

Scanned

23/09/2021



*Enhancing Accountability*

PARLIAMENT  
OF KENYA  
LIBRARY

**REPORT**

DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

**OF**

PAPERS LAID	
DATE	22/09/2021
TABLED BY	Deputy Majority Whip
COMMITTEE	
CLERK AT THE TABLE	Dacim

**THE AUDITOR-GENERAL**

**ON**

**TETU ABERDARE WATER AND  
SANITATION COMPANY LIMITED**

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

2-2





**TETU ABERDARE WATER & SANITATION COMPANY**

**P. O. Box 1089 - 10100, NYERI**

**Telephone: 061 2034164**

**Fax: 061 2032830**

**E-Mail: [teawasco@gmail.com](mailto:teawasco@gmail.com)**

**TEAWASCO**

---

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE, 2019**

---

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

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

Contents

KEY ENTITY INFORMATION.....	3
THE BOARD OF DIRECTORS .....	5
MANAGEMENT TEAM.....	7
CHAIRMAN'S REPORT .....	8
CORPORATE GOVERNANCE STATEMENT .....	11
REPORT OF THE DIRECTORS .....	13
REPORT OF THE INDEPENDENT AUDITORS ON TETU ABERDARE WATER & SANITATION COMPANY .....	15
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019 .....	16
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019 .....	18
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019 .....	19
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019.....	20
NOTES TO THE FINANCIAL STATEMENTS.....	21
PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....	42

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**KEY ENTITY INFORMATION**

**BACKGROUND INFORMATION**

The Company was incorporated under the Companies Act (Cap.486) on 13<sup>th</sup> April 2006 and that the Company is limited by Guarantee (Certificate of Incorporation for the Company No.C.124262). The Company's mandate is to provide Water and Sanitation Services in Tetu and parts of Nyeri Central sub-counties in Nyeri County in accordance with section 113 of the Water Act 2002 by Tana Water Services Board. The water act has been reviewed and water act 2016 is currently in force to accommodate the 2010 constitution.

**PRINCIPAL ACTIVITY**

The principal activity of the Company is to provide water and sanitation services to residents of Tetu and parts of Nyeri Central sub-counties in Nyeri County

**BOARD OF DIRECTORS**

<u>NAME</u>	<u>STATUS</u>	<u>DATE OF APPOINTMENT</u>
1. David King'ori Njogu	- Chairman	- 16 <sup>th</sup> January 2015
2. Felix Mugo Matu	- Director	- 16 <sup>th</sup> January 2015
3. Lydiah N Kagea	- Director	- 16 <sup>th</sup> January 2015
4. Pastor Peter Ndiritu	- Director	- 21 <sup>st</sup> June 2018
5. Joel Kariuki	- Director	- 21 <sup>st</sup> June 2018
6. Stanley Mutuota	- Director	- 25 <sup>th</sup> July 2018
7. Ruth Mwangi	- Director	- 17 <sup>th</sup> July 2018
8. Symon W Wanjau	- General Manager	

**CORPORATE SECRETARY**

FCS Richard K. Gikuhi,  
P.O. Box 1271-10100,  
Nyeri-Kenya

**REGISTERED OFFICE**

Kamakwa Nyeri Central Sub-County Water Office  
P.O. Box1089- 10100  
Nyeri.

**CORPORATE CONTACTS**

Telephone :( 254-0612034164)  
E-mail: teawasco@gmail.com  
: info@teawasco.co.ke  
Website: teawasco.co.ke

**CORPORATE BANKERS**

Kenya Commercial Bank Limited Nyeri Branch  
P. O. BOX 215 -10100 Nyeri.

**INDEPENDENT AUDITORS**

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

**PRINCIPAL LEGAL ADVISERS**

Lucy Mwai & Company Advocate  
P.O Box 12233-10109  
0725363178  
E-mail:lucymwai2012@gmail.com

**THE BOARD OF DIRECTORS**



**Mr. David King'ori Njogu – Board Chairman**

A-Level, Bachelor of Science Degree in Wildlife Management  
 He represents Commercial Consumers in TEAWASCO Board. He was the Head of Science Department in Nyeri Baptist High School, Civic Education Facilitator Tetu, Assistant Manager Tetu Constituency Office, Founder Member of Chania River Resources Users Association, Director Tetu Aberdare Water & Sanitation Company in 2006 to 2011 and Secretary-New United Tetu Dairy Group. He has attended Seminars & Workshops in Management Skills and Development, Performance approval and Development Leadership Motivation & Communication Seminar & Corporate Governance Training in Embu.



**Mr. Felix Mugo Matu**

Trained Motor Vehicle Inspector. Worked as a Motor Vehicle Inspector in Nyeri and Muranga, Instructor at the Mechanics Training School and In-charge Provincial Workshops at Provincial Works Office. He has been the chairman Wandumbi special school and the B.O.G chair Wandumbi Secondary School. He is the chairperson of Finance, Administration & Technical Sub Committee of the Board. He represents Farmers Organizations.




**Mrs Ruth Mwangi**

Master in Project Management and BSC in General Agriculture  
 Chief Officer Agriculture Nyeri County Government, pursuing PhD.



**Pastor Peter Ndiritu Macharia**

O-Level  
 Diploma in Theology (Kenya Baptist Theology College), KATC/CPA 1, O level Education. Have attended several leadership and management seminars. Ordained ministers serving with Baptist churches. Currently Pastor in charge of Kiandu Baptist church and Gacatha Baptist church. Founder and manager of Kiandu Baptist Academy and also Instructor Kieni West Baptist Bible School-Bellevue. Director representing religious organization

	<p><b>Mr Stanley Mutuota</b>          BSC in Agriculture          Ag. Chief Officer Water, Environment and Natural Resources in the Nyeri County Government.</p>
	<p><b>Mr. Joel Wang'ombe Kariuki</b>          Diploma in Special Education, Certificate in Primary Education, Certificate in ICT Entrepreneurship and Computer packages. Involved in Community work, one of committee members involved in establishing Gakere Boys High School (Kigogo-ini) in Tetu Constituency. O level Education</p>
	<p><b>Mrs. Lydia Nyokabi Kagema</b>          Retired Head teacher she is the Chairperson of the Audit Sub -Committee of the Board and the Chairperson of New United Tetu Dairy. She has been a B.O.G member F.T Nyamu Secondary, chairperson location Development Committee Gaaki and Sub-locational Development Committee Gathaithi. She is representing Farmers organization. She represents Farmers in TEAWASCO Board.</p>
	<p><b>Mr. Symon W. Wanjau- General Manager</b>          K.C.S.E, Master of Business Administration, Bachelor's degree in Business Administration Finance/Accounting, CPA (K), CPS Finalist, CIFA Finalist, Registered with ICPAK,</p>

