus house allowance to the scheme.

12. **Provision for staff leave pay**

Employees' entitlements to annual leave are recognised as they accrue. Leave days will be carried forward and taken as per the Company's Human Resources and Policy Manual

13. Comparative figures

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

14. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

15. Public Sector Accounting Standards Board (PSASB) Gazettement

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and the International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the entity has adopted the pronouncements made by the IPSAS board in preparation of its current year financial statements.

16. Financial Risk Management

The company'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 company 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 company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

| | Fully performing Kshs. | Past due Kshs. | Impaired Kshs. | Totals Kshs. |
|-------------------------------------|-----------------------------------|---------------------------|---------------------------|-------------------------|
| At 30th June 2021 | | | | |
| Trade receivables | 27,507,676 | 28,132,817 | 1,058,099 | 56,698,592 |
| Bank balances | 1,254,376 | | | 1,254,376 |
| At 30th June 2020 | | | | |
| Trade receivables | 28,792,329 | 23,223,432 | 4,909,385 | 56,925,146 |
| Bank balances | 1,042,260 | | | 1,042,260 |

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 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 company directors, who have built an appropriate liquidity risk management framework for the management of the company's

short, medium and long-term funding and liquidity management requirements. The company 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.

| | Less than 1 Month Kshs | between 1-3 Month Kshs | Over 5 Month Kshs | Total Kshs |
|-------------------------------------|---------------------------------------|---------------------------------------|----------------------------------|-----------------------|
| At 30th June 2021 | | | | |
| Trade Payables | 551,887 | 3,255,699 | 4,301,739 | 8,109,325 |
| At 30th June 2020 | | | | |
| Trade payable | 1,571,186 | 1,803,184 | 2,207,122 | 5,581,492 |

17. Accounting policies

i) Early adoption of standards

The Company did not early-adopt any new or amended standards in the year 2021

NOTES TO THE FINANCIAL STATEMENTS

| | 2021 Kshs | 2020 Kshs |
|--|--------------------------|--------------------------|
| 1 SALES | | |
| Billing | 55,758,860 | 55,317,515 |
| | <u>55,758,860</u> | <u>55,317,515</u> |
| 2 GRANTS FROM NATIONAL GOVERNMENT | | |
| Seconded personnel | 770,040 | 755,400 |
| Current grants received | - | 2,000,000 |
| | <u>770,040</u> | <u>2,755,400</u> |
| 3 OTHER INCOME | | |
| Other miscellaneous receipts | 293 110 | 439,070 |
