

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KIAMBERE-MWINGI WATER AND
SANITATION COMPANY LIMITED**

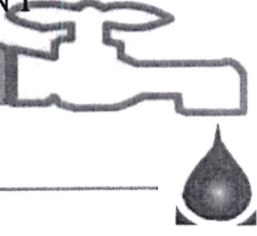
**FOR THE YEAR ENDED
30 JUNE 2015**



KIAMBERE – MWINGI WATER & SANITATION COMPANY

KIMWASCO

Water is life



P. O. Box 656 90400, Mwingi. Tel: 0702 458866 / 0738 570988
E-mail: www.kimwasco.com

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2015

Prepared in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB)

KENYA NATIONAL AUDIT OFFICE
EMBU HUB
08 JAN 2015
1164
Tel: 068 - 30260
P. O. BOX 113, EMBU

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements For the year ended June 30, 2015

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KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2015

KEY ENTITY INFORMATION

Background information

The Kiambere-Mwingi Water & Sanitation Company Limited was established under CAP 486 of the Companies Act and in compliance with the Water Act 2002 that requires among other things, all government owned water and sewerage schemes to be operated and managed by autonomous companies in order to achieve efficient and economical delivery of water & sanitation services. The company is represented by the Kitui County Minister of Agriculture, Water & Irrigation who is responsible for the general policy and strategic direction of the company.

Principal Activities

The principal activity of the company is to supply and distribute potable water and provide basic sanitation within the Mwingi region of Kitui County.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements For the year ended June 30, 2015

Directors

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

	NAME	POSITION	APPOINTED ON
1	Mr. Josphat Mulyungi	Chairman	26/05/2009
2	Mr. Paul Kinuba	Managing Director	31/8/2009
3	Mrs. Joyce M. Nzanga	Member	26/5/2009
4	Mr. Robert M. Maluki	Member	26/5/2009
5	Mr. Japheth M. Ngonde	Member	01/7/2013
6	Mrs. Sera Kangasua	Member	01/7/2013
7	Mr. Dennis M. Mwendwa	Member	01/7/2013

Corporate Secretary

The company has no Corporate Secretary. The MD performs the functions of Secretary during Board meetings.

Registered Officer

Kenya News Agency Building
Mwingi – Garissa Road
P.O. Box 656 - 90400
Mwingi, Kenya

Corporate Headquarters

Kenya News Agency Building
Mwingi – Garissa Road
P.O. Box 656 - 90400
Mwingi, Kenya.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

**Reports and Financial Statements
For the year ended June 30, 2015**

Corporate Contacts

Telephone: (254) 704 458866 / 738-570988

E-mail: kimwasco@gmail.com

Website: www.kimwasco.co.ke

Corporate Bankers

1. Equity Bank
Mwingi Branch
2. Co-operative Bank
Mwingi Branch
3. Kenya commercial bank
Mwingi Branch

Independent Auditors

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

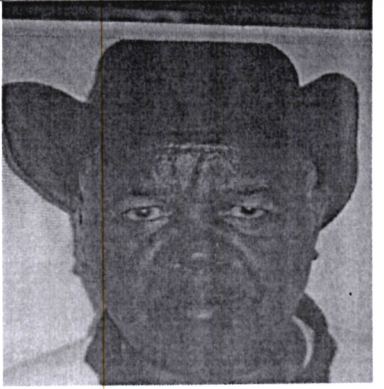


Principal Legal Advisers

C. K. Nzili & Compnay Advocates & Commissioner of Oaths
P. O. Box 429 90400
Mwingi, Kenya

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

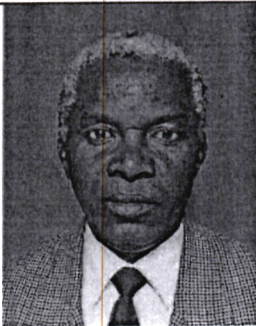


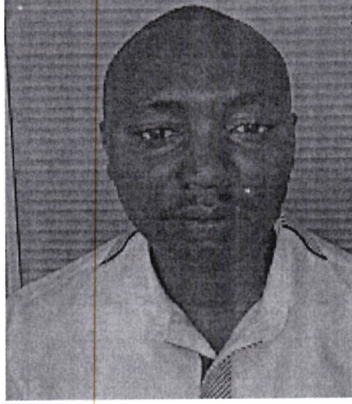
**Reports and Financial Statements
For the year ended June 30, 2015**

THE BOARD OF DIRECTORS

Name	Photo	Date of birth, key qualifications & experience
1. Mr. Josphat Mulyungi		Born on 31.12.1949. Has S1 (Teaching) certificate & MA degree in development studies. Work experience of 20 years.
2. Mr. Paul Kinuba		Born on 06/11/1964. Has Higher Diploma in Mechanical Engineering and Msc Degree in Engineering Management. Progressive work experience of 20 years in various technical and managerial positions.
3. Mrs. Joyce M. Nzanga		Born in 1961. Educated up to form 2. Worked with Diplomatic Ladies Group – Ethiopia & Iran. Nominated Councillor for 5years.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED




Reports and Financial Statements For the year ended June 30, 2015

4.	 Mr. Robert M. Maluki	Born on 12/5/1942. Educated up to EACE level. Has P1 certificate in teaching. Worked for 34 years as a teacher, was a delegate in National Constitutional Conference.
5.	 Japheth M. Ngonde	Born on 15/5/1970. Has Bachelor of Commerce degree & CPA (K) certificate. Seasoned finance and accounting professional with over 20 years in accounting, financial Management and management consultancy experience. Currently pursuing MBA degree in strategic Management.
5.	 Sera Kangasua	Born on 01/3/1981. Has CIPS Level 6 certificate & pursuing Bachelors degree course. Work experience of 8 years.
7	 Dennis Mutinda Mwendwa	Born on 24/12/1985. Has Diploma in Pharmaceutical Technology. Has work experience of 5 years.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements
For the year ended June 30, 2015

