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REPORT
OF
THE AUDITOR-GENERAL
ON

**KILIFI-MARIAKANI WATER AND
SEWERAGE COMPANY LIMITED**

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

23/9/2021
Sen. Joseph Mwangi
Hon. Justice Leader
Hon. At. Mwangi



OFFICE OF THE AUDITOR GENERAL
P. O. Box 95202, MOMBASA

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**KILIFI – MARIAKANI WATER AND
SEWERAGE COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2019**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

Background information

The Company was incorporated in November 2005 under the company's Act CAP 486 and it is also regulated under the state corporations Act CAP 446. Under devolved function, the company is a County Government Corporation. The water companies were formed under the water Act of 2002 and now the new Water Act of 2016.

The Managing Director is responsible for the day-to-day running of the organisation and is answerable to the board of directors who guides the Company. The Board of Directors are responsible for formulation of the strategic plan and policies of the Company. A team of managers supports the managing director.

Principal Activities

The principal activity of Kilifi Mariakani Water and Sewerage Company is to Supply Water to the Residents of Kilifi south, Ganze, Rabai, Kaloleni and parts of Kilifi North sub counties.

Directors

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

Name	Position	Date of appointment
Emmanuel Furaha Benedict	Chairman	14 th May 2019
Ravasco Pole Mwasambu	Member	14 th May 2019
Benjamin Kai Chilumo	Member	1 st April 2014
Eng. Samuel Kombe	Member	1 st April 2014
Beatrice Jumwa Nzai	Member	14 th May 2019
Margret Chizi Ngale	Member	14 th May 2019
Christine Nzara John	Member	14 th May 2019
Rashid Mukwana Muhhamad	Member	14 th May 2019
Zainabu Salim	Member	14 th May 2019

Corporate Secretary

Lewa and Associates Advocates

P. O. Box 2937 – 80100

Mombasa

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE, 2019

Entity Head Office

Kilifi – Mariakani Water & Sewerage Company Ltd

P.O. Box 275-80108 - Kilifi

Along Mombasa – Malindi road

LR No. 5054/115, kilifi.

Tel. Nos. 041-522508

Fax 041-522507

Email: info@kilifi water.co.ke

Entity Bankers

Kenya Commercial Bank Limited

P.O. Box 528

Kilifi

Tel No: 041- 22093

Fax: 041-22233

Co-operative Bank

P.O Box 96 -80108

Kilifi

Tel. No.020-2314898/+254708223330

Fax 020-2314892

Post Bank

P.O.Box 1047 - 80108

Kilifi Brach

Tel. No. 0417522399

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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Collection Agencies

Safaricom Kenya Limited

M-PESA Holding

P.O. Box 66827 - 00800

Nairobi - Safaricom House Waiyaki Way

Tel.No. 0722-002222

Postal Corporations' of Kenya

P.O. Box 891333

Mombasa

Tel. No. 04122277705

Independent auditors

Office of the Auditor-General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi-Kenya

Principal legal advisors

The Attorney- General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

II. THE BOARD OF DIRECTORS

PHOTO



PROFILE

Director Benedict Furaha is the Chairman of the Board of Directors, he was born on 25th December, 1975. He holds Bachelor's Degree in Arts corporate communication and political science. He has 16 years of work experience.



Director Pole Mwasambu was born in 1956. He holds a Diploma in Agricultural Education. He has 37 years of work experience and he is a retired administrator.

Ravasco Pole Mwasambu



Director Zena Salim was Born on 12 January 1959. She holds a Diploma in Arts and Craft and a Certificate in Child Counselling. She is a reknown Businesswoman in Kilifi County. She currently the Chairlady of Audit committee. She has a wealth of experience in entrenuership.

Zainabu Salim

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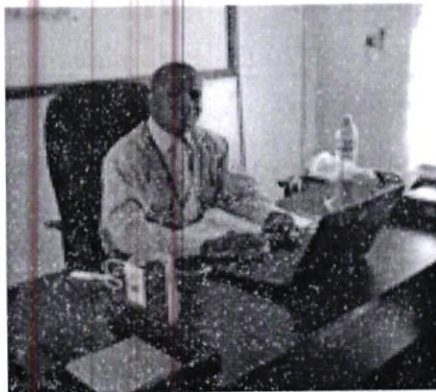
Benjamin Kai Chilumo

Director Benjamin Chilumo was born in November 1973. He is the County Government of Kilifi Chief Officer Finance. Appointed as a director in October March 2013. He holds a Bachelors' Degree in Commerce and a Certified Public Accountant. He is member of Institute of certified public accountants of Kenya (ICPAK)



Ustadh Rashid Mukwana
Muhhamad

Director Rashid Mukwana was born in 16th April, 1975. He holds a Diploma in Teaching Arabic and Islamic Studies. He is currently the executive officer of Supreme Council of Kenya Muslims (SUPKEM) in Kilifi County and has a wealthy of experience.