| New connections | 1, 315,420 | 670,500 |
| | <u>1,608,530</u> | <u>1,109,570</u> |
| 4(a) ADMINISTRATION COSTS | | |
| Directors' emoluments | 1,372,370 | 1,138,545 |
| Electricity and water | 75,134 | 880,590 |
| Communication services and supplies | 729,122 | 828,691 |
| Transportation, travelling and subsistence | 1,889,165 | 2,220,150 |
| Advertising, printing, stationery and photocopying | 804,127 | 736,084 |
| Staff training expenses | 688,800 | 373,100 |
| Hospitality supplies and services | 185,570 | 257,092 |
| Insurance costs | 268,969 | 404,077 |
| Bank charges and commissions | 1592,808 | 1,349,386 |
| Auditors' remuneration | 350,000 | 304,000 |
| Legal fees | 1,207,631 | 619,337 |
| AGM Cost | 747,550 | - |
| Licence and Tariff costs | 91,314 | 716,000 |
| Repairs and maintenance | 4c 14,386,339 | 11,691,085 |
| Other operating expenses | 4d <u>4,207,085</u> | <u>10,396,638</u> |
| Total | <u>28,595,984</u> | <u>31,914,775</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2021 Kshs | 2020 Kshs |
|--|------------------------------|------------------------------|
| 4(b) STAFF COSTS | | |
| Salaries and allowances of permanent employees | 21,472,849 | 21,753,312 |
| Wages of temporary employees | 3,205,950 | 2,932,260 |
| Compulsory national health insurance schemes | 551,400 | 560,100 |
| Compulsory national social security schemes | 128,800 | 132,000 |
| Other pension contributions | 2,355,972 | 2,464,971 |
| Leave pay and gratuity provisions | 2,732,987 | 943,008 |
| Staff welfare | 200,000 | 150,000 |
| Motivation | 173,500 | 184,400 |
| | <u>30,821,458</u> | <u>29,120,051</u> |
| TOTAL ADMINISTRATION EXPENSES | <u>59,417,442</u> | <u>61,034,826</u> |
| The average number of employees at the end of the year was: | | |
| Permanent employees – Management | 11 | 1 |
| Permanent employees – Unionisable | 44 | 0 |
| Temporary and contract employees | <u>4</u> | <u>55</u> |
| | <u>59</u> | <u>56</u> |
| 4(c) REPAIR AND MAINTENANCE | | |
| - Computer repairs | 825,800 | 43,400 |
| - Fixtures repairs | 266,060 | 95,180 |
| - General repairs | 50,770 | 175,965 |
| - Motor cycle repairs | 196,140 | 360,242 |
| - Motor Vehicle repairs | 1,171,499 | 1,127,999 |
| - Water supply | 9,165,355 | 7,738,106 |
| - Chemicals | 684,465 | 183,134 |
| - Security | 156,000 | 145,100 |
| - Fuel and Oils | 1,870,250 | 1,747,359 |
| - Licences | - | 74,600 |
| TOTAL | <u>14,386,339</u> | <u>11,691,085</u> |
| 4(d) OTHER OPERATING EXPENSES | | |
| - provision for bad debts | 1,058,099 | 4,909,385 |
| - Provision for performance guarantee | - | 1,100,000 |
| - WARMA | 475,200 | 1,557,800 |
| - WASPA | 95,000 | 85,000 |
| - WASREB | 2,289,626 | 2,230,263 |
| - Staff Uniforms | 69,160 | 294,190 |
| - KFS Fees | <u>220,000</u> | <u>220,000</u> |
| TOTAL | <u>4,207,085</u> | <u>10,396,638</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)**5 OPERATING PROFIT/(LOSS)**