MANAGEMENT TEAM

	Name	Photo	Date of birth, key qualifications & experience
1	Mr. Paul Kinuba Managing Director		Born on 6 th November 1964. Has Higher Diploma in Mechanical Engineering and Msc Degree in Engineering Management. Progressive work experience of 20 years in various technical & managerial responsibilities.
2	Mr. Caleb Mwanzia James Company Accountant		Born on 23 rd February 1984. Has CPA 3, KATC intermediate and final certificates and a Diploma in Marketing. Work experience of eight years as an accountant.
3	Ms. Penninah Mutio Human Resources Officer		Born on 5 th April 1976. Has a Secretarial Certificate stage 1 and 2. Pursuing Diploma in Human Resource Management with the University of Nairobi. Has work experience of 6 years working as a Secretary.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements For the year ended June 30, 2015

CHAIRMAN'S STATEMENT

The company came into existence from May 2009 in pursuit of implementing water Act 2002. We came in as Water Service Provider for the greater Mwingi Region. The challenge was put on us to be a viable and sustainable water service provider. The company has directors drawn from the communities who receive water services from Kiambere –Mwingi water main pipeline.

We have undertaken this journey of making water service provision be viewed with business ethos. Under the watch of Tanathi Water Service Board, we went through the clustering process and were left as Mwingi Kyuso cluster and others. Making Kiambere –Mwingi water & sanitation company Ltd the operational arm of this cluster.

The first challenge we had to face was to streamline staff levels to 42 in conformity with WASREB guidelines on staffing levels. Transitions from TARDA to Tanathi Water Services Board and eventually to have staff accept the fact that they were employees of Kiambere-Mwingi Water and Sanitation Company Ltd took painful time. This has seen us have a vibrant team of administration of policies developed by the board of directors.

The second challenge we had to face was our aging pipeline, Kiambere complex pumping system and the expanded demand for our water services to Mwingi town and its environs plus Kyuso town. This is against a background of a population running away from dirty water from Tyaa River in Mwingi town, Kamuwongo River, Itivanzeu River in Kandwia and Thunguthu River in Kyuso town. The planned phase 2 would assist us address this challenge.

The third challenge has been our inability to pay our ever rising electricity bills. We are forced to rely on subsidies from the central government in the previous years but currently on the Kitui County Government. Our hope here is twofold: increase our tariff and implement phase 2 to achieve the economies of scale.

These challenges have to be faced within the known facts that bill of rights in our constitution states that every person has the right to clean and safe water in

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements For the year ended June 30, 2015

adequate quantities. This is the responsibility we have to try and carry out in full. Our national government plus our county government will have to assist Kiambere-Mwingi Water & Sanitation Company Ltd to fulfill its mandate of being a viable and sustainable Water Service Provider in this region.

Finally the company has moved to maximize participation of communities being served by KIMWASCO by having 50 representatives of stakeholders in the areas served by the company. These representatives will be meeting once per year to scrutinize the service provision mechanisms of the company including the key policy decisions as well as the administrative matters.

We journey with our county government as water is a devolved function. We have seen positive results in all areas of cooperation particularly the subsidy we get in the form payment of electricity bills.

Water is life and our constitution demands that right be preserved.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

**Reports and Financial Statements
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REPORT OF THE MANAGING DIRECTOR

The Kiambere-Mwingi Water & Sanitation Company Limited is in the business of providing potable water and basic sanitation services within the Mwingi region of the Kitui County. Our main objectives are to:

1. Build a strong institution capable of providing reliable water supply and sanitation services within Mwingi region.
2. Extend water supply and sanitation services to every corner of Mwingi region by continually improving & expanding water supply and sanitation infrastructure.
3. Attain self-financial sustainability through expansion of customer base and appropriate costing of the services we render.
4. Position the company as a key player in the development of the Mwingi region by rendering quality services and undertaking corporate social responsibilities.

Since its incorporation in May 2009, the company has gone through difficult transition occasioned by the Water Act 2002 and lately by the new Constitution. Despite the myriad difficulties posed by the transition, the company has gradually grown both institutionally and financially. It has over the years developed its own operational systems that have enabled it to meet its mandate of providing water and sanitation services to its customers.

In concrete terms, the company has over a period of five years increased water connections from 1212 to 3107, the people served from 15,000 to about 50,000 and its capital and net income grew from Ksh. 5.5 million to Ksh. 43.4 million and from negative Ksh. 5.5 million to positive Ksh. 1.9 million respectively.

The main challenges that inhibit growth at the desired pace include the high cost of electricity that constitutes 40% of O&M cost, high Non-Revenue Water (NRW) of about 41% due to old and dilapidated distribution network and illegal connections.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2015

There is also the challenge of lack of skilled manpower at senior and middle management levels.

The foregoing notwithstanding, the Board, Management and staff are united in their collective effort to improve efficiency and effectiveness. Thus, concerted effort has been made to reduce the NRW to 20% by installing monitor meters and creating a NRW Unit mandated with the responsibility of identifying causes of water loss and addressing them. Measures have also been put in place to address high electricity bills by carrying out energy audit at Kiambere T/Works and implementing some of recommendations arrived at.

We appreciate the support rendered by the County government of Kitui by paying electricity bills in the tune Ksh. 29.9 million in the financial year 2014/2015 and hope that this support will continue in order to sustain the services. Additionally, we hope that phase 2 will be implemented as scheduled so as to address the question of dilapidated water supply and distribution system and increase our water supply and distribution capacity.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2015

CORPORATE GOVERNANCE STATEMENT

The company makes deliberate effort to adopt and practise the best corporate governance standards. As a corporate body, we strive to follow the law and the relevant regulations.

The Board, Management and staff are required to practise good code of ethics and create good corporate image by engaging our customers and other stakeholders honestly and with respect.