**MANAGEMENT TEAM**

**QUALIFICATIONS AND MAIN AREA OF RESPONSIBILITY**



**1.Symon W. Wanjau- General Manager**

K.C.S.E, Master of Business Administration, Bachelor’s degree in Business Administration Finance/Accounting, CPA (K), CPS Finalist, CIFA Finalist, Registered with ICPAK, He is responsible for Planning Directing Coordinating and Controlling the Operation of the Company. Effective management of the company so as to ensure achievement of its set goals and objectives



**2. Grace N. Gathigia- Commercial Manager**

K.C.S.E, Master of Business Administration, Bachelor’s degree in Business Administration Finance/Accounting, CPA (K), Registered with ICPAK. More than 15 years’ Working Experience She Ensures that all the financial resources of the company are well managed, prudently invested, fully accounted for and reported efficiently. Continuous improvement of Administration and Accounting systems in the company



**3.Joshua N Mumo-Technical Manager**

K.C.S.E, Diploma in water Engineering from Kenya Water Institute (KEWI) Over three years in water services provision sector. Responsible for production of quality water to customers, operate and maintain existing water infrastructure, ensure efficient and effective provision of water and sanitation services to meet consumer needs.



**4. Mary W Kibandi- Human Resource/Administration Officer**

K.C.S.E, Bachelor’s degree in business administration Human resource option, Diploma in business management Human resource option registered with IHRM. Have over five years’ experience in Human Resource field. Pursuing (CHRP) Certified Human Resource Personnel. Responsible for the management of Human Resource function and administration of the company; including formulation, periodic review and implementation of Human Resource policies, coordination of recruitment process; compensation and benefit, staff training and development and employee industrial relations.

**CHAIRMAN'S REPORT**

The year 2018/2019 was a year with a difference, a year in which we were confronted by many challenges, but emerged more resilient and successful.

The macroeconomic landscape in the year was challenging characterized by depressed economies, disposable incomes in the whole world continued to decline resulting to reduced consumers spending. This greatly constrained our volumes and hindered growth in turnover during the year under review. However, despite the very difficult economic conditions, we are proud of the results we achieved. The Company water billing increased from ksh 56,606,300 to Kshs 62,010,225 for the financial year 2017/2018 and 2018/2019 respectively.

The company too undertook sponsorship of public health projects with Nyeri Hospice. This is targeted to terminally ill Cancer Patients and focuses on quality of life thereby turning the end of life into an important time of living.

Our effort to grow and improve as a company would not have been possible without the leadership of our talented Board of Directors, our employees, our customers, NG-CDF Tetu, Tana Water Works Development Agency, Tetu Sub-County Water Officer, Nyeri County Government and other potential development partners also deserve commendation for their hard work and loyalty.

The results presented today would not have been achieved without the support of the Directors and for this I wish to thank my colleagues in the Board.

On behalf of the Board, I wish to record our gratitude to our consumers for their continued loyalty and support and to all our employees in the company for their dedication and exemplary service without which the results would not have been achieved.



**DAVID K. NJOGU**  
**CHAIRMAN –TEAWASCO.**

## **GENERAL MANAGER'S REPORT**

### **WATER SECTOR REFORMS**

One of the main principles of the Water Act 2002 was that water services were to be managed at the lowest level possible. In line with this principle the Ministry of Water and Irrigation transferred the provision of water services to Water Services Board with effect from July 2005. The Water Act 2002 stipulates that the Service Boards shall contract agents, known as water service providers, for provision of water services. Now under the Water Act 2016 the water service providers are wholly owned by the County Government.

### **HISTORY AND LEGAL ESTABLISHMENT**

TEAWASCO as a Company has been given the responsibility to take charge of the Management of all the assets that were previously under the Management of both Ministry of Water and Irrigation as Tetu Thegenge and Titie Water Schemes and National Water Conservation and Pipeline Corporation as Aguthi Water Scheme. Over the years all the existing water systems handed over to the Company have passed their ultimate design period, and in the process they have been dilapidated and outlived their economic life. Hence, they need to be rehabilitated and augmented.

However, in order to be able to achieve sustainability there is need to develop and implement the infrastructure involving various components. However, these undertakings requires huge amount of money which is beyond the capability of the Company to generate internally, therefore demanding external funding.

In addition, it is important to note that according to the new dispensation the water and sanitation services are devolved functions under the County Government, and this being the case the Water Act 2016 was enacted in order to accommodate these constitutional changes among other regulations awaiting enactment by Parliament.

In view of the above, the company is working closely with Tana Water Works Development Agency, National Government Constituencies Development Fund (NG-CDF) Tetu – Committee, Sub County Water Office and Nyeri County Government in fulfilling our core mandate.

### **INFRASTRUCTURE DEVELOPMENT**

For the purpose of improving our service delivery especially for Titie Water Scheme, the company is working closely with Nyeri County Government in soliciting for funds for construction of Titie Treatment Works of which the process is underway after construction augmentation of the raw water main under WSTF funding. Meanwhile, the company has acquired two acres of land within the Aberdare forest reserve for the construction purpose and the Treatment Works is on-going. However, the treatment facility will ensure provision of quality water that meets water quality sector standard.

### **FUTURE DEVELOPMENT PLANS**

The Company has earmarked to undertake the following activities in our future development programmes.

- √ Development of Bulk Water Supply by constructing reservoirs on Gura, Chania and Kagumo rivers including rehabilitation and augmentation of existing water systems.
- √ Improvement and development of sanitation services in our rural households and market centres.
- √ Water Catchment conservation and protection programmes.

### **PROJECT PROPOSAL**

For the purpose of improving service delivery and at the same time, achieve sustainability there is an urgent need to augment the existing systems through development of the infrastructure by implementing the activities outlined in the company's project proposal documents.