The operating profit/(loss) is arrived at after charging/(crediting):

| | | | |
|---|--|-----------|-----------|
| Depreciation of property, plant and equipment | | 2,388,034 | 2,631,247 |
| Directors' emoluments - fees | | 1,214,850 | 464,875 |
| - Other | | 157,520 | 673,670 |

6 PROPERTY, PLANT AND EQUIPMENT

| 13. PROPERTY, PLANT AND EQUIPMENT | LAND AND BUILDINGS & FIXTURES | MOTOR VEHICLES | OFFICE EQUIPMENTS | PLANT & EQUIPMENT | TOTAL |
|--|--|-----------------------|--------------------------|------------------------------|-------------------|
| | 0.125 | 0.25 | 0.125 | 0.125 | |
| Cost | Kshs | Kshs | Kshs | Kshs | Kshs |
| At 1st July 2019 | 970,731 | 7,915,550 | 4,940,142 | 45,080,817 | 58,907,240 |
| Additions | - | - | 327,665 | 823,620 | 1,151,285 |
| At end of year - June 2020 | 970,731 | 7,915,550 | 5,267,807 | 45,904,437 | 60,058,525 |
| Additions | - | - | 275,000 | 861,645 | 1,136,645 |
| At end of year - June 2021 | 970,731 | 7,915,550 | 5,542,807 | 46,766,082 | 61,195,170 |
| | | | | | |
| DEPRECIATION | | | | | |
| At 1st July 2019 | 627,318 | 6,111,176 | 3,690,480 | 30,383,957 | 40,812,931 |
| Depreciation for the year | 42,927 | 451,094 | 197,166 | 1,940,060 | 2,631,247 |
| At end of year - June 2020 | 670,245 | 6,562,270 | 3,887,646 | 32,324,017 | 43,444,178 |
| Additions | 37,561 | 338,320 | 206,895 | 1,805,258 | 2,388,034 |
| At end of year - June 2021 | 707,806 | 6,900,590 | 4,094,541 | 34,129,275 | 45,832,212 |
| | | | | | |
| NET BOOK VALUE at 30 June 2021 | 262,925 | 1,014,960 | 1,448,266 | 12,636,807 | 15,362,958 |
| | | | | | |
| NET BOOK VALUE at 30 June 2020 | 300,486 | 1,353,280 | 1,380,161 | 13,580,420 | 16,614,347 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2021 Kshs | 2020 Kshs |
|---|-------------------|-------------------|
| 7. INVENTORIES | | |
| Stationery and general stores | 1,613,581 | 1,736,695 |
| Chemicals | 38,900 | 91,100 |
| | <u>1,652,481</u> | <u>1,827,795</u> |
| 8(a) TRADE AND OTHER RECEIVABLES | | |
| Trade receivables | 57,311,754 | 56,764,468 |
| Deposits and Prepayments | 376,003 | 160,679 |
| Net trade and other receivables | <u>57,687,757</u> | <u>56,925,147</u> |
| 8 (b) TRADE RECEIVABLES | | |
| Gross trade receivables | 57,687,757 | 56,925,147 |
| Provision for doubtful receivables | (29,190,916) | (28,132,817) |
| Total receivables | <u>28,496,841</u> | <u>28,792,330</u> |
| 9 BANK AND CASH BALANCES | | |
| Equity Bank Current Account | 14,471 | 459,739 |
| Equity Bank Savings Account | 128,978 | 120,978 |
| Family Bank Project Account | 198 | 81,531 |
| Family Bank Current Account | 752,062 | 272,246 |
| Kenya Commercial Bank Account | 106,757 | 55,102 |
| Cash in hand | 10,001 | 2,251 |
| Imprest | 5,779 | 6,978 |
| M-Pesa | 236,130 | 43,435 |
| | <u>1,254,376</u> | <u>1,042,260</u> |

The bulk of the cash at bank was held at Equity Bank of Kenya and Family Bank, the Company's main bankers.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**10 RETAINED EARNINGS**

The retained earnings represent amounts available for distribution to the Company's shareholders. Undistributed retained earnings are utilised to finance the Company's business activities.

| | 2021 | 2020 |
|--|--------------------------|--------------------------|
| | Kshs | Kshs |
| 11 TRADE AND OTHER PAYABLES | | |
| Trade payables (customer advances, creditors) | 8,109,325 | 5,581,492 |
| Accrued expenses (accruals, accrued gratuity, leave) | 38,349,048 | 40,710,887 |
| Customer deposit | 8,418,655 | 7,566,475 |
| Other payables (M-Pesa, KRA, customer advances) | 2,256,914 | 2,645,548 |
| | ----- | ----- |
| | <u>57,133,942</u> | <u>56,504,402</u> |

12 RETIREMENT BENEFIT OBLIGATIONS

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month. During the year, employees joined a registered pension scheme where the company contributes 15% of the basic pay plus house allowance.

| | 2021 | 2020 |
|--|-----------------------|-----------------|
| | Kshs | Kshs |
| 13. PROVISION FOR LEAVE PAY | | |
| Balance at beginning of the year | - | 1,611,726 |
| Leave paid out or utilised during the year | (814,746) | (978,840) |
| | ----- | ----- |
| Amount unutilised | (814,746) | 632,886 |
| Prior year adjustments – Retained Earnings | 1,225,519 | (632,886) |
| Leave pay cumulated during the year | 428,177 | 1,668,907 |
| Leave forfeited | - | (1,668,907) |
| | ----- | ----- |
| Balance at end of the year | <u>838,950</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