Eng. Samuel Ngari Kombe

Engineer Samuel Kombe was born in August 1973. He is currently the Chief Officer Water in the County Government of Kilifi. He holds a Bachelor of science in Agriculture Engineering and has 14 years' experience.

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Beatrice Jumwa Nzai

Director Beatrice Nzai was born on 30th December, 1957. She holds a Diploma in Education Management. She is the Chairperson of Technical and Commercial Committee. She has 33 years of work experience and she is a retired Teacher



Margaret Chizi Ngale

Director Margaret Chizi was born on 10th July, 1975. She holds Masters in Education, Leadership and Management. She is a teacher by profession. She is currently the chairperson of finance and administration. She possess a wealth of experience in teaching profession.



Christine Nzara John

Director Christine Nzara on 24th December, 1970. She holds a K.C.S.E Certificate and Computer Literate. She is a re-known business woman in Kilifi County. She has a wealth of experience in entrepreneurship.

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Hezekiah Mwarua Nguma

Managing Director Born on 16 January 1983. Mr. Mwarua joined the company in January 2016 as Technical and Operation Manager and thereafter appointed as the Managing Director in July 2017. He holds a bachelor of technology in chemical and process engineering from Moi University. He is currently pursuing Masters of Business Administration (Management Science). Mr. Mwarua worked as process engineer with Kenya Petroleum Refineries Limited for 6 years.

III. MANAGEMENT TEAM



Hezekiah Nguma Mwarua

Managing Director

Until his appointment as Managing Director, he was also in-charge of Technical & Operation Portfolio. Mr. Mwarua joined the company in January 2016. He holds a bachelor of technology in chemical and process engineering from Moi University. He is currently pursuing Masters of Business Administration (Management Science). Mr. Mwarua worked as a Process Engineer with Kenya Petroleum Refineries Limited



Alfred Dume Janji

Internal Audit Manager

Alfred Janji is the Internal Audit Manager. Born in 8 January 1984, Mr. Janji joined the company as Revenue officer in 2009. He has risen through the ranks to his current position of Internal Audit Manager. Mr. Janji holds a Diploma in personnel management from technical university of Mombasa. He is a certified Public Secretary CPS (K). He is currently pursuing a bachelor of business management at Moi University. He also holds CPA Part II.



Ernest Chea Ngolo

Commercial and Business Development Manager:

Ernest Chea is the Commercial and Business Development Manager. Born in 6th August 1978. Chea joined the company in 2018. He holds a bachelor of science in economics. He is currently pursuing a master's degree in economics at the university of Nairobi.



Fatuma Mwidadi

Human Resources And Administration Manager:

Fatuma Mwidadi is the Human Resources & Administration Manager. Born in 1988. She joined the company in 2012 as Human Resources & Administrative Assistant and rose through ranks to the current position. Fatuma graduated from Kampala International University, Uganda. She is also member of the institute of Human Resources of Kenya. She is currently doing a Master of Business Administration at the Pwani University. Prior to joining the company, Fatuma had worked as administrative officer with Grout and Shot Crete Construction Company.



Benedict Katana Ngumbao

Finance Manager.

Benedict Katana is the Finance Manager. Born in 21st December 1981. He joined the company in 2018. He holds a bachelor in business management (finance and banking). He is a Certified Public Accountants of Kenya and a member of Icpak. He worked with the County Government of Kilifi as a principal Accountant at the County treasury. He is currently pursuing a master's degree in finance at Technical university of Mombasa



TECHNICAL & OPERATIONS MANAGER

Emmanuel Karavina is the Technical & Operations Manager. Born in 1975. He joined the company in August, 2017. He holds a Master of Science in sustainable engineering renewable energy systems and the environment from University of Strathclyde, Glasgow. Mr. Karavina had worked as the project manager at Empro Electrical and Mechanical Engineers Ltd.

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Ismail Juma Sadikini

Procurement Manager

Ismail Juma Sadikini is the Procurement Manager. Born in 21st July 1990. He joined the company in 2018. He holds a bachelor in Commerce (procurement & supply Chain Management). He is currently pursuing a master's degree in strategic management at Kenyatta University. He is also a member of CIPS & KISM. He had worked at Kilifi county assembly as a procurement officer

IV. CHAIRMAN'S STATEMENT

Kilifi-Mariakani Water and Sewerage Company is one of the two Water and Sewerage Companies in Kilifi County that is a wholly owned subsidiary of the County Government of Kilifi under the new Constitutional dispensation. The core mandate of the Company is to efficiently and sustainably provide safe and adequate water to the residents of Ganze, Kaloleni, Rabai, Kilifi South and Parts of Kilifi North sub-counties in order to enhance economic growth.