As an employer, we seek to have competent personnel for various positions in the company's establishment through competitive recruitment. Interested persons are given equal opportunity to apply for any vacant positions in the company. Each employee is properly inducted and advised to observe high standards of integrity inside and outside the work place.

We continually make effort to adopt good and effective operational processes and systems particularly in Human Resources Management, Financial Management, Operation and Maintenance. Above all, as a corporate entity, we strive to be a good citizen by playing our role in nation building and playing our corporate social responsibilities roles.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

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CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As a provider of clean and safe drinking water and basic sanitation, we carry out our duties with due diligence to ensure quality and safety of our products and services. We strive to effectively play our role in nation building and take our corporate social responsibilities seriously

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements For the year ended June 30, 2015

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the affairs of Kiambere-Mwingi Water & Sanitation Company Limited.

Principal activities

The principal activities of the company are to:

1. Supply and distribute potable water and provide basic sanitation.
2. Offer accompanying services such meter connection, meter calibration and service, repair or replace defective service lines.
3. Bill for services rendered and collect revenue from customers.
4. Carry out preventive and corrective maintenance of water T/Works facilities and water distribution networks.
5. Advise organized communal groups on good proposal writing for water project funding and supervise implementation and management of such projects.
6. Compile and submit M&E reports to the County government and WASREB.
7. Write proposals for water & sanitation project funding by prospective development agencies.

Results

The results of the company for the year ended June 30, 2015 are set out on pages 19 to 42.

Dividends

The company does not declare dividends to the Directors since they only hold shares in trust for the County government of Kitui.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2015

Directors

The members of the Board of Directors who served during the year are shown on page 3. In accordance with Regulation 59(a) of the company's Articles of Association, One third of the board members will retire each year and will be eligible for re-election.

Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with the relevant Sections of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section ... of the Public Finance Management Act, 2012 and section ... of the State Corporations Act, require the Directors to prepare financial statements in respect of the 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. x

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, 2015. 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 judgments 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

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

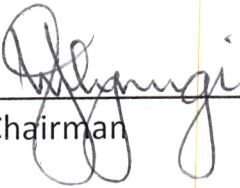
**Reports and Financial Statements
For the year ended June 30, 2015**

company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2015 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.

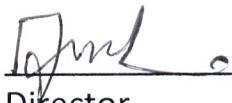
Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company's financial statements were approved by the Board on 24th September 2015 and signed on its behalf by:



Chairman



Director

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KIAMBERE-MWINGI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kiambere-Mwingi Water and Sanitation Company Limited set out on pages 19 to 39, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of its financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit

Kiambere-Mwingi Water and Sanitation Company Limited – Annual Report and Financial Statements for the year ended 30 June 2015

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Unaccounted for Water (UFW)

During the year under review, the company produced 539,558 cubic meters of water. However, only 316,483 cubic meters of water was billed to customers resulting to an Unaccounted for Water (UFW) of 223,075 cubic meters or approximately 41% of the total volume produced which is over and above the allowable loss of 25%. The UFW resulted in a loss of sales estimated at Kshs.19,697,523.

The significant level of UFW may negatively impact on the Company's profitability and its long term service sustainability.

2. Share Capital

As previously reported, the Kiambere-Mwingi Water and Sanitation Company Limited was registered with a share capital of Kshs.100,000 divided into 5,000 shares of Kshs.20 each. The shares were distributed to eleven individuals who have not paid for the shares. The Company has not provided explanations for this unsatisfactory state of affairs as at 30 June 2015.

3. Statement of Changes in Equity

The statement of changes in equity as at 30 June 2015 reflects, under revenue reserves, a prior year adjustment of negative Kshs.1,418,279 made up of profit for the year of Kshs.1,998,547 and an unexplained figure of negative Kshs.580,268.

In the circumstances, the accuracy of the statement of changes in equity could not be ascertained as at 30 June 2015.

Qualified Opinion

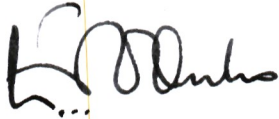
In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kiambere-Mwingi Water and Sanitation Company Limited as at 30 June 2015 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2002 and the Companies Act, Cap 486 Law of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, I report based on the audit, that;

- i. I have obtained all the information and explanations which, to the best

- of my knowledge and belief, were necessary for the purpose of the audit, and
- ii. In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and
 - iii. The Company's statement of financial position is in agreement with the books of account.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

17 February 2016

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED
Reports and Financial Statements
For the year ended June 30, 2015

STATEMENT OF COMPREHENSIVE INCOME

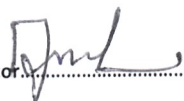
	NOTES	2014/2015 (Kshs)	2013/2014 (Kshs)
INCOME			
Revenue	2(a)	54,622,413	41,665,256
Other income	2(b)	2,200,023	2,183,990
Grants	3	37,445,436	39,660,133
TOTAL		94,267,872	83,509,379
EXPENDITURE			
Personnel expenses	4	23,754,454	21,988,243
Utilities	5	37,079,224	32,717,198
General maintenance	6	6,698,209	4,837,356
Motor vehicle running expenses	7	6,101,855	4,266,358
Administration and general expense	8 (a)	9,061,332	3,112,988
Work in progress	8(b)	-	3,485,192
Use of goods and services	9	3,253,362	3,656,898
Board expenses	10	724,700	733,900
Levies	11	5,596,189	4,212,135
TOTAL		92,269,325	79,010,268
Operating profit/loss before taxation		1,998,547	4,499,111
Tax	h	-	-
Net Profit/ loss for the year after tax		1,998,547	4,499,111

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED
Reports and Financial Statements
For the year ended June 30, 2015