14 NOTES TO THE STATEMENT OF CASH FLOWS

| (a) Reconciliation of operating profit/(loss) to Cash generated from/(used in) operations | 2021 Kshs | 2020 Kshs |
|--|----------------------|----------------------|
| Operating profit/(loss) | (3,668,046) | (4,483,587) |
| Depreciation | 2,388,034 | 2,631,247 |
| Adjustment on leave forfeited | - | 632,886 |
| | ----- | ----- |
| Operating profit/(loss) before working capital changes | (1,280,012) | (1,219,454) |
| (Increase)/decrease in inventories | 175,314 | (332,315) |
| (Increase)/decrease in trade and other receivables | 295,489 | 252,381 |
| Increase/(decrease) in trade and other payables | 1,468,490 | 3,096,373 |
| Increase/(decrease) in government grants | 689,480 | |
| | ----- | ----- |
| Cash generated from/ (used in) operation | 1,348,761 | 1,796,985 |
| | ===== | ===== |

15. ANALYSIS OF CASH AND CASH EQUIVALENTS

| | 2021 Kshs | 2020 Kshs |
|-----------------------------------|----------------------|----------------------|
| Cash at bank | 1,238,596 | 1,033,031 |
| Cash in hand | 15,779 | 9,229 |
| | ----- | ----- |
| Balance at end of the year | 1,254,375 | 1,042,260 |
| | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (Continued)**16 RELATED PARTY DISCLOSURES****(a) Government of Kenya**

The Government of Kenya is the principal shareholder of the Company, holding 100% of the Company's equity interest.

There were no other Company transactions involving the Government of Kenya.

Other disclosure includes payments to the following parties:-

| | 2021 | 2020 |
|------------------------------|-------------|-------------|
| | Kshs | Kshs |
| Board members allowance - | 1,214,850 | 464,875 |
| Management salaries - | 4,146,000 | 4,146,000 |
| 17 CAPITAL COMMITMENT | 2021 | 2020 |
| | Kshs | Kshs |
| Capital works investments | 1,136,645 | 1,151,285 |

18 INCORPORATION

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

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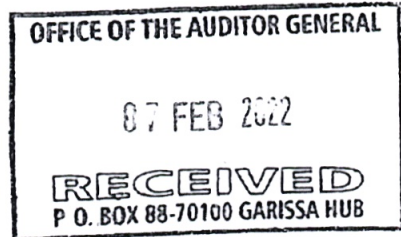
GARISSA COUNTY EMERGENCY FUND

FOR THE YEAR ENDED 30 JUNE, 2021

| | |
|--------------------|--------------------|
| PAPERS LAID | |
| DATE | 10/10/2022 |
| TABLED BY | SEN. MAJORITY WHIP |
| COMMITTEE | |
| CLERK AT THE TABLE | A. MURRAY |



Revised Template June 2021



GARISSA COUNTY EMERGENCY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

**Garissa County Emergency Fund
Reports and Financial Statements
For the year ended June 30, 2021**

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**Garissa County Emergency Fund
Reports and Financial Statements
For the year ended June 30, 2021**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Garissa County Emergency Fund is established by and derives its authority and accountability from Garissa County Emergency Fund Act, 2014 which came to effect on 29th Sept 2014. The Fund is wholly owned by the County Government of Garissa and is domiciled in Kenya.

The fund's objective is to enable payments to be made in respect of a County when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority.

b) Principal Activities

The mandate of the Fund is to enable payments to be made in respect of a County when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority

c) Board of Trustees/Fund Administration Committee

| Ref | Name | Position |
|-----|-------------------------|------------------|
| 1 | H E Ali Bunow Korane | Governor |
| 2 | H E Abdi Dagane Muhumed | Deputy Governor |
| 3 | Abdi Sheikh Muhumed | County Secretary |

d) Key Management

| Ref | Name | Position |
|-----|-----------------|-----------------------|
| 1 | ISSA DUBOW OYOW | CECM-FINANCE |
| 2 | ADAN HARUN ABDI | CHIEF OFFICER-FINANCE |
| 3 | MOHAMED DUBAT | FUND ADMINISTRATOR |