### **STAFF**

The company has 74 employees. The company aims to develop policies to enable it recruit its own staff guided by the company's human resource management policy. The ultimate goal is to make the company an enterprising Tetu Aberdare Water and Sanitation Co Limited. In this regard the company has in place human resource policy that includes health and safety, work injury benefits HIV/Aids awareness to enable staff deliver services.

### **CONCLUSION**

With the implementation of Vision 2030 strategy and The Constitution of Kenya 2010, there is great demand for clean, safe and adequate water supply in all sectors contributing to economic development. This is a great opportunity for the company to exploit enabling it achieve its objectives and the ever growing water service demand.

### **GRATITUDE**

I would like to take this opportunity to thank Tana Water Works Development Agency, County Government of Nyeri, Water Office Tetu Sub-County, National Government Constituencies Development Fund (NG-CDF) Tetu, WSTF and TEAWASCO Board of Directors for their support during the year, also our esteemed customers and our suppliers who were all instrumental to our success this year. I am also grateful to our staff for their commitment and effort in striving to ensure the company meets its noble objectives and also in fulfilling our core mandate.



**S. W. WANJAU**  
**GENERAL MANAGER**

## CORPORATE GOVERNANCE STATEMENT

TEAWASCO is committed to operating under a clear governance framework and strongly adheres to sound management and control practices.

TEAWASCO is committed to ensuring compliance with the provisions of Water Act 2016 and Service provision agreement granted by Tana Waterworks Development Agency among other regulatory and supervisory corporate governance requirements.

In ensuring that corporate governance is enhanced and that the power of TEAWASCO is exercised in the stewardship of the company total portfolio of assets and resources with the objective of maintaining stakeholder's value, the Board of Directors have constituted the following committees:

### 1. FINANCE, ADMINISTRATION AND TECHNICAL COMMITTEE

The Finance, Administration and Technical Committee are the overseer of the financial reporting process and sourcing of funds for Company's capital works.

TEAWASCO makes cognizance of the fact that human resources is one single asset in achieving the goals of the Company. It's the duty of the Finance, Administration and Technical Committee to ensure that TEAWASCO has the right staff, at the right place and doing the right thing. More so, the Committee will ensure that staff welfare is guaranteed.

The Committee is the overseer of the technical reporting process.

It shall ensure that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.

### 2. AUDIT COMMITTEE

In order to promote good corporate governance, TEAWASCO has constituted an Audit Committee with the following functions:

- Safeguarding of the assets.
- Scope and effectiveness of the internal controls.
- Audit of the annual financial statements.
- Compliance with all applicable regulatory requirements and accounting standards.

By order of the Board  
For and on its behalf



General Manager

Date 26/02/2020

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The company has joined hands with other stakeholders concerned in planting indigenous trees in the Aberdare forest water catchment area bearing in mind that the sustainability of our water sources wholly depends on Aberdare water tower which we desperately need to protect and preserve.

The company planted over three thousand trees at Aberdare forest to conserve the water catchment areas and look forward to conserve all catchments areas that are the sources of our water intake.

The company too undertook sponsorship of public health projects with Nyeri Hospice. This is targeted to terminally ill Cancer Patients and focuses on quality of life thereby turning the end of life into an important time of living. It also donated 10,000 Litres Water tank to Gathungo Primary School.

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**REPORT OF THE DIRECTORS**

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2019 which show the state of the company's affairs.

**Principal activity**

To provide water and sanitation services to residents of Tetu and parts of Nyeri Central sub-counties in Nyeri County.

**Results**

The results of the Tetu Aberdare Water and Sanitation Co Limited for the year ended June 30, 2019 are set out on pages 16-19

**Dividends**

The company is limited by guarantee and does not pay dividends. Any surplus realised is ploughed back to finance capital expenditure.

**Directors**

The members of the Board of Directors who served during the year are shown on page four. In accordance with Regulation of the company's Articles of Association, XXX and XXX retire by rotation and being eligible offer themselves for re-election.

**Auditors**

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

By Order of the Board

Company Secretary  
Nyeri  
Date:.....

**STATEMENT OF DIRECTORS RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, require the Directors to prepare financial statements of Tetu Aberdare Water and Sanitation Co Limited which give a true and fair view of the state of affairs of Tetu Aberdare Water and Sanitation Co Limited at the end of the financial year 2018/2019 and the operating results of the Tetu Aberdare Water and Sanitation Co Limited for year 2018/2019. The Directors are also required to ensure that Tetu Aberdare Water and Sanitation Co Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of Tetu Aberdare Water and Sanitation Co Limited. The Directors are also responsible for safeguarding the assets of Tetu Aberdare Water and Sanitation Co Limited.

The Directors are responsible for the preparation and presentation of Tetu Aberdare Water and Sanitation Co Limited financial statements, which give a true and fair view of the state of affairs of Tetu Aberdare Water and Sanitation Co Limited for and as at the end of the financial year ended on June 30, 2019. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Tetu Aberdare Water and Sanitation Co Limited.
- (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 Tetu Aberdare Water and Sanitation Co Limited;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Tetu Aberdare Water and Sanitation Co Limited 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), in the manner required by the PFM Act and Public Sector Accounting Standards Board. The Directors are of the opinion that Tetu Aberdare Water and Sanitation Co Limited transactions during the financial year ended June 30, 2019, and of Tetu Aberdare Water and Sanitation Co Limited financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Tetu Aberdare Water and Sanitation Co Limited, which have been relied upon in the preparation of Tetu Aberdare Water and Sanitation Co Limited 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 Tetu Aberdare Water and Sanitation Co Limited will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

Tetu Aberdare Water and Sanitation Co Limited financial statements were approved by the Board on 2020 and signed on its behalf by:


# 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 TETU ABERDARE WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Tetu Aberdare Water and Sanitation Company Limited set out on pages 16 to 44, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tetu Aberdare Water and Sanitation Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and comply with the Water Act, 2002, the Kenyan Companies Act, 2015 and the Public Finance Management Act, 2012.

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

##### **Inaccuracies of the financial statements**

Variances were noted between the comparative amounts reported in the financial statements and the re-casted amounts as shown below.