STATEMENT OF FINANCIAL POSITION

ASSETS	NOTES	2014/2015 (Kshs)	2013/2014 (Kshs)
Non-current assets			
Property Plant and Equipments	12 (b)	18,689,046	11,258,314
Intangible assets	12 (c)	194,500	110,000
Total		18,883,546	11,368,314
Current assets			
Stock	20	459,080	908,905
Receivables and prepayments	13	15,678,213	15,382,668
Cash and cash equivalents	14	8,439,383	2,909,874
Total current assets		24,576,676	19,201,447
Total assets		43,460,222	30,569,761
EQUITY AND LIABILITIES			
Current liabilities			
Payables and accruals	15 (a)	27,783,318	26,197,142
Water deposits	16	5,090,695	2,700,223
Total current liabilities		32,874,013	28,897,365
Long term liabilities	15 (b)	-	863,529
Total liabilities		32,874,013	29,760,894
Capital reserves			
Revenue reserves		(14,010,983)	(14,591,251)
Capital reserves	17 (a)	4,718,945	4,718,945
Revaluation reserve	17 (b)	1,740,000	-
Development grant	18 (a)	3,446,013	3,446,013
WSTF	18 (b)	14,592,234	7,135,160
Authorised Share capital		100,000	100,000
Total capital and reserves		10,586,209	808,867
Total capital and liabilities		43,460,222	30,569,761

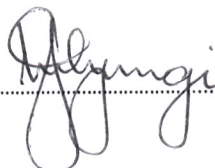
Director



Date

06/1/2016

Director



Date

06/1/2016

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STATEMENTS OF CHANGES IN EQUITY
2013/2014

	Share capital Kshs.	Capital reserves	Revenue reserves Kshs.	Development grant	WSTF	Total
						Kshs.
Balance as at 30/6/2013	100,000	4,718,945	(19,090,362)	3,446,013	3,638,819	(7,186,585)
Net profit/loss	-	-	4,499,111	-	-	4,499,111
Increase in WSTF fund	-	-	-	-	3,496,341	3,496,341
Balance as at 30/6/2014	100,000	4,718,945	(14,591,251)	3,446,013	7,135,160	808,867

2014/2015

	Share capital Kshs.	Capital reserves	Revenue reserves Kshs.	Development grant	WSTF	Total
						Kshs.
Balance as at 30/6/2013	100,000	4,718,945	(14,591,251)	3,446,013	7,135,160	808,867
Net profit/loss	-	-	1,998,547	-	-	1,998,547
Increase in WSTF fund	-	-	-	-	7,457,074	7,457,074
Prior year adjustment	-	-	(1,418,279)			(1,418,279)
Balance as at 30/6/2014	100,000	4,718,945	(14,010,983)	3,446,013	14,592,234	8,846,209

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED
 Reports and Financial Statements
 For the year ended June 30, 2015

STATEMENT OF CASHFLOW

	NOTES	2014/2015 (Kshs)	2013/2014 (Kshs)
Cash flow from operating activities			
Net loss/profit		1,998,547	4,499,111
Depreciation	12 (b)	1,664,434	1,032,436
Operating profit before working capital changes		3,662,981	5,531,547
Changes in working capital			
Increase/ decrease in receivables and prepayments	13 (a,b,c)	(295,545)	183,754
Increase/decrease in stock	20	449,825	(295,735)
Increase/ decrease in creditors	15 (a)	722,647	(2,748,294)
Bank overdraft	15 (b)	-	(922,756)
Cash flow from working capital		876,927	(3,783,031)
Net cash inflow after working capital adjustments		876,927	(3,783,031)
Investing activities			
Increase in fixed assets	12 (b)	(9,179,666)	(4,097,643)
Revaluation reserve	17 (b)	1,740,000	-
Net cash inflow after investing activities		(7,439,666)	(4,097,643)
Financing activities			
Water deposits	16	2,390,472	814,360
WSTF	18 (b)	7,457,074	3,496,341
Prior year adjustments	24	(1,418,279)	-
Net cash outflow after financing		8,429,267	4,310,701
Net cash flow		5,529,510	1,961,574
Cash and cash equivalent at the beginning of the year	14 (b)	2,909,874	948,300
Cash and cash equivalent at the end of the year		8,439,383	2,909,874

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

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For the year ended June 30, 2015

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB), interpretations issued by the Standing Interpretations Committee of the IASB and applicable requirements of the law.

The principal accounting policies adopted are set out below:

The financial statements are prepared on the historical cost concept.

b) Pronouncements from the Public Sector Accounting Standards Board (PSASB)

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 pronouncements made by the board have no significant impact on the entity's financial statement as Kiambere Mwingi Water and Sanitation Company *has* been preparing its financial statements in accordance to IFRS.

c) Revenue Recognition

This is composed of water billing and other related services.

d) 1. Bad debts

All debts which are three years and above have been treated as bad debts.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

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2. Provision for doubtful debts

Provision for doubtful debts is calculated at 1% of the the net debtors.

e) Fixed Assets and Depreciation

Fixed assets are stated at lease and purchase costs less accumulated depreciation.

Depreciation is calculated on a straight line basis to write off the cost of the assets over their useful lives.

The annual rates used are as follows:

Pipes & fittings	12.5%
Tools & Equipment	12.5%
Computers & accessories	33.3%
Motor vehicles & motorbikes	25%

f) Currency

The accounts are expressed in local currency Kenya shillings (Kshs.), which is the official currency of the Republic of Kenya.

g) Grants

The County Government of Kitui paid for electricity.

WSTF paid for Work in Progress.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2015

h) Taxation

The company has provided for taxation.

Period	Profit/ Loss (Kshs)	Carried forward (Kshs)
2009/2010	(5,514,667)	(5,514,667)
2010/2011	(14,477,278)	(19,991,945)
2011/2012	1,454,566	(18,537,379)
2012/2013	(1,611,201)	(20,148,580)
2013/2014	4,499,111	(11,589,368)
Adjustment on bad debts not expensed	(1,418,279)	(13,007,647)
2014/2015	1,998,547	(1,030,933)

NB: - Loss of Kshs. 4,060,101 was carried forward from Financial Year 2009/2010 to Financial Year 2012/2013.