e) Registered Offices

P.O. Box 1377-70100
Treasury offices
Lamu Road
Nairobi, KENYA

f) Fund Contacts

E-mail: Enquiries@garissa.go.ke
Website: www.garissa.go.ke

g) Fund Bankers

1. First Community Bank
Garissa Branch

2. Independent Auditors

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

3. Principal Legal Adviser

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

2. BOARD/FUND CHAIRPERSON'S REPORT

The Public Finance Management Act (PFM Act, 2012) Section 111, grants powers to the County Executive Committee Member for Finance to establish and administer County Government Emergency Fund in accordance with a framework and criteria approved by the County Assembly. The County Executive Committee Member for Finance may make payments from the emergency fund only if he is satisfied that there is an urgent and unforeseen need for expenditure for which no legislative authority exists and that the payments is meant to alleviate the damage, loss, hardship or suffering or the payment is not budgeted for and cannot be delayed until a later financial year without harming the general public interest. However, The Unforeseen event should be one that threatens damage to human life or welfare or threatens damage to environment.

- Changes in the Fund during the year (in terms of the board or key management team)

The emergency is managed by Fund Administrator and there were no changes in the key management team of the fund for the year under review.

- Review of the Fund's performance

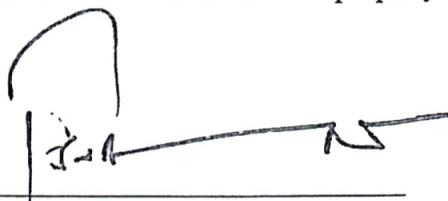
The County Government of Garissa allocated Kshs. 100 million for Emergency Fund for the financial year 2020/2021. We were able to disperse Ksh 80 million to the emergency fund account for drought mitigation interventions in the sub counties hard hit by the drought. Most of the resources were channelled towards drought response efforts livestock, water and health sectors through provision of water trucking services to various sub counties watering points. In addition, the County Government supplied animal feeds to aid herders.

- Future outlook of the Fund

The Emergency fund administrator request H.E the Governor, Garissa County to allocate more funds to this program in order to ensure that the county and the communities are at high state of readiness to implement preparedness and response activities. In addition, we will continue to strengthen our coordination role at both county and national level resulting in more timely and effective drought response.

This office can confirm the funds received during the period were used for the eligible purpose for which it was intended and also properly accounted for.

Signed: _____



ISSA DUBOW OYOW

COUNTY EXECUTIVE COMMITTEE MEMBER -FINANCE

3. REPORT OF THE FUND ADMINISTRATOR

The Garissa County Emergency Fund was established in 2014 with the gazettelement of the Garissa County Emergency Fund Act of 2014.

The challenges faced by the fund includes.

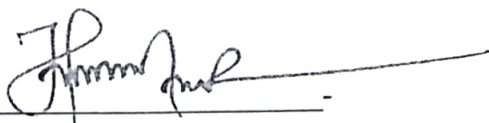
The following are among the challenges faced by the funds Administrator: -

1. Late disbursement of the emergency Funds from the Treasury
2. The vast land of Garissa County made some areas inaccessible due to various reasons such poor road infrastructure making the interventions difficult.
3. Insecurity has hampered delivery and distribution of food relief and other emergency items. Hulugho for example cannot be accessed without armed escort.

Way forward

1. The County should put in place contingency plan for drought and other related emergencies
2. Engage the National treasury in good time to ensure funds are released in good time for timely interventions
3. During rainy seasons, Community awareness campaigns should be strengthened to ensure communities move from flood prone areas. This will reduce intervention areas meant for the fund to be utilised.
4. Communities on the hard to reach areas should be mobilised during the drought season to ensure that they move to areas where interventions can reach easily. The County Government should put water tanks in strategic places where access is easier for both humans and livestock.

Signed: _____



MOHAMED DUBAT GAMADID

FUND ADMINISTRATOR

4. CORPORATE GOVERNANCE STATEMENT

- The County Executive Committee Member shall be responsible for administering the fund.
- The County Executive Committee Member shall open and maintain a separate account into which monies appropriated to that fund shall be paid.