The Company enjoys a very willing to pay customer base and all efforts need to be directed towards maintaining customer confidence. However, the Company is currently not able to meet its demand, as the water it receives from the two sources; Mzima and Baricho-Nguu Tatu Pipelines both managed by CWWDA is able to serve only 50% of its demand. There are deliberate efforts by CWWDA through various projects funded by World Bank and other Development Funding Agencies to increase the volume of water supply to KIMAWASCO's area of operation.

Water being a devolved function, the County Government of Kilifi has also ambitiously invested in several water projects within KIMAWASCO's area of operation, which has greatly improved on the Company's water coverage from 55% to 68% in the past 4 years. A lot more still needs to be done on development of water infrastructure. The Company has engaged the County Government of Kilifi and other Development Agencies in rehabilitation of the old and dilapidated water supply infrastructure which has been a major contributor to high water loss through leaks and bursts that the company experiences; the Company's Non-Revenue Water level standing at 51% for the year ended 30th June 2019.

The Board of Directors in March 2018 adopted meter management, new connections and commercial policies that will give guidance in tackling commercial part of the company's NRW. The Company's Strategic Plan also expired on 30 June 2017 and the Board of Directors put its foot down to develop a new strategic plan for the Company [2017-2022].

Due to the rising cost of living occasioned by high inflation, high cost of energy/fuel and increased cost of doing business, the Company was in September granted a new tariff in order to be able to cost cover in the long run; by the 3rd year of the new tariff period. KIMAWASCO is very grateful for the considerable support it has received from its customers and all stakeholders and promises to be more accountable in its pursuit to offer them better services.



Benedict Emmanuel Furaha

CHAIRMAN

V. REPORT OF THE MANAGING DIRECTOR

KIMAWASCO operates in Ganze, Kaloleni, Rabai Kilifi South and parts of Kilifi North Sub-counties with a total operating area covering about 4,998 square kilometres. The water supply coverage is currently at 68%, which means a big area still has no access to clean and safe water supply services due to unavailability of pipe networks. The County Government of Kilifi and other donor agencies have and still assist the company in water supply network expansion to increase on the water supply coverage and reach to areas that have no water pipeline connectivity.

In the year ended 30 June 2019, the company received 9,796,476 m³ of water from CWWDA at a cost of Ksh. 192,842,040. The company then billed a total volume of 4,815,789 m³ to its customers translating to a billed amount of Ksh. 498,539,925. This was however, below the Ksh. 561,786,962 billing target for the year.

The Company is still grappling with the challenge of high non-revenue water level, which stood at 51% for the year ended 30th June 2019. This was a 2% increase from the 49% level in the previous year; against a sector benchmark of 25%. The high NRW level in KIMAWASCO is majorly attributed to old and dilapidated water supply network that has outlived its useful life and thus it is prone to leaks and bursts, Illegal water connections and old inaccurate & stalled meters that are not giving correct customer consumptions.

KIMAWASCO has approached several donor agencies and the County Government of Kilifi to fund-raise for the replacement of these dilapidated water supply infrastructure, which require heavy financing. Some pipeline networks have been built on thus exposing them to illegal water use.

The Company has piloted on creation of District Metered Areas to enable it carry out water balance and hence effectively monitor its water supply to customers, and be able to point out at areas where it loses its water. Due to the heavy financial requirement in carrying out DMAs, the company has planned to carry out this in phases; targeting to zone the whole network by end of FY 2019/20.

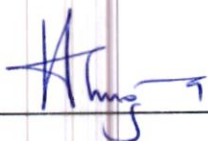
KIMAWASCO adopted modern technology of meter reading to reduce losses due to errors on meter reading and thus enhance its billing and revenue as well as reduce on the NRW. Within its small means, the Company has embarked on a strategy to service stalled meters and replace all non-functional unserviceable meters to reduce on water losses through estimated billing of customer accounts.

The company has also formed a NRW/Inspection team that carries out inspections of customer collections that have stayed on disconnection for a long time to deter water theft.

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The firm has partnered with the Kenya Police in carrying out door-to-door inspection of households to check on illegal water use and with local administration to sensitize the public on reporting of illegal water use through chiefs' barazas.