- Loss of Kshs. 9,978,167 was carried forward from Financial Year 2010/2011 to Financial Year 2013/2014.

The Company did not charge tax because of other losses carried forward from Financial Year 2011/2012 to Current period.

i) Retirement Benefits Obligations

The company contributes 15% of staff basic pay for staff pension while individual staff contribute 7.5% of the basic pay.

j) Reserves

Capital reserves represent inherited debtors, customer deposits and creditors.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2015

k) Related party transactions

a) Subsidies from the County Government of Kitui.

The Company received subsidies from the County Government of Kitui

during the year as follows:

	2014/15 KShs	2013/14 KShs
Electricity grant	29,988,362	34,699,392
Chemicals grant	-	1,464,400
	=====	=====
Total Grants	29,988,362	36,163,792
	=====	=====

b) Board of Directors.

During the period under review, the Company held three full board and eight sub- committee meetings

The chairman of the Board of Directors is paid Monthly Honoraria of Kshs.20,000

Total allowances paid were as follows:

	2014/2015 KSh	2013/2014 KSh
Board allowances	484,700	493,900
Honoraria	240,000	240,000
	=====	=====
Total Board allowances	724,700	733,900
	=====	=====

l) Financial Risk Management Policies.

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

a) Credit risk

The company's credit risk is primarily attributable to its funds with financial institutions, debtors and staff receivables .

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements For the year ended June 30, 2015

The amount that best represents the company's maximum exposure to credit as at 30 June 2014 is made up as follows:

	Fully Performing KShs	Past due KShs	Impaired KShs	Total KShs
At 30 June 2015				
Cash at bank	8,439,383	-	-	8,439,383
Customer receivables	20,410,816	-	4,944,069	25,354,885
Staff receivables	251,056	-	-	251,056
	<u>29,101,255</u>	<u>-</u>	<u>4,944,069</u>	<u>34,045,324</u>
	=====	=====	=====	=====
At 30 June 2014				
Cash at bank	2,909,874	-	-	2,909,874
Customer receivables	15,796,036	-	1,957,054	17,753,090
Staff receivables	338,167	-	-	338,167
	<u>19,044,077</u>	<u>-</u>	<u>1,957,054</u>	<u>21,001,131</u>
	=====	=====	=====	=====

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with Kiambere Mwingi Water and Sanitation Company, which has 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 table below analyses the company's financial liabilities.

	Amount (Kshs)
As at 30 June 2015	
Trade payables	27,783,318
Customer deposits	<u>5,090,695</u>
Total	<u>32,874,013</u>
As at 30 June 2014	
Trade payables	26,197,142
Customer deposits	<u>2,700,223</u>
Total	<u>28,897,365</u>

m) Stocks have been valued using the weighted average method.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements**

For the year ended June 30, 2015

2(a). Revenue	2014/2015 (Kshs)	2013/2014 (Kshs)
Water sales (Billings)	33,742,502	29,149,098
Water sales (Kiosks)	13,037,068	8,759,272
Water sales (Boreholes)	1,991,611	1,373,356
Water sale (Tankering)	5,851,232	2,383,530
Total	54,622,413	41,665,256
2(b). Other income:		
Sale of tender	-	129,000
Reconnection fee	198,906	358,500
Meter testing and other charges	25,200	8,500
Meter rent	1,106,350	971,100
Penalties	777,239	706,390
Public toilet lease	42,000	10,500
Interest from fixed deposits	50,328	-
Total	2,200,023	2,183,990

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements****For the year ended June 30, 2015**

3. Grants	2014/2015 (Kshs)	2013/2014 (Kshs)
County Governement of Kitui(power)	29,988,362	34,699,392
County Governement of Kitui (chemicals)	-	1,464,400
WSTF	7,457,074	3,496,341
Total	37,445,436	39,660,133
4. Personnel expenses		
Basic salaries	8,493,925	7,722,880
Allowances	5,010,230	4,931,368
Pension contribution	1,236,801	1,034,754
NSSF contribution	91,800	90,800
Leave allowance	298,105	336,942
Medical allowance	844,150	833,400
Casual wages	554,312	597,849
Travelling & subsistence	2,796,054	2,462,468
Gratuity	2,128	24,000
Commission – kiosk operators	3,525,460	2,850,515
Staff welfare	788,969	857,012
Staff insurance cover (WIBA/GPA)	112,520	246,255
Total	23,754,454	21,988,243

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2015

5. Utilities	2014/2015 (Kshs)	2013/2014 (kshs)
Electricity	36,875,139	32,504,198
Telephone	186,550	204,150
Water	17,535	8,850
Total	37,079,224	32,717,198
6. General maintenance		
Plant and machinery maintenance	3,906,067	3,276,189
Pipe laying and maintenance	2,608,392	1,398,337
Office equipment maintenance	183,750	162,830
Total	6,698,209	4,837,356
7. Motor vehicle running expenses		
Motor vehicle fuel	3,654,055	2,639,318
Motor vehicle maintenance	2,209,016	1,465,073
Motor vehicle insurance	238,784	161,967
Total	6,101,855	4,266,358

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements**

For the year ended June 30, 2015

8.(a) Administration and general expense	2014/2015 (Kshs)	2013/2014 (Kshs)
Office rent	216,000	216,000
Printing and photocopy	6,460	21,250
Staff training	348,050	8,000
Official entertainment	102,675	209,315
Public relations/ donations	-	25,300
Bank charges	160,967	149,910
Security expenses	1,351,080	1,092,000
Depreciation	1,664,434	1,032,436
Provision for bad debts	139,591	138,390
Provision for audit fees	232,000	-
Bad debt expense	4,804,477	-
Interest on bank loan	35,598	220,387
Total	9,061,332	3,112,988
8.(b) Work in progress		
Work in progress	-	3,485,192
Total	-	3,485,192

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements****For the year ended June 30, 2015**