POWER OF THE COUNTY EXECUTIVE COMMITTEE MEMBER

The County Executive Committee Member may make payment from the fund only if satisfied that

- There is an urgent and unforeseen need for the expenditure for which there is no legislative authority.
- It is for the public interest.
- An event has caused damage, loss, hardship or suffering to resident of the County.
- An event threatens to damage the environment.
- An event is limited to the County

5. MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the County Assembly of Garissa appropriated Kshs. 100,000,000 for the emergency fund. The total Funds received during the year were Kshs. 80,000,000 out of which a total expenditure of Kshs.81,747,265 was incurred on emergencies during the year. The expenditure was incurred as per the Emergency Fund Act and regulations approved by the County executive through the County Assembly of Garissa.

**6. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

The fund was not involved in any corporate social responsibility activities in Financial Year-2020/2021.

**Garissa County Emergency Fund
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For the year ended June 30, 2021**

7. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Fund affairs.

Principal activities

The purpose of the Fund is to enable payment to be made in respect of a County when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority.

Results

The results of the Fund for the year ended June 30, 2021 are set out on page 12.

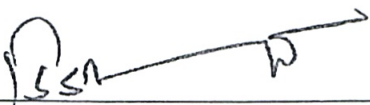
Trustees

The members of the Board who served during the year are shown on page 2.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya, 2010 and the Public Audit Act, 2015.

By Order of the Board

Date:  _____

ISSA DUBOW OYOW

COUNTY EXECUTIVE COMMITTEE MEMBER -FINANCE

8. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Garissa County Emergency Fund Act, 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

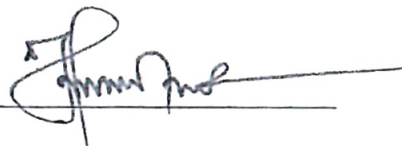
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (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 Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Garissa County Emergency Fund Act, 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

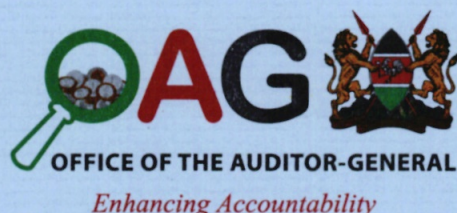
The Fund's financial statements were approved by the Board on 30-09-2021 and signed on its behalf by:



Mohamed Dubat Gamadid – Emergency Fund Administrator

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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 GARISSA COUNTY EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Garissa County Emergency Fund set out on pages 12 to 28, which comprise the statement of financial position as at

30 June, 2021 and the statement of financial performance, statement of changes in net assets, statement of cash flows, statement 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, the financial statements present fairly, in all material respects, the financial position of Garissa County Emergency Fund as at 30 June, 2021 and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Garissa County Emergency Fund Act, 2014.

Opinion

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects budgeted receipts of Kshs.100,000,000 and actual receipts of Kshs.80,001,000 resulting to underfunding of Kshs.19,999,000 or 20%. The statement also reflects budgeted payments of Kshs.100,000,000 against actual payments of Kshs.82,106,809 resulting to under absorption of Kshs.17,893,191 or 18%.

The underfunding and under absorption of the budgeted amount could have negatively impacted on the operations of the Fund and delivery of services to the residents of the Garissa County.

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 matter described in the Basis for Conclusion on Lawfulness and

Effectiveness in use of public resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Lack of Approval of the Fund's Expenditure by County Assembly

During the year under review the Fund incurred an expenditure of Kshs.82,106,809. However, the Management did not seek approval of the Assembly within two (2) months after the payment was made from the Emergency Fund, contrary to Section 114 of the Public Finance Management Act, 2012 which states that the County Executive Committee Member for Finance shall seek approval of the County Assembly within two months after payment is made from the Emergency Fund.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to the sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or cease operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Fund 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 Fund's policies and procedures may deteriorate.