<b>Item Description</b>	<b>Comparative Balance in the Financial Statements Kshs.</b>	<b>Re-Casted Amount Kshs.</b>	<b>Variance Kshs.</b>
Total Revenues	53,306,719	53,589,275	282,556
Profit before Tax	2,538,017	(6,461,983)	9,000,000

Under the circumstances, the accuracy of the financial statements presented for audit could not be confirmed.

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

## **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 Unaccounted for Water**

During the year ended 30 June, 2019, the Company produced a total of 1,526,810 cubic meters (m<sup>3</sup>) of water. However, out of this volume 1,009,226 cubic meters (m<sup>3</sup>) of water was sold (billed) to customers. The difference between the total volume of water produced and the total volume of water billed amounting to 517,584 cubic meters (m<sup>3</sup>) represents unaccounted for water being 34% which is 9% over and above the allowable loss of 25% set by Water Services Regulatory Board (WASREB) guidelines. The unaccounted-for water may have resulted in loss of sales estimated at Kshs.31,785,425. This may be an indication of lack of efficiency and effectiveness in the management of resources.

#### **2.0 Non-Compliance with Ethnic Composition**

During the year under review, the Company had a total of seventy-nine (79) employees out of which seventy-seven (77) or 97% were from one dominant ethnic community. This is contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 which prohibits a public establishment from having more than one third of its staff from the same ethnic community.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance

about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, 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 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 Kenyan Companies Act, 2015 I report based on the audit, that:

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

### **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 (IFRS) and for such 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 to sustain services, disclosing, as applicable, matters

related to sustainability of services and using the applicable basis of accounting unless Management is aware of 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.

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

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

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

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**06 September, 2021**

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

	NOTES	2018/2019 Ksh	2017/2018 Ksh
<b>SALES</b>	1	62,010,225	56,606,300
Cost of sales	2	(13,564,974)	(8,717,444)
Gross profit		48,445,251	47,888,856
Other Income	3	9,756,103	5,700,419
<b>TOTAL REVENUES</b>		<b>58,201,354</b>	<b>53,306,719</b>
<b>OPERATING EXPENSES</b>			
Personnel	4	31,948,013	43,518,239
Administration Costs	5	10,368,260	16,236,302
Selling and Distribution Costs	6	13,685,206	
Finance Charges	7	41,145	14,161
<b>Total Operating Expenses</b>		<b>56,042,624</b>	<b>59,768,702</b>
<b>PROFIT BEFORE TAX</b>		<b>2,158,730</b>	<b>2,538,017</b>
INCOME TAX EXPENSE	16	53,113	66,853
<b>PROFIT AFTER TAXATION</b>		<b>2,105,617</b>	<b>2,471,164</b>

STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2019

ASSETS	NOTES	2018/2019	2017/2018
NON - CURRENT ASSETS			
Property, Plant & Equipment	14a	33,221,278	35,496,371
Intangible Asset	14c	54,067	67,584
Deferred Tax		0	47,240
TOTAL NON-CURRENT ASSETS		33,275,345	35,611,195
CURRENT ASSETS			
Trade Receivables	8	17,243,011	14,689,632
Bank & Cash Balances	9	22,909,018	18,037,385
Inventories	12	4,383,367	5,877,795
TOTAL CURRENT ASSETS		44,535,396	38,604,812
TOTAL ASSETS		77,810,741	74,216,007
EQUITY AND LIABILITIES			
Reserves			
Retained Earnings	10	29,183,897	26,039,167
NON-CURRENT LIABILITIES			
Deferred Income	13	22,766,529	23,805,642
TOTAL NON-CURRENT LIABILITIES		22,766,529	23,805,642
CURRENT LIABILITIES			
Consumer Deposits	11b	12,918,777	10,867,477
Trade Payable	11a	12,888,425	13,389,628
Tax payable		53,113	114,093
TOTAL CURRENT LIABILITIES		25,860,315	24,371,198
TOTAL EQUITY AND LIABILITIES		77,810,741	74,216,007

The financial statement were approved by the Board on 20<sup>th</sup> June 2019

and signed on its behalf by:

Commercial Manager

Chairman

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

	2018/2019	2017/2018
DETAILS	RETAINED EARNINGS	RETAINED EARNINGS
At the start of the year	26,039,167	22,355,472
Kinetics	0	55,500
Danco	0	20,150
Manchester	0	0
Profit for the year	2,105,617	2,471,164
Amortization	1,039,113	1,136,881
<b>At the end of the year</b>	<b>29,183,897</b>	<b>26,039,167</b>

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

	NOTES	2018/2019	2017/2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit for the year		2,105,617	2,471,164
Adjustment for depreciation	14a	2,795,933	3,154,331
Provisions(AGM,AUDIT FEE & TAX)	11	1,750,000	1,798,000
KRA Refund	3	-299,020	-1,114,001
Tax Expense		53,113	66,853
Investment Interest Earned	3	-429,959	-380,311
Increase in provision for tax		114,536	45,033
Operating surplus before		<b>6,090,220</b>	<b>6,041,061</b>
<b>Working capital adjustments</b>			
Decrease in Inventory	12	1,494,428	-1,871,741
Increase in Receivables	8	-2,553,379	1,498,549
Decrease in Payables	11a	-501,203	-2,194,915
Deposits	11b	851,300	869,000
Grant (Stock consumables)	13b	-418,852	-687,387
Net cash generated from operating activities		<b>-1,127,706</b>	<b>-2,386,494</b>
		<b>4,962,514</b>	<b>3,654,575</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest earned		429,959	380,311
Purchase of assets	14a	-520,840	-1,575,300
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net increase in cash and cash equivalents		<b>4,871,633</b>	<b>2,459,586</b>
Cash and cash equivalents at the beginning of the year		18,037,385	15,577,799
Cash and cash equivalents at the end of the year	9	<b>22,909,018</b>	<b>18,037,385</b>