9. Use goods and services	2014/2015 (Kshs)	2013/2014 (Kshs)
Water chemicals	1,979,471	2,206,441
Stationery	151,060	130,803
Computer consumables	167,500	240,600
EMS/Securicor services	28,780	27,650
Hire of machinery	24,200	29,160
Hire of transport	323,240	380,160
Professional fees	232,000	232,000
Office general expenses	77,171	125,934
Water analysis	11,774	34,098
Advertising and publicity	242,746	227,372
News papers	15,420	22,680
Total	3,253,362	3,656,898
10. Board expenses		
Board allowances	484,700	493,900
Honoraria	240,000	240,000
Total	724,700	733,900
11. Levies		
TAWSB	4,932,847	3,684,605
WASREB	548,094	409,401
WARMA	115,248	118,129
Total	5,596,189	4,212,135

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED
Reports and Financial Statements
For the year ended June 30, 2015

12 a. Property, Plant and Equipment

Assets with estimated value of **Ksh. 630,482,219** in 2005 were handed over to TAWSB by TARDA in 2009. Kiambere - Mwingi Water & Sanitation Company Ltd has been operating these assets since May 2009 although they have not been handed over to the company officially. These assets have not been included in the financial statements.

12 b. Net book value and depreciation
2014/2015

	Motor vehicle	Motor cycle	Furnitures & office equipments	Computer & accessories	Water meters	Lab equipments	WIP	Total
Dep rate	25%	25%	12.50%	33.30%	2.50%	12.50%	0	
Cost as at 1 st July 2014	2,732,000	619,280	280,402	298,150	1,594,823	162,502	8,379,977	14,067,134
Revaluation during the year	1,740,000	-	-	-	-	-	-	1,740,000
Additions during the year	-	260,000	27,400	386,400	-	-	6,681,366	7,355,166
Cost as at 30 th June 2015	4,472,000	879,280	307,802	684,550	1,594,823	162,502	15,061,343	23,162,300
Accm dep as at 1 st July 2014	2,049,000	359,530	92,232	190,115	80,505	37,438	-	2,808,820
Depreciation	1,118,000	219,820	38,475	227,955	39,871	20,313	-	1,664,434
Accm dep as at 30 th June 2015	3,167,000	579,350	130,707	418,070	120,376	57,751	-	4,473,254
NBV as at 30th June 2015	1,305,000	299,930	177,095	266,480	1,474,447	104,751	15,061,343	18,689,046
NBV as at 30th June 2014	683,000	259,750	188,170	108,035	1,514,318	125,064	8,379,977	11,258,314

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements**

For the year ended June 30, 2015

12(c). Intangible fixed asset.	2014/2015 (Kshs)	2013/2014 (Kshs)
Quickbooks software: Cost as at 30 th June 2014	110,000	110,000
Website domain	84,500	-
Total	194,500	110,000
13(a). Receivables and prepayments		
Receivables (Water billings) - Active	8,421,326	8,729,673
-Inactive	11,989,490	7,066,363
Less: Bad debts	(4,944,068)	(1,957,054)
Provision for bad debts	(139,591)	(138,390)
Sub total	15,327,157	13,700,592
13(b). Staff debtors		
Staff debtors	230,384	294,158
Kiosk and borehole debtors	20,672	44,009
Sub total	251,056	338,167
13(c) Share capital		
Share capital	100,000	100,000
Sub total	100,000	100,000

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements**

For the year ended June 30, 2015

13(d). Prepayments	2014/2015 (Kshs)	2013/2014 (Kshs)
Electricity prepayment	-	1,231,424
WARMA prepayment	-	12,485
Sub total	-	1,243,909
Total debtor and prepayments	15,678,213	15,382,668
14. Cash and cash equivalents		
Cash in hand	1,149	1,012
KCB account (Collection)	60,416	110,922
Equity account (Collection)	571,505	596,000
Equity account (Deposits)	354,051	1,018,266
Equity account (WSTF)	770,318	11,149
Co-operative account (Collection)	42,534	218,507
Co-operative account (Paying)	194,586	44,995
KCB account (Paying)	3,556	19,964
Equity account (Paying)	34,168	80,616
M-pesa Utility account	336,242	808,443
M-pesa Working account	2,207,211	-
Fixed deposits account at Equity Bank	3,863,647	-
Total	8,439,383	2,909,874

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements**

For the year ended June 30, 2015

15. (a). Payable and accrual	2014/2015 (Kshs)	2013/2014 (Kshs)
Trade payables	22,791,069	16,011,361
Payroll deductions	4,091,209	7,191,089
Kenya National Audit Office	232,000	928,000
Staff creditors	243,776	357,192
Provision for audit fees	-	232,000
Prepayments – Debtors	425,265	134,728
Customer deposits borrowed: - 2013 – 2014	-	1,342,772
Total	27,783,318	26,197,142
15. (b). Long term liabilities		
Co-operative bank loan	-	863,529
Total	-	863,529
16. Water deposits		
Balance b/f	2,700,223	2,209,035
Water deposits	744,200	646,260
Meter deposits	355,500	211,500
Inherited from TARDA	-	1,061,600
Meter deposit refund	(52,000)	(85,400)
Customer deposits borrowed	-	(1,342,772)
Customer deposits refunded	1,342,772	-
Total	5,090,695	2,700,223

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements**

For the year ended June 30, 2015

17 (a). Capital reserves	2014/2015 (Kshs)	2013/2014 (Kshs)
Debtors	6,477,891	6,477,891
Customer deposits	(1,061,600)	(1,061,600)
Creditors	(697,346)	(697,346)
Total	4,718,945	4,718,945
17 (b). Revaluation reserve		
Motor vehicle revaluation reserve	1,740,000	-
Total	1,740,000	-
18. (a)Development grant		
Water meters from TAWSB:	802,980	802,980
Computer from WASREB:	33,990	33,990
Four chairs from WASREB:	48,000	48,000
Water meters from WSTF 4 th call	761,343	761,343
Motor vehicle payment advance by TAWSB	540,000	540,000
Two water kiosks from WSTF 4 th call	1,259,700	1,259,700
Total:	3,446,013	3,446,013
18.(b)Water Services Trust Fund		
Grants received during Financial Year 2014/2015		7,457,074
Grants received during Financial Year 2013/2014		3,496,341
Grants received during Financial Year 2012/2013		3,638,819
Grand total funds from WSTF		14,592,234