High electricity and fuel cost for pump stations pose a great challenge to the Company's operations; the Company operates 16 pumping units to lift water to reach to its customers in far and raised areas. Bankable proposal on alternative sources of energy for these pump stations have been done to source for donor funding in order to implement green technology in the water pumping systems which will not only reduce on the company's operating costs but will also increase the reliability of water supply by these systems which will ultimately have a positive impact on the company's bottom line.



Hezekiah Nguma Mwarua

MANAGING DIRECTOR

VI. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure by which companies are directed, controlled and held accountable in order to achieve long-term value to shareholders taking cognizance of the interest of other stakeholders. The Board of Directors of KIMAWASCO is responsible for the governance of the Corporation and is accountable to the shareholders and stakeholders in ensuring that the Corporation complies with the laws and the highest standards of business ethics and corporate governance.

Accordingly, the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities are clearly defined within the Company. The Company's Board comprises of Nine (9) directors who are non-executive directors including the Chairman. To maintain the integrity of internal procedures of the company, the board of KIMAWASCO has established an Audit committee (which is mandatory). Due to the volume of issues to be dealt with on a continuous basis and which cannot be adequately dealt with by the Board itself, The Finance and Administration Committee of the board, Technical Committee of the board were also established as outlined in WASREB Governance regulations.

The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Corporation and assumes responsibilities for the effective control over the Company. The Company Secretary attends all meetings of the Board and advises the Board on all corporate governance matters, prevailing statutory requirements and changes in the legislation and new reforms in the water sector as appropriate.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held four (4) regular and four (4) special meetings during the year under review. As the Corporation is a State Corporation, the Inspector General of State Corporations is expected to attend meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

Committees of the Board

The Board has set up the following principal Committees that meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

a) Audit and Risk Management Committee

The membership of the Audit Committee is comprised as follows:

1. Zena Salim - Chairperson
2. Beatrice Jumwa Nzai - Member
3. Ravasco Pole Mwasambu - Member

The Committee assists the Board in fulfilling its corporate governance responsibilities and in particular to:

- Review financial statements before submission to the Board focusing on changes in accounting policies, compliance with International Financial Reporting Standards and legal requirements.
- Strengthen the effectiveness of the internal audit function.
- Maintain oversight on internal control systems.
- Review and make recommendations regarding the Company's budgets, financial plans and risk management.
- Liaise with the external auditors.

The Committee held eight (8) regular meetings and no special meetings in the year under review.

b) Finance and Administrations Committee

The membership of the Finance and Administration Committee is comprised as follows:

1. Margaret Chizi Ngale - Chairperson
2. Rashid Mukwana Muhammad- Member
3. Benjamin Kai Chilumo – Member
4. Christine Nzara John-Member

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c) Technical and Commercial committee

1. Beatrice Jumwa Nzai-Chairperson
2. Rashid Mukwana Muhammad-Member
3. Samuel Kombe Ngari

The Committee reviews and provides recommendations on issues relating to all human resources matters including, career progression, performance management, training needs, job transfers, staff recruitment, staff placements, promotions, demotions, discipline and staff welfare. The Committee assists the Board in fulfilling its oversight responsibilities relating to the Corporation's finance, information and technology, procurement, investment strategies, policies, projects and related activities.

The Committee held eight (8) regular meetings and no special meeting in the year under review.

Risk Management and Internal Controls

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These covers systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Corporation. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Company. As an integral strategy in achieving its corporate goals, the Board ensures that an optimal mix between risk and return is maintained. To achieve this goal, a risk management and governance framework has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Company to achieve its objectives both in the short and long term.

Shareholding

The company recently reviewed its strategic plan and aligned to the realistic operational environment and whereby the mission and vision, core values were revised to take into this account.

The M&A of the company is set to be registered anytime now by the Registrar of Companies to reflect the new shareholding portfolio as stated hereunder;

County Government

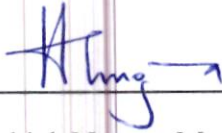
4996 shares

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County Secretary 2 shares

Executive Committee Member Finance and Economic Planning 1 share

Executive Committee Member for Water, Forestry and Natural Resources 1 share



Hezekiah Nguma Mwarua

MANAGING DIRECTOR



Benedict Emmanuel Furaha

CHAIRMAN

192-100-10-100

192-100-10-100

192-100-10-100



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VII. MANAGEMENT DISCUSSION AND ANALYSIS

(a) Staff on Contract

During the end of the fourth Quarter the number of staff reduced from 211 to 204 because seven staff retired.

Table 1

NO. OF STAFF	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Permanent	197	197	191	184
Contract	14	14	13	13
Management Contract	6	5	7	7
TOTAL	217	216	211	204

b) Production, billed volume, NRW, Billed amount CWWDA and Billed Revenue Amount.