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Sale of services	62,330,907	0	62,330,907	62,010,225	320,682
Transfers from the County Government	1,286,640	0	1,286,640	1,286,640	0
Donations in kind	7,000,000		7,000,000	6,722,184	277,816
Finance Income	600,000	0	600,000	429,959	170,041
Other income	3,500,000	0	3,500,000	1,317,320	2,182,680
<b>Total income</b>	<b>74,717,547</b>	<b>0</b>	<b>74,717,547</b>	<b>71,766,328</b>	<b>2,951,219</b>
<b>Expenses</b>					
Compensation of employees	32,909,034	0	32,909,034	30,661,373	2,247,661
Use of goods and services	32,080,000	0	32,080,000	29,215,768	2,864,232
Finance cost	40,000	0	40,000	41,145	(1,145)
Rent paid	0	0	0	0	-
Taxation paid	100,000	0	100,000	214,536	(114,536)
Other payments	1,300,000	0	1,300,000	1,465,952	(165,952)
Grants and subsidies paid	7,586,640	0	7,586,640	8,008,824	(422,184)
<b>Total expenditure</b>	<b>74,015,674</b>	<b>0</b>	<b>74,015,674</b>	<b>69,607,598</b>	<b>4,408,076</b>
<b>Surplus for the period</b>	<b>701,873</b>	<b>0</b>	<b>701,873</b>	<b>2,158,730</b>	<b>(1,456,857)</b>

PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019  
NOTES TO THE FINANCIAL STATEMENTS

**1. GENERAL INFORMATION**

Tetu Aberdare water & sanitation company Limited is established by and derives its authority and accountability from Water Act 2016. Tetu Aberdare water & sanitation company Limited is wholly owned by the County Government of Nyeri and is domiciled in Kenya. The Company's principal activity is to provide water and sanitation services to residence of Tetu and parts of Nyeri Central Sub counties in Nyeri County.

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, impaired assets at their estimated recoverable amounts and 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 Tetu Aberdare Water & Sanitation Company Limited accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Tetu Aberdare Water and Sanitation Company Limited.

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

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

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

*IFRS 16: Leases*

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The Standard does not affect the Company Currently.

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

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

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

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. The Standard does not affect the Company Currently.

*IFRIC 23: Uncertainty Over income tax treatments*

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

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

The Company has adopted the Standard in the Financial Statements for the year ended 30<sup>th</sup> June 2019.

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

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination. The Standard does not affect the Company Currently.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked. The Standard is not affecting the Company Currently.

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

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

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

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard. The Standard does not affect the Company Currently.

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

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

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

*IFRS 17 Insurance Contracts (Issued 18 May 2017)*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

iii) Early adoption of standards

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

iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Revenue recognition

Revenue is recognized when earned to Tetu Aberdare Water and Sanitation Co Limited and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of Tetu Aberdare Water and Sanitation Co Limited's activities, net of value-added tax (VAT), where applicable and when specific criteria have been met for each of the Tetu Aberdare Water and Sanitation Co Limited activities as described below.

- i) **Revenue from the provision of Water** is recognized in the year in which Tetu Aberdare Water and Sanitation Co Limited Provides water and the customer has accepted the commodity and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government and County Government** are recognized in the year in which Tetu Aberdare Water and Sanitation Co Limited actually receives such grants.
- iii) **Finance income** comprises interest receivable from bank deposit invested and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Rental income** is recognized in the income statement as it accrues using the effective rental agreements.
- v) **Other income** is recognized as it accrues.

2. In-kind contributions

In-kind contributions are donations that are made to Tetu Aberdare Water and Sanitation Company Limited 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, they includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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

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

**Property, plant and equipment**

Property plant and equipment are stated at cost less the accumulated depreciation charged. 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 as profit or loss in the income statement.

**Depreciation and impairment of property, plant and equipment**

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

Depreciation is charged on reducing balance method using the following rates

Pipes	2.5%
Telephone & computers	30%
Office furniture & equipment	12.5%
Plant and equipment	12.5%
Motor bikes and vehicles	25%

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

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

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

**i) INVENTORIES**

Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises purchase price, transportation and handling charges, and determined on the weighted average price method

**ii) SURPLUS**

The company is limited by guarantee and surplus is ploughed back to finance company capital works

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

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

**i) Intangible assets**

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

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

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

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

**iii) Investment property**

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

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

**iv) Finance and operating leases**

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

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

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

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

**i) Inventories**

Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises purchase price, transportation and handing charges, and is determined on the weighted average price method.

**ii) Trade and other receivables**

They are recognized and carried at the realizable value less the provision for risk allowance, at currently 10%. 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.

**iii) Taxation**

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iv) Taxation (Continued)

*Current income tax (Continued)*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

**v) Taxation (Continued)**

*Deferred tax (Continued)*

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**vi) Cash and cash equivalents**

Cash and cash equivalents comprise cash in 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 Kenya Commercial Bank at the end of the financial year.

**vii) Borrowings**

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

**viii) 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 Tetu Aberdare Water & Sanitation Company or not, less any payments made to the suppliers.

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

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

**1. Retirement benefit obligations**

The company operates a defined contribution retirement benefits scheme for its employees (Standard Chartered Bank 1987) and Water Sector Institution Pension Scheme (WSI).

The company also contributes to National Social Security Fund (NSSF) which is a defined contribution scheme. Contributors are determined by local statute as legislated. The company's contributions to the defined contribution schemes are charged to the income and expenditure account in the year to which they relate.

**2. Provision for staff leave pay**

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

**3. Budget information**

The original budget for FY 2018-2019 was approved by the Board of Directors on 22nd May 2018. No Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. No additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, Tetu Aberdare Water & Sanitation Company Limited did not record additional appropriations.

Tetu Aberdare Water & Sanitation Company Limited 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.

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

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

**ix) Budget information (Continued)**

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 5 of these financial statements.

**x) Service concession arrangements**

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

**xi) Comparative figures**

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

**xii) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

**xiii) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

**5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)**

**Estimates and assumptions**

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

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by Tetu Aberdare Water & Sanitation Company Limited
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 27..