19. Share capital

The Company has an authorized share capital of 5,000 shares of Kshs. 20 each.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2015

20. Stock:

2013/2014

Particulars	Quantity(Kgs)	Martket price(Kshs)	Amount(Kshs)
Chlorine	2,655	180.00	477,900
Lime	5,577	33.39	186,205
Alumn	7,200	34.00	244,800
Total			908,905

2014/2015

Particulars	Quantity(Kgs)	Martket price(Kshs)	Amount(Kshs)
Chlorine	945	215.00	203,175
Lime	2,275	33.39	186,205
Alumn	1,700	41.00	69,700
Total			459,080

Stocks have been valued on the basis of Weighted Average Method

21. Work in Progress.

2014/2015 (Kshs)

Pipeline and kiosk	1,637,644
Elevated tank	3,507,311
Cold water meters	1,065,700
Bank charges	5,390
Administrative expenses	470,711

Total

6,686,756

22. Prior year adjustments

2014/2015 (Kshs)

Bad debts not expensed 2013/2014	(1,957,054)
Add: Debtors not older than 3 years treated as bad debts	168,385
Add: provision for bad debts	138,390
Net bad debts not expensed	(1,650,279)
Provision for audit fees wrongly treated as payables	232,000

Total

(1,418,279)

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements
For the year ended June 30, 2015

23. Budgeted figures and actual performance.

KIAMBERE MWINGI WATER AND SANITATION COMPANY
BUDGET VS ACTUALS F/Y 2014/2015

ITEM	BUDGET 2014/2015	ACTUALS 2014/2015	VARIANCE	REMARKS
INCOME				
Water Sales (Billing)	30,000,000	33,742,502	3,742,502	Increase in number of connections and monitoring of NRW
Water sales (kiosks)	7,800,000	13,037,068	5,237,068	more water tight controls to monitor sales and surrender of revenue.
Water sales (Boreholes)	1,500,000	1,991,611	491,611	Introduction of more water tight controls to monitor sales and surrender of revenue.
Water tankering	2,000,000	5,851,232	3,851,232	Introduction of field sales with our new truck.
Service charge/meter rent	900,000	1,106,350	206,350	Increase in number of connections
Public toilet income	42,000	42,000	-	
Other Charges	1,000,000	1,051,673	51,673	Penalties from illegal connections.
Sale of Tender	50,000	-	(50,000)	Directive from PPOA not to sale tender documents.
Sub Total	43,292,000	56,822,436		
Grants:				
GoK (electricity)	24,000,000	29,988,362	5,988,362	Increase in water produced(2013/2014 - 539,558m3, 2014/2015 - 744,277m3)
GoK (chemicals)	-	-	-	No subsidy received from the county Govt.
Sub-total	24,000,000	29,988,362		
Total income	67,292,000	86,810,798		
EXPENSES				
Personnel expenses	19,798,000	20,056,911	(258,911)	Increase in commission to kiosk and borehole operators due to increased sales.
Administration				
Travel and Accomodation	2,200,000	2,796,054	(596,054)	Staff attended several workshops during preparation of WSTF funded projects.
Staff Welfare	900,000	609,303	290,697	Fewer welfare activities during the period.
Staff Training	700,000	348,050	351,950	Staff being sensitised to take up the initiative of requesting for trainings.
Security Expenses	6,000	-	6,000	Security matters taken up by the contracted security agent.
Station and Building Maintanance	400,000	-	400,000	Buildings at Kiambere T/Works not yet renovated.
Office Rent	252,000	216,000	36,000	The company had anticipated to take up more office rooms during the period but did not.
Bank Charges	130,000	160,967	(30,967)	The company resulted to closing two paying accounts to reduce the charges.
Hospitality/official entertainment	120,000	102,675	17,325	Controlled use of hospitality vote.
PR & Donations	150,000	-	150,000	No PR activity during the period.
Compilation of SP& BP	200,000	-	200,000	Compilation of SP & BP not done.
Bank Instalments for vehicle	1,500,000	-	1,500,000	The motor vehicle loan was cleared.
New vehicle deposit	750,000	-	750,000	Vehicle deposit not paid.
Accumulated statutory deductions	2,400,000	1,200,000	1,200,000	Kshs. 100,000 paid per month instead of Kshs. 200,000 due to insufficient funds.
Sub Total	9,708,000	5,433,049		

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED
Reports and Financial Statements
For the year ended June 30, 2015