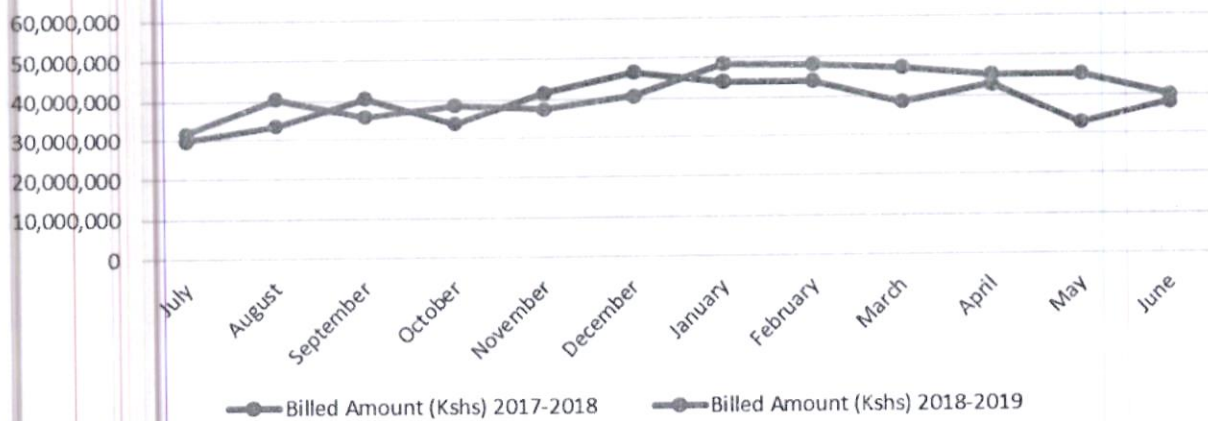
During the year under review, the company registered water production of 9,796,476 m³ of water compared to the previous year's 8,907,256 m³ of water. The Increase represents 10 % increase in production. The comparable yearly productions translate cost of water/sales of kshs 192,842,040 and kshs180,543,303 for the years 2019 and 2018 respectively. The company registered an increase in volume of water it billed its customers from 4,580,459 m³ in 2018 to 4,815,789 m³ in 2019; an increase of approximately 5%. Non-Revenue water increased from 49% in 2018 to 51% in 2019. Among the key issues, management noted was high estimated bills slapped to the water utility by the water service board. An aspect of a long-standing issue of water production billed on Kilifi Mariakani water but consumed by the neighbouring water utility. These have resulted in an accumulated liability on the bulk water supply. The company has requested for a reconciliation of the figures bulk water purchase figures so that the figures in the company's books are in harmony with those held by Coast Water Works Development Agency. For more details, refer to table 2.

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Table 2

Months	Production in m3		Billed Vol. m3		NRW		Billed Amount CWWDA (Kshs)		Billed Amount (Kshs)	
	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019
July	710,337	668,394	347,497	303,506	362,840	364,888	14,986,780	14,362,420	29,718,026	31,670,170
August	746,810	777,566	354,340	395,228	392,470	382,338	14,167,000	15,549,260	33,449,093	40,382,700
September	757,388	734,695	406,036	367,502	351,352	376,193	14,677,900	14,622,120	40,458,243	35,678,085
October	699,232	718,747	330,317	364,317	368,915	354,430	15,888,520	14,048,620	33,694,067	38,588,790
November	812,680	765,955	389,241	365,161	423,439	400,794	15,111,100	15,647,780	41,640,748	37,492,472
December	732,162	719,810	446,944	388,525	285,218	331,285	14,928,960	14,361,340	46,519,117	40,674,473
January	768,693	813,281	419,169	446,406	349,524	366,875	15,792,780	16,190,380	43,963,235	48,379,552
February	773,272	967,159	421,810	468,342	351,462	498,817	16,369,303	19,258,860	43,903,065	48,147,903
March	745,950	800,785	401,437	450,082	344,513	350,703	15,587,620	14,032,000	38,614,697	47,061,900
April	834,052	936,199	408,791	452,767	425,261	483,432	16,660,680	18,328,600	42,877,278	45,260,560
May	612,040	908,462	297,673	434,663	314,367	473,799	12,295,620	17,698,960	32,812,172	45,201,652
June	714,640	985,423	357,204	379,290	357,436	606,133	14,077,040	18,741,700	38,068,235	40,001,668
	8,907,256	9,796,476	4,580,459	4,815,789	4,326,797	4,980,687	180,543,303	192,842,040	465,717,976	498,539,925
	-4%		51%		49%	51%			6%	7%

The Graph Shows Comparative Figures for Billed Revenue for the Year 2018 and 2019



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c) Number of Connections

During the year under review, the company recorded an overall average growth in the number of connections of 9% in comparison to the year 2017-2018. The company ended the year 2018-2019 with a marked increase in the number of connections of 22,276 compared to 20,298 in 2017-2018.