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. They are recognized and carried at the realizable value less the provision for risk allowance, at currently 10%. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2018/2019</b>	<b>2017/2018</b>
<b>1 SALES(BILLING OR TURNOVER) *</b>		
Billing for the year	62,010,225	56,606,300
	<b>62,010,225</b>	<b>56,606,300</b>
<b>2 COST OF SALES *</b>		
GIS Mapping	57,900	0
WASREB	2,073,111	588,258
WRA	452,654	443,842
Filter Media	3,932,400	0
Land Rent & Rates	291,000	286,000
Motor Bike Repair	403,256	233,590
Pipes & Fittings	3,301,021	3,460,840
Cold Water Meters	1,232,000	1,820,000
General Maintenance	355,680	477,303
Chemicals	812,200	709,600
Production Milk	117,945	110,025
Uniforms & Occupation Safety Health	440,303	395,850
Crop Compensation	5,250	128,150
Laundry & Sanitation	86,569	62,264
Cleaning Materials	3,685	1,722
<b>TOTAL</b>	<b>13,564,974</b>	<b>8,717,444</b>
<b>3 OTHER INCOME *</b>		
Grants	8,008,824	3,139,196
Interest Income	429,959	380,311
Others	1,317,320	2,180,912
<b>Sub Total</b>	<b>9,756,103</b>	<b>5,700,419</b>
<b>OPERATING EXPENSES *</b>		
<b>4 PERSONNEL</b>		
Salaries	20,238,978	21,331,468
Wages	9,250,452	9,580,783
Grants	1,286,640	1,073,196
Training	890,700	885,630
Staff Welfare	50,000	0
Leave pay	231,243	245,822
<b>TOTAL</b>	<b>31,948,013</b>	<b>33,116,899</b>
<b>5 ADMINISTRATION COST *</b>		
Printing & Stationery	278,787	228,288
Office Expenses	349,571	305,933
Telephone	1,397,731	909,458
Travelling & Subsistence	932,300	1,055,940
Postage	56,236	63,840
Electricity	333,401	272,749

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

Advertisement	782,991	238,206
Newspaper	45,120	44,640
Computer & Copier Expenses	161,950	170,500
Celebrations	104,860	313,000
Transport (public )	106,780	114,730
Copier & Computer Maintenance	158,900	0
Directors Allowances	1,803,300	1,724,438
Security	738,000	749,000
Board Seminars (Corporate Governance)	340,620	642,400
Consultation & Professional fee	231,267	149,408
Provision for AGM	1,300,000	650,000
Membership Subscription	262,450	216,600
Tax expense	10,560	10,560
Increase in provision for AGM	0	30,517
Increase in provision for Tax	114,536	45,033
Provision For Audit Fee	350,000	1,048,000
Provision For Tax	100,000	100,000
Blue Economy	408,900	0
<b>TOTAL</b>	<b>10,368,260</b>	<b>9,083,240</b>

**6 SELLING & DISTRIBUTION COSTS \***

Motor Vehicle Repair	290,139	968,328
Tana WWDA meters	2,210,084	2,066,000
Building Materials	102,125	0
Depreciation	2,795,933	3,154,330
Amortization(Upgrading quick water)	13,517	16,896
Fuel & Oil	2,394,676	1,716,204
Catchment, Conservation & Social Responsibility	228,060	215,528
County Government Pipes	4,512,100	0
Insurance	856,361	699,672
Provision for doubtful & bad debts	282,211	0
<b>TOTAL</b>	<b>13,685,206</b>	<b>8,836,958</b>

7 Financial Charges	41,145	14,161
	<b>41,145</b>	<b>14,161</b>

<b>8 TRADE RECEIVABLES</b>	<b>2018/2019</b>	<b>2017/2018</b>
Disputed receivables	19,853,586	19,853,586
Salary Advance	197,197	192,142
Provision for AGM	0	0
Prepayment(Insurance)	286,828	294,488
Prepayment(Training)	24,000	24,000
Prepayment(Postage )	7,088	0
Deposits (Electricity)	25,500	25,500
Customer Unpaid Bills	<b>18,558,220</b>	<b>15,726,113</b>
	<b>38,952,419</b>	<b>36,115,829</b>
Less provision	1,855,822	1,572,611
Provision disputed receivables	19,853,586	19,853,586
<b>Sub Totals</b>	<b>17,243,011</b>	<b>14,689,632</b>
<b>9 CASH EQUIVALENT</b>		
Current Account	5,676,736	1,663,444
Savings Account	12,051,338	11,025,980
M-pesa MMF account	400	907,968
M-pesa Account	25,415	14,360
Gratuity A/C	0	758,069
Fund A/C	539,687	542,552
Development account(TWSB)	843,228	848,553
Development account(Salary)	3,772,214	2,276,459
	<b>22,909,018</b>	<b>18,037,385</b>
<b>10 RETAINED EARNINGS</b>		
Reserves	26,039,167	22,355,472
Kinetics (Pipes)	0	55,500
Danco (Pipes)	0	20,150
Surplus for the Period	2,105,617	2,471,164
Amortization	1,039,113	1,136,881
<b>Total</b>	<b>29,183,897</b>	<b>26,039,167</b>
<b>11a TRADE PAYABLES</b>		
BOARD OF DIRECTORS	68,150	0
PIPES & FITTINGS	751,142	874,745
MOTOR VEHICLE REPAIR	0	163,852
UNIFORMS	263,903	395,850
COMPUTER EXPENSE	42,500	79,500
MOTOR BIKE REPAIR	0	122,090
FUEL & OIL	291,114	310,800
1% WASREB	190,232	43,068
9% TWSB	3,919,433	6,319,433
WASPA	85,000	50,000
WARMA	113,165	110,960
TELEPHONE	74,586	40,770
PAYE	254,100	1,140,941

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

GRATUITY	0	758,069
METER STRAINER	0	147,000
GENERAL REPAIR	0	214,475
ANNUAL GENERAL MEETING	0	260,075
PROVISION FOR A.G.M	1,300,000	650,000
PROVISION FOR TAX	100,000	100,000
PROVISION FOR AUDIT FEE	350,000	1,048,000
COLD WATER METERS	616,000	560,000
FILTER MEDIA	3,932,400	0
BLUE ECONOMY	408,900	0
CORPORATE SOCIAL RESPONSIBILITY	127,800	0
	<b>12,888,425</b>	<b>13,389,628</b>
<b>11 b Consumer deposits</b>		
Bal B/F	10,867,477	9,998,477
Additions	875,000	889,000
Refund	-23,700	-20,000
Performance Guarantee	1,200,000	0
Bal B/D	<b>12,918,777</b>	<b>10,867,477</b>
<b>12 INVENTORY</b>		
Detergent	14,000	0
Pipes & fittings	3,623,367	5,144,615
Ball valves	0	430,000
Water Chemicals	746,000	303,180
	<b>4,383,367</b>	<b>5,877,795</b>
<b>13a DEFFERED INCOME</b>		
Bal B /f	23,805,641	24,942,523
Amortizations	-1,039,113	-1,136,881
Bal C/d	<b>22,766,528</b>	<b>23,805,642</b>
<b>13b GRANTS (METERS)</b>		
40MM 38NO @ 12,400	0	471,200
20MM 2 NO @ 3,619	209,902	7,238
25MM 21 NO @ 9,950	208,950	208,950
<b>TOTAL</b>	<b>418,852</b>	<b>687,388</b>