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 July, 2022

**Garissa County Emergency Fund
Reports and Financial Statements
For the year ended June 30, 2021**

10. FINANCIAL STATEMENTS

**10.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30
JUNE 2021**


| | Note | 2020/2021 | 2019/2020 |
|---|------|--------------------|-------------------|
| | | KShs | KShs |
| Revenue from non-exchange transactions | | | |
| Transfers from the County Government | 1 | 80,001,000 | 92,000,000 |
| | | | |
| Revenue from exchange transactions | | | |
| Interest income | | - | - |
| | | | |
| Total revenue | | 80,001,000 | 92,000,000 |
| Expenses | | | |
| General Expenses | 2 | 12,340 | 3,700 |
| Emergency relief and assistance | 3 | 81,747,265 | 91,641,636 |
| Transfer to County Revenue Fund | 4 | 347,204 | - |
| Total expenses | | 82,106,809 | 91,645,336 |
| Other gains/losses | | | |
| Gain/loss on disposal of assets | | - | - |
| Surplus/(deficit) for the period | | (2,105,809) | 354,664 |

**Garissa County Emergency Fund
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10.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021


| | Note | 2020/2021 | 2019/2020 |
|---|------|--------------------|----------------|
| | | KShs | KShs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 44,155 | 349,964 |
| | | | |
| Non-current assets | | | |
| Property, plant and equipment | | - | - |
| | | | |
| Total assets | | 44,155 | 349,964 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 6 | 1,800,000 | - |
| | | | |
| Non-current liabilities | | | |
| Non-current employee benefit obligation | | - | - |
| | | | |
| Total liabilities | | 1,800,000 | - |
| | | | |
| Net assets | | (1,755,845) | |
| Accumulated surplus | | (1,755,845) | 349,964 |
| | | | |
| Total net assets and liabilities | | (1,755,845) | 349,964 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30-09-2021 and signed by:



Administrator of the Fund

Name: Mohamed Dubat Gamadid



Fund Accountant

Name: Mohamud Dubow Korane

10.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

| | Emergency Fund | Revaluation Reserve | Accumulated surplus | Total |
|-----------------------------------|----------------|---------------------|---------------------|-------------|
| | | KShs | KShs | KShs |
| Balance as at 1 July 2019 | | | 349,964 | 349,964 |
| Surplus/(deficit) for the period | - | - | - | - |
| Balance as at 30 June 2019 | - | - | 349,964 | 349,964 |
| Balance as at 1 July 2020 | | | 349,964 | 349,964 |
| Surplus/(deficit) for the period | - | - | (2,105,809) | (2,105,809) |
| Balance as at 30 June 2021 | | | (1,755,845) | (1,755,845) |

Garissa County Emergency Fund
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10.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2020/2021 | 2019/2020 |
|--|----------|-------------------|-------------------|
| | | KShs | Kshs. |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from the County Government | 1 | 80,001,000 | 92,000,000 |
| | | | |
| Total Receipts | | 80,001,000 | 92,000,000 |
| Payments | | | |
| General Expenses | 2 | 12,340 | 110,400 |
| Emergency Relief and assistance | 3 | 79,947,265 | 91,539,636 |
| Refund to CRF Account | 4 | 347,204 | 744,674 |
| Total Payments | | 80,306,809 | 92,394,710 |
| Net cash flows from operating activities | | (305,809) | (394,710) |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | | - | - |
| Net cash flows used in investing activities | | | |
| Cash flows from financing activities | | | |
| Proceeds from fund receipts | | - | - |
| Net cash flows used in financing activities | | | |
| Net increase/(decrease) in cash and cash equivalents | | (305,809) | (394,710) |
| Cash and cash equivalents at 1 July | 5 | 349,964 | 744,674 |
| Cash and cash equivalents at 30 JUNE | 5 | 44,155 | 349,964 |

IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. The above uses direct method

Garissa County Emergency Fund
 Reports and Financial Statements
 for the year ended June 30, 2021

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

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % utilisation |
|---------------------------------|--------------------|-------------|--------------------|----------------------------|------------------------|---------------|
| | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 |
| | KShs | KShs | KShs | KShs | KShs | |
| Revenue | | | | | | |
| Transfers from County Govt. | 100,000,000 | - | 100,000,000 | 80,001,000 | 19,999,000 | 80% |
| Total income | 100,000,000 | - | 100,000,000 | 80,001,000 | 19,999,000 | 80% |
| | | | | | | |
| Expenses | | | | | | |
| Emergency relief and assistance | 100,000,000 | - | 100,000,000 | 82,106,809 | 17,893,191 | 82% |
| | | | | | | |
| Total expenditure | 100,000,000 | - | 100,000,000 | 82,106,809 | 17,893,191 | 82% |