Year	No. of Connections		Change in No. of connections	% Change
	2017-2018	2018-2019	Per Qtr.	
Average Qtr1	18,621	20,094	1,473	8%
Average Qtr2	19,113	20,904	1,791	9%
Average Qtr3	19,842	21,826	1,984	10%
Average Qtr4	20,298	22,276	1,978	10%

d) Risks

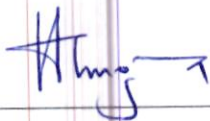
i) Sustainability

The major risk facing the company is lack of sustainability, this challenge is a function of many factors a few among many is high cost of operations, loss of water through bursts and leaks and illegal connections. The management has put in place cost cutting measures to reduce on cost to drive the company to sustainability. Among the cost cutting measures including putting a caveat on employing new staff, enhance budgetary controls.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KIMAWASCO has been taking part in some activities geared at giving back to the community under CSR initiative that is anchored in a Policy adopted by the Board. The company offered a four-year sponsorship to a needy former student of Ganze Primary School who is now at Lugulu girls in form three; the sponsorship programme is meant to promote girl child education in Kilifi County.

The company takes this great opportunity to sincerely thank the diverse mix of our stakeholders in our region for the immense support they have given us in the course of our duty in serving them. We also take great admiration to the laudable efforts taken by the County Government in ensuring the company focuses in bridging the service coverage gap by the array of water projects initiated in our area of operation. By and large, our most valued customers who, at times endure long nights in long quest waiting for water at yard taps silently should never go unmentioned for their unwavering patience. Amidst all this, we are not swayed in our pursuit to offers efficient and effective services and we shall strive to continuously focus in addressing the inefficiencies that impede sustainable delivery of our services for the betterment of the Kilifi residents and all stakeholders.



Hezekiah Nguma Mwarua

MANAGING DIRECTOR

Benedict Emmanuel Furaha

CHAIRMAN

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE, 2019

IX. REPORT OF THE DIRECTORS

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

Principal activities of the company

- Provide quality and economical water and sanitation services to consumers.
- Billing for water and sanitation services and ensure timely collection of dues.
- Routinely maintain water and sanitation services and infrastructure.
- Ensure that standards and licensing requirements are complied with as stipulated by the Service Provision Agreement (SPA) signed with Coast Water Works Development Agency.

Results of operations

The results of the company for the year ended 30th June, 2019 as set out on page twenty-four (24) to twenty-eight (28)

Directors

The members of the Board of Directors who served during the year are shown on page one (1) to page four (4). In accordance with the entity's Articles and Memorandum of Association, the number is supposed to be nine.

Management Team

The management team that served in the organisation during the period are set out on page five (5) to page seven (7)

Auditors

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

By Order of the Board

John Byire and Associates Advocates, Company Secretary

Mombasa

Date: 26/11/2019



X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act CAP446, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year. The Directors are also required to ensure that the entity keeps proper accounting records, which disclose with reasonable accuracy of the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 2012 and the State Corporations Act. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE, 2019

Approval of the financial statements.

The entity's financial statements were approved by the Board on26/11/.....2019
and signed on its behalf by:



Benedict Emmanuel Furaha

CHAIRMAN

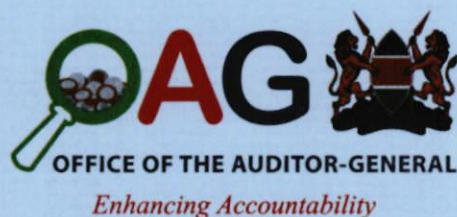


Hezekiah Nguma Mwarua

MANAGING DIRECTOR

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KILIFI-MARIAKANI WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kilifi–Mariakani Water and Sewerage Company Limited set out on pages 24 to 68, which comprise of the statement of financial position as at 30 June, 2019, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kilifi–Mariakani Water and Sewerage 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, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Presentation of Financial Statements

1.1 Statements of Changes in Equity

The statement of changes in equity for the year ended 30 June, 2019 reflects equities movement for one financial year (30 June, 2018 to 30 June, 2019) but omits changes in equity for the previous financial year, contrary to the provisions of Paragraph 38 of International Accounting Standard No.1 – Presentation of Financial Statements - which provides that except when IFRSs permit or require otherwise, an entity shall disclose comparative information in respect of the previous period for all amounts reported in the current period's financial statements.

Consequently, the presentation of the statement of changes in equity was not in compliance with the IFRS requirements.