14a) PROPERTY, PLANT & EQUIPMENT SCHEDULE AS AT 30<sup>TH</sup> JUNE 2019

DETAILS	PIPES	TELEPHONE & COMPUTERS	OFFICE FURNITURES & EQUIPMENTS	METERS	MOTOR VEHICLES & CYCLES	TOTAL
Depreciation Rate	2.5%	30.0%	12.5%	12.5%	25.0%	
Opening Bal At Cost 1/7/2018	26,517,407.00	2,697,315.00	539,372.00	19,904,162.00	10,576,419.00	60,234,675.00
Additions	520,840.00	520,840.00				520,840.00
Closing Bal As At 30/6/2019	26,517,407.00	3,218,155.00	539,372.00	19,904,162.00	10,576,419.00	60,755,515.00
DEPRECIATION						
Opening Bal As 1/7/2018	5,338,472.66	2,320,379.81	364,094.55	11,775,452.55	6,939,904.1	24,738,303.67
Period Charge	579,473.36	269,332.56	21,909.68	1,016,088.68	909,128.73	2,795,933.00
Total Depreciation	3,917,946.02	2,589,712.37	386,004.23	12,791,541.23	7,849,032.83	27,534,236.67
N B V As At 30/6/2019	22,599,460.98	628,442.63	153,367.77	7,112,620.77	2,727,386.18	33,221,278.33
N B V As At 30/6/2018	23,178,934.34	376,935.19	175,277.45	8,128,709.45	3,636,514.91	35,496,371.34

14b) PROPERTY, PLANT & EQUIPMENT SCHEDULE AS AT 30<sup>TH</sup> JUNE 2018

DETAILS	PIPES	TELEPHONE & COMPUTERS	OFFICE FURNITURES & EQUIPMENTS	METERS	MOTOR VEHICLES & CYCLES	TOTAL
Depreciation Rate	2.5%	30.0%	12.5%	12.5%	25.0%	
Opening Bal At Cost 1/7/2017	26,250,407.00	2,697,315.00	539,372.00	19,904,162.00	9,268,119.00	58,659,375.00
Additions	267,000.00				1,308,300.00	1,575,300.00
Closing Bal As At 30/6/2018	26,517,407.00	2,697,315.00	539,372.00	19,904,162.00	10,576,419.00	60,234,675.00
DEPRECIATION						
Opening Bal As 1/7/2017	2,744,141.01	2,158,836.16	339,054.91	10,614,208.34	5,727,732.46	21,583,972.88
Period Charge	594,331.65	161,543.65	25,039.64	1,161,244.21	1,212,171.64	3,154,330.78
Total Depreciation	3,338,472.66	2,320,379.81	364,094.55	11,775,452.55	6,939,904.10	24,738,303.66
N B V As At 30/6/2018	23,178,934.34	376,935.19	175,277.45	8,128,709.45	3,636,514.91	35,496,371.34
N B V As At 30/6/2017	23,506,265.99	538,478.84	200,317.09	9,289,953.66	3,540,386.54	37,075,402.12

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

14e) INTANGIBLE ASSET		
DEPRECIATION RATE	DEPRECIATION	BALANCE
<b>2017/2018</b>		
20%	16,896	67,584
<b>2018/2019</b>		
20%	13,517	54,067

15a.TANA WATER WORKS DEVELOPMENT AGENCY  
PROPERTY , PLANT & EQUIPMENT AS AT 30TH JUNE 2019

DETAILS	BUILDINGS	COMPUTER & ACCESSORIES	FURNITURES & FITTINGS	MOTOR VEHICLES & CYCLES	TOTAL
Depreciation Rate	2.5%	30.0%	12.5%	25.0%	
Opening Bal At Cost 1/7/2018	148,218,093	3,499	40,962	56,173	148,513,275
Additions	0	0	0	0	0
Closing Bal As At 30/6/2019	148,218,093	3,499	40,962	56,173	148,513,275
Opening Bal As 1/7/2018	4,211,025	6,245	9,983	59,178	4,286,431
Period Charge	3,705,452	1,050	5,120	14,043	3,725,665
Total Depreciation	7,916,477	7,295	15,103	73,221	8,012,096
N B V As At 30/6/2019	144,512,641	2,449	35,842	42,130	144,787,610

15b)PROPERTY , PLANT & EQUIPMENT AS AT 30TH JUNE 2018

DETAILS	BUILDINGS	COMPUTER & ACCESSORIES	FURNITURES & FITTINGS	MOTOR VEHICLES & CYCLES	TOTAL
Depreciation Rate	2.5%	30.0%	12.5%	25.0%	
Opening Bal At Cost 1/7/2017	152,218,093	4,999	46,814	74,897	152,344,803
Additions	0	0	0	0	0
Closing Bal As At 30/6/2018	152,218,093	4,999	46,814	74,897	152,344,803
Opening Bal As 1/7/2017	4,211,025	6,245	9,983	59,178	4,286,431
Period Charge	3,805,452	1,500	5,852	18,724	3,831,528
Total Depreciation	8016477	7,745	15,835	77,902	8,117,959
N B V As At 30/6/2018	148,412,641	3,499	40,962	56,173	148,513,275