10.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Adoption of new and revised standards

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

| Standard | Impact |
|---|---|
| IPSAS 40: Public Sector Combinations | Applicable: 1st January 2021 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. |

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

| Standard | Effective date and impact: |
|---|---|
| IPSAS 41: Financial Instruments | Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; |

**Garissa County Emergency Fund
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| Standard | Effective date and impact: |
|---|---|
| | <ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. |

c) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 29th June, 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A 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 section 11.5 of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

6. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

7. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

9. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

11. Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

12. Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

13. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

15. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

16. 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 financial year. 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Garissa County Emergency Fund Act, 2014 on 29th Sept 2014. The Fund is domiciled under the Ministry of Finance. Its ultimate parent is the County Government of Garissa.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS 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.

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 consolidated 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. IPSAS 1.140.

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 asset
- Changes in the market in relation to the asset

Provisions

No provisions were raised.

Garissa County Emergency Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

| Description | 2020/2021 | 2019/2020 |
|--|-------------------|-------------------|
| | KShs | KShs |
| Transfers from County Govt. – operations | 80,001,000 | 92,000,000 |
| Total | 80,001,000 | 92,000,000 |

2. General Expenses

| Description | 2020/2021 | 2019/2020 |
|--------------|---------------|--------------|
| | KShs | KShs |
| Bank Charges | 12,340 | 3,700 |
| Total | 12,340 | 3,700 |

3. Emergency Relief and assistance

| Description | 2020/2021 | 2019/2020 |
|--|-------------------|-------------------|
| | KShs | KShs |
| Fuel, Oil and Lubricants | | |
| Emergency expenses | 76,109,165 | 86,564,836 |
| General Office Supplies | | 92,000 |
| Daily Subsistence Allowance | 838,100 | 3,150,800 |
| Specialised Materials, supplies and services | 4,800,000 | |
| Hospitality Supplies and Services | | 1,500,000 |
| Routine Maintenance of Assets | | 10,000 |
| Rentals of Produced Assets | | 324,000 |
| Total | 81,747,265 | 91,641,636 |

4. Refund to CRF Account

| Description | 2020/2021 | 2019/2020 |
|-----------------------|----------------|-----------|
| | KShs | KShs |
| Refund to CRF Account | 347,204 | - |
| Total | 347,204 | - |

**Garissa County Emergency Fund
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5. Cash and cash equivalents

| Description | 2020/2021 | 2019/2020 |
|--|---------------|----------------|
| | KShs | KShs |
| Garissa County Emergency Fund Account | 44,155 | 354,664 |
| Total cash and cash equivalents | 44,155 | 354,664 |

6. Trade and Other Payables from exchange Transactions

| Description | 2020/2021 | 2019/2020 |
|---|------------------|-----------|
| | KShs | KShs |
| Trade and Other Payables from exchange Transactions | 1,800,000 | - |
| Total | 1,800,000 | - |

7. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government of Garissa
- b) The Parent County Government Ministry of Finance and Economic Planning
- c) Key management
- d) Board of Trustees.

Transfers from County Government

| Description | 2020/2021 | 2019/2020 |
|--|-------------------|-------------------|
| | KShs | KShs |
| Transfer from County Government | 80,001,000 | 92,000,000 |
| Total cash and cash equivalents | 80,001,000 | 92,000,000 |

**Garissa County Emergency Fund
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8. 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 | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|-----------------------------------|--|
| 1 | Unsupported Domestic Travel and Subsistence | Management will support the expenditure | Not Resolved | June 2022 |
| 2 | Unsupported Hospitality Supplies and Services | Management will support the expenditure | Not Resolved | June 2022 |
| 3 | Non-Approval of the Fund's Expenditure by County Assembly | Management will present the expenditure before the Assembly for approval. | Not Resolved | June 2022 |