1.2 Coast Water Works Development Agency Liability

As disclosed in Note 26 to the financial statements, the statement of profit and loss and other comprehensive income reflects a liability of Kshs.28,681,849 due to the Coast Water Works Development Agency. However, the comparative amount for the previous financial year is not disclosed in the Note to the financial statements. This is contrary to Paragraph 38 of International Accounting Standard No.1 – Presentation of Financial Statements - which provides that, except when IFRSs permit or require otherwise, an entity shall disclose comparative information in respect of the previous period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

Consequently, the presentation of the Coast Water Works Development Agency liability of Kshs.28,681,849 as at 30 June, 2019 was not in line with International Accounting Standard No.1.

2.0 Inaccuracies in the Financial Statements

2.1 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects a deficit of Kshs.33,962,102 which varies with the deficit of Kshs.55,790,186 reflected in the statement of profit and loss and other comprehensive income by Kshs.21,828,084. The variance has not been reconciled or explained. Further, the statement of profit and loss and other comprehensive income reflects Water Services Transfer Fund grant of Kshs.534,597 which was not reflected in the statement of comparison of budget and actual amounts. No explanation was provided for the omission.

Consequently, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

2.2 Loss Chargeable to Tax

Note 8 to the financial statements reflects loss chargeable to tax during the year of Kshs.55,790,186 against a re-casted amount of Kshs.53,784,665, resulting to an unreconciled and unexplained variance of Kshs.2,005,521.

Consequently, the accuracy of loss chargeable to tax of Kshs.55,790,186 for the year ended 30 June, 2019 could not be confirmed.

3.0 Revenue

3.1 Shared Water Meters

The statement of profit and loss and other comprehensive income reflects sale of water revenue of Kshs.498,539,925. However, records provided for audit review indicated that five hundred and fifty-four (554) customers with a total water sales revenue of Kshs.5,862,351 had active water meters with shared serial numbers. Management has not explained how a single meter could be allocated to more than one customer.

Consequently, the accuracy and completeness of sale of water of Kshs.498,539,925 could not be confirmed.

4.2 Unsupported Administrative Costs

As disclosed in Note 6 to the financial statements, the statement of profit and loss and other comprehensive income reflects an amount of Kshs.301,706,312 under administrative costs. However, an expenditure of Ksh.2,983,939 was not properly supported contrary to Regulation 104 (1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that all receipts and payment vouchers of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

Under the circumstances, the propriety and validity of administrative costs of Kshs.2,983,939 could not be confirmed.

5.0 Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.158,872,141 for property, plant and equipment. However, the following observations were made:

5.1 Leased Assets from Coast Water Works Development Agency

As previously reported, included in the property, plant and equipment balance of Kshs.158,872,141 is an amount of Kshs.34,256,900 representing assets leased from Coast Water Works Development Agency in accordance with Clauses 3 and 4 and Schedules F and G of the unsigned Service Provision Agreement (SPA). However, ownership documents and valuation reports for the assets were not provided.

Consequently, it was not possible to ascertain the ownership, and proper valuation of the leased assets of Kshs.34,256,900.

5.2 Motor Vehicles

As disclosed in Note 11 to the financial statements, included under property, plant and equipment balance of Kshs.158,872,141 is an amount of Kshs.9,882,045 in respect of motor vehicles. However, as previously reported, five (5) motorcycles purchased in the financial year 2017/18 were registered in the name of a private company. In addition,

logbooks for ten (10) motorcycles costing Kshs.1,970,002 acquired during the financial year under audit were not provided for audit review.

Consequently, the accuracy, ownership and rights and obligations of motor vehicles valued at Kshs.9,882,045 as at 30 June, 2019 could not be confirmed.

5.3 Fixed Assets Register

The statement of financial position reflects a balance of Kshs.158,872,141 under property, plant and equipment. However, As previously reported, the assets register reflected assets with a value of Kshs.33,047,157 resulting to a variance of Kshs.125,824,984 which has not been explained or reconciled. Further, the fixed assets register did not include the date of purchase, model and serial number of the asset, cost, specific location, asset number, responsible official, depreciation policy, class and category of asset as required under Paragraph 12.2.1 and 12.3 of the Company's Financial Policy Manual.

Consequently, the accuracy and completeness of property, plant and equipment costing Kshs.158,872,141 could not be confirmed.

6.0 Trade and Other Receivables

As disclosed in Note 14 to the financial statements, the statement of financial position reflects a balance of Kshs.247,721,990 under trade and other receivables. The following observations were made:

6.1 Unsupported Receivables

Included in the trade and other receivables balance of Kshs.247,721,990 is a balance of Kshs.15,237,455 in respect of other receivables. However, supporting documents for the balance were not provided for audit review.