**16. TETU ABERDARE WATER & SANITATION COMPANY LIMITED**

**TAX COMPUTATION FOR THE PERIOD ENDED 30TH JUNE 2019**

2019

Profit before tax		2,158,730
<b>Add</b>		
Depreciation	2,729,681	
Loss on Disposal	-	
provision for doubtful & bad debts	(282,211)	
Provision for AGM	1,300,000	
Provision Tax	100,000	
Provision Audit fees	350,000	
		<b>4,197,470</b>
<b>Less</b>		
Wear and tear allowance	3,540,248	
Interest income	429,959	
Rent Income	105,600	
		<b>4,075,807</b>
Gain on disposal		
<b>Taxable income / (Losses)</b>		
Accumulated tax loss b/fwd.		(5,093,793)
<b>Adjusted taxable income/(losses)</b>		<u><b>2,028,810</b></u>
Rental Income		105,600
Tax paid (house rent)		(10,560)
<b>Income</b>		<b>95,040</b>
Interest Income		429,959
Tax thereon @ 30%		128,988
Less		
Withholding tax deducted at source		75,875
Advance tax		-
Installment Taxes		-
<b>Tax payable/(Refundable)</b>		<u><b>53,113</b></u>

## 7. RELATED PARTY DISCLOSURES

### a) County Government of Nyeri

The County Government of Nyeri is the principal shareholder of Tetu Aberdare Water and Sanitation Company Limited Holding 100% of its interest.

Other related parties include:

- i) Parent ministry
- ii) WASREB
- iii) WRA
- iv) Tana Water Works Development Agency
- v) Key Management
- vi) Board of Directors

### b) Financial Risk Management Objectives

The company's overall risk management programme focuses on unpredictable changes in the operating environment and see Major types of financial risk that may face the company include:

#### i) Currency Risk

The company is currently not exposed to currency risk because it does not trade with foreign countries.

#### ii) Interest Rate Risk

The company has not borrowed money and thus not affected by interest rate risk.

#### iii) Price Risk

The company does not hold investments that would be subject to price risk hence no exposure to price risk.

#### iv) Credit Risk

This is the risk that one party will default on his/her contractual obligation resulting in financial loss to the company.

The company measures, monitors and manages credit risk for each receivable.

This risk is primarily attributable to bank balances, trade and other receivables.

The amounts presented in the statement of financial position are net of 10% risk allowance estimated by the management bas company developed a debt management policy in order to reduce the customer unpaid bills.

#### v) Liquidity Risk

The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows. The management has also put in place framework for the management of the company's short, medium and long term funding and liquidity management requirements.

**18. The Company has re- classified several items which have been explained below and highlighted in the notes using an Asterisk.**

1. Sales/turnover previously was revenue.

2. Cost of sales comprises of WASREB, WRA, filter media, land, rent & Rates, Motor bike repair, Pipes & fittings, cold water meters, General repair maintenance, Chemicals, Production cost, uniforms & OSH, Crop compensation, Laundry & sanitation, Cleaning materials.

3. Other income itemised as Grants, Interest and income others.

4. Personnel comprises of Salaries, Wages, Grants, Training, Staff welfare Leave pay previously classified as Personnel and Administration cost.

5. Administration cost comprise of printing & stationery, Office expense, Telephone Postage,

Travelling & Subsistence, Electricity, Advertisement, Newspaper, Computer & Copier maintenance, Celebration, Transport, Copier & computer Maintenance, Security, Directors allowance,

Board seminars Consultation & Professional fee, Provision for AGM, Membership subscription, Tax expenses, Increase in provision for AGM, Increase in provision for tax, Provision for Audit fee,

Provision for Tax, Blue economy previously classified as Office administration cost & Professional charges.

6. Selling & Distribution comprises of Motor vehicle repair, Tana WWDA meters, Meters, Building materials, Depreciation, Amortization, Fuel & Oil, Catchment conservation & social responsibility, County government pipes, Insurance provision for doubtful debts. Previously classified as Distribution Operation & Maintenances costs.

**I. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
1.1 (Other Matter)	Trade Receivables				
	Disputed receivables balance of Kshs. 19,853,586 has remained outstanding for a long period of time but the company has provided 100% provision for bad debts for these receivables. The auditor had observed that no efforts seem to be made by the company to recover the long outstanding	<p>The Company concurs with your observation that the disputed receivables have remained outstanding for a long period of time. However, it is not possible to recover these debts due to the following reasons.</p> <p>a. Most of these debts were outstanding even before the Company was formed and therefore were inherited from the Ministry of water and no handing over was carried out. The Company therefore, relied on ledgers that were available by then.</p> <p>b. It is hard to trace these connections on the ground because there are scant details about them. Moreover, the holders of these connections have either died or have sub-divided their lands.</p> <p>c.</p>	Grace Gathigia Commercial Manager	Resolved.	

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeline: (Put a date when you expect the issue to be resolved)
	disputed debts.	<p>Some of these areas of service operation never used to get water services yet the customers had accumulated water bills.</p> <p>d. Most of these debts belong to customers who were connected to Nyeri Water and Sewerage Company from year 2015 to date. They are currently being served by <b>NYEWASCO</b>. Such areas include Gatitu, Riamukurwe, Chorongi, Kigwandi, Ithenguri, Giakanja, Gitero, Githathi-ini, Kamuyu, Kihatha, Misha, Marua, Thunguma, Muruguru and Muthua-ini. All these customers from these areas were connected by <b>NYEWASCO</b> without clearance from the Company.</p>			
2	Unaccounted For Water(UFW)	<p>a. Reasons for increase in volume of UFW (i.e.) 774,208 cubic meters approximately 40% of total volume which is 15% over and above the allowable loss of 25% as per Water Service Regulatory Board guideline.</p> <p>i. The three water supplies namely, Aguthi, TetuThegenge, and Titie were constructed in 1980, 1974 and 1987 respectively. This indicate that all the three water supplies are beyond their operation period.</p> <p>ii. Low or non-funding by the Government to rehabilitate the</p>	Joshua N. Mumo – TECHNICAL MANAGER	Not Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
		<p>dilapidated infrastructure.</p> <p>b. Installation of Ball Measures to curb the increase in volume of UFW.</p> <p>i. Installation of customer meters with an objective of achieving 100% metering level.</p> <p>ii. Have constituted an independent NRW unit within the Technical department in charge of NRW.</p> <p>iii. Valves in our tanks.</p> <p>iv. Liaison with customers in reporting leaks and bursts.</p> <p>v. Water loss due to road construction and upgrading led to disruption of service provision.</p>			

General Manager



Date: 26/02/2020

Chairman of the Board



Date: 26/02/2020