23. Budgeted figures and actual performance. (continued..)

KIAMBERE MWINGI WATER AND SANITATION COMPANY
BUDGET VS ACTUALS F/Y 2014/2015

ITEM	BUDGET 2014/2015	ACTUALS 2014/2015	VARIANCE	REMARKS
Maintenance				
Plant & machinery Maint.	5,400,000	3,906,067	1,493,933	Fewer breakdowns at Kiambere Treatment Plant
Pipe laying & maint.	1,500,000	2,608,392	(1,108,392)	Main pipeline anchoring works at Kamuwongo river.
Water meters	1,000,000	-	1,000,000	No water meters bought.
Office equipment maint.	150,000	183,750	(33,750)	Major repairs done on printers and customer care office computer.
Sub Total	8,050,000	6,698,209		
Utilities				
Electricity (Kiambere)	36,000,000	36,802,319	(802,319)	Increase in water pumped.
Electricity (Mwingi)	21,600	72,820	(51,220)	More computers purchased and instalation of electricity at the public sanitation block.
Telephone	240,000	186,550	53,450	Increase in use of e-mails rather than telephone.
Water	12,000	17,535	(5,535)	New water connection at the main tank in Mwingi.
Sub Total	36,273,600	37,079,224		
Motor vehicle running expenses				
Motor vehicle fuel	3,000,000	3,654,055	(654,055)	introduction of field water sales using the company's new
Motor vehicle maint.	1,400,000	2,209,016	(809,016)	Major repairs done on the water trucking vehicles.
Sub- Total	4,400,000	5,863,071		
Supplies & services				
Water chemicals	3,600,000	1,979,471	1,620,529	Some water chemicals carried forward from previous period.
Stationery	250,000	151,060	98,940	Controlled use of office stationery.
Computer consumables	200,000	167,500	32,500	Use of e-mails hence less printing tonners.
Printing and Photocopy	20,000	6,460	13,540	Use of e-mails hence less printing.
EMS/ Courier services	25,000	28,780	(3,780)	More correspondences during preparation of WSTF funded projects.
Security Guard Services	1,440,000	1,351,080	88,920	Security guards salaries not increased during the period.
Hire of machinery	300,000	24,200	275,800	Use of Company's welding machine.
Hire of transport	300,000	323,000	(23,000)	Increase in Non Revenue Team patrols.
Audit fees	348,000	232,000	116,000	Audit fees revised down by the Kenya National Audit Office.
Professional fees	200,000	-	200,000	No professional fee paid during the period.
Advertisements	250,000	242,746	7,254	Lower advertisement rates.
Insurance	600,000	351,304	248,696	The company had anticipated to purchase a new motor vehicle.
Water quality testing	120,000	11,774	108,226	Most of the tests were done at the company's lab in Kiambere Treatment Works.
Detergents/ Office general expenses	12,000	77,171	(65,171)	Frequent disinfection of offices
Uniforms	310,000	179,666	130,334	Some uniforms were bought by WSTF.
News papers	24,000	15,420	8,580	Newspapers not used on weekends public holidays.
Sub Total	7,999,000	5,141,632		
Board expenses				
Board allowances	650,000	484,700	165,300	Fewer sub committees during the period.
Honoraria	240,000	240,000	-	
Sub Total	890,000	724,700		
Levies				
WASREB	420,000	548,094	(128,094)	Increase in water sales.
WRMA	320,000	115,248	204,752	Standard rate of Kshs. 9,604 paid per month.
WASPA	50,000	-	50,000	Company has not yet joined WASPA.
Sub Total	790,000	663,342		
Asset acquisition / Development				
Motorbikes	300,000	260,000	40,000	Prices had reduced at the time of puirchase.
Office equipment	300,000	413,800	(113,800)	Purchase of website domain and computers
Furniture	400,000	-	400,000	No furnitures purchased.
Lab equipments	150,000	-	150,000	No lab equipments purchased.
Sub Total	1,150,000	673,800		
Grand Total	89,058,600	82,333,938		
SURPLUS / DEFICIT	(21,766,600)	4,476,860		

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24. Progress on follow up of audit recommendations.

The following is the summary of issues raised by the external auditor and the

a) Unaccounted for water (UFW) Ref: no. 1.

Issue/ observation from auditor: Significant level of UFW.

The company recorded UFW of 43% of water produced during the period. This has been mainly due to aging main Kiambere-Mwingi water pipeline which has already completed its design life span of 15 years and is awaiting rehabilitation during implementation of phase 2 of the Kiambere-Mwingi water project. Consequently, the line has been experiencing frequent pipe bursts therefore contributing to high UFW. We have identified the weak sections of the pipeline for rehabilitation and also established a Non–Revenue Water Team mandated with the responsibility of identifying all other causes of UFW and dealing with them swiftly. E.g. attending to pipe bursts promptly.

We have also set a target of progressively reducing the UFW to about 35% which we think is achievable under the prevailing circumstances and all our staff have been sensitized about the target.

b) Share capital. Ref: no. 2.

Issue/ observation from auditor: Share capital of Kshs. 100,000 not paid for.

The legal and Corporate Affairs Manager of the TAWSB advised that board members are not supposed to pay for the shares assigned to them since they hold them on behalf of the communities they represent. She advised that the shares should be transferred to the incoming board members when the current ones exit. For this reason, we have always indicated share capital of Kshs. 100,000 as money owed to the company. Accordingly, the figure has been entered in the statements.

c) Statement of changes in equity. Ref. no. 3

Issue/ observation from auditor: Un explained figure of Kshs. 552,983, a prior year adjustment in the statement of changes in equity.

Management response: (1) The company had received Kshs. 540,000 from Tanathi Water Services Board as a grant in the financial year 2010/2011 which was not captured in the statements then. It was therefore adjusted in the statement of changes in equity during the financial year 2013/2014.

(2) The company had received interest totaling to Kshs. 12,983 from fixed deposit receipts (FDR) which had not been captured in the financial statements and therefore it was adjusted in the statement of changes in equity during the financial year 2013/2014.

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25. Abbreviations and acronyms

KIMWASCO	- Kiambere Mwingi Water & Sanitation Company
TAWSB	- Tanathi Water Services Board
WASREB	- Water Services Regulatory Board
WARMA	- Water Resources Management Authority
WSTF	- Water Services Trust Fund
TARDA	- Tana & Athi Rivers Development Authority
WASPA	- Water Service Providers' Association
MOW & I	- Ministry of Water & Irrigation
NRW	- Non Revenue Water
UFW	- Unaccounted For Water
O & M	- Operations and maintenance
M & E	- Monitoring and Evaluation
PFM	- Public Finance Management
IFRS	- International Financial Reporting Standards
IASB	- International Accounting Standards Board
PSASB	- Public Sector Accounting Standards Board
IPSAS	- International Public Sector Accounting Standards
Kshs.	- Kenya Shillings
WIP	- Work In Progress