Consequently, the accuracy and completeness of trade and other receivables balance of Kshs.15,237,455 as at 30 June, 2019 could not be confirmed.

6.2 Terminated Water Connections

The trade and other receivables balance also includes an amount of Kshs.108,047 relating to customers whose water connections had been terminated by the Company. Records provided for audit review indicated that the Company had not executed formal contracts with the customers and therefore the legal process for recovery could not be instituted.

Under the circumstances, the recoverability of trade and other receivables balance of Kshs.108,047 could not be confirmed.

6.3 Lack of Ageing Analysis and Credit Policy

The Company's credit policy and the ageing analysis for the trade and other receivables balance of Kshs.247,721,990 were not provided. Therefore, it was not possible to confirm how long the debtors had been outstanding and the strategies put in place by Management to ensure recovery of the same.

6.4 Unrecovered Staff Receivables

Included in the trade and other receivables balance is staff receivables of Kshs.128,406 due from former and current employees carried forward from prior year and Kshs.126,000, being outstanding prepaid honoraria due since 2013. However, the Management had not recovered the amounts advanced, contrary to Section 68 (2) (e) of Public Finance Management Act, 2012 which requires the Accounting Officer to ensure that all applicable accounting and financial controls, systems, standards, laws and procedures are followed for safeguarding of resources.

Consequently, the accuracy and recoverability of trade and other receivables balance of Kshs.126,000 could not be confirmed.

6.5 Provision for Bad and Doubtful Debts

As disclosed in Note 14 (a) to the financial statements, the trade and other receivables balance of Kshs.247,721,990 is net of Kshs.4,737,656 provision for bad and doubtful debts representing an increase of Kshs.1,221,642 from the previous year's provision of Kshs.3,516,014. Further, the provision for doubtful receivables was calculated at 2% of the gross trade receivables, contrary to the Paragraph 10.6 of the Company's Finance and Accounting Manual which provides that provision for doubtful receivables be provided at 25% for 6-12 months, 50% for those over one (1) year and 100% for receivables over two (2) years.

Under the circumstances, the accuracy and validity of Kshs.4,737,656 in respect of the provision for doubtful receivables could not be confirmed.

7.0 Trade and Other Payables

7.1 Variance in Long Term Customer Deposits

As previously reported and as disclosed in Note 22 to the financial statements, included in the trade and other payables balance of Kshs.255,808,845 is long term customer deposits balance of Kshs.49,208,661. However, the bank account maintained for holding customer deposits held at a local bank indicated a balance of Kshs.4,461,400 as at 30 June, 2019, resulting to variance of Kshs.44,747,261 which has not been reconciled or explained. This is an indication that the Company utilized customer deposits amounting to Kshs.44,747,261 on operations.

Consequently, the existence of completeness and validity of Kshs.44,747,261 long-term deposits as at 30 June, 2019 could not be confirmed.

7.2 Audit Fees

Included in the trade and other payables balance of Kshs.255,808,845 is audit fees of Kshs.3,289,200, out of which Kshs.2,571,200 was more than one (1) year overdue. The Management did not provide satisfactory explanation for failure to settle the long overdue fees.

Further, the outstanding audit fees balance increased by Kshs.718,000 from Kshs.2,571,200 (2017/2018) to Kshs.3,289,200 (2018/2019). However, the audit fee chargeable for audit service was Kshs.672,800, thereby resulting to a variance of Kshs.45,200 which has not been explained nor reconciled.

Consequently, the accuracy of audit fees payable balance of Kshs.3,289,200 could not be confirmed.

8.0 Capital and Reserves

The statement of financial position reflects a negative balance of Kshs.330,366,466 in respect of capital and reserves. An audit review of the capital and reserves balances revealed the following anomalies:

8.1 Ordinary Share Capital

As previously reported, the statement of financial position reflects ordinary share capital of Kshs.100,000. The Company is registered as a Limited Liability Company with an authorized share capital of Kshs.5,000,000. According to the Memorandum and Articles of Association, share capital worth Kshs.36,000 had been fully subscribed and issued to Kilifi County Government as at 30 June, 2019, resulting to a variance of Kshs.64,000 which has not been explained. Available information indicates that as at 30 June, 2019, the County Government had not paid for the shareholding. Further, the Company had not updated its new shareholding portfolio with the Registrar of Companies.

Under the circumstances, the accuracy of the ordinary share capital balance of Kshs.100,000 could not be ascertained.

8.2 Coast Water Works Development Agency Liability

As previously reported, the statement of financial position reflects a liability of Kshs.28,681,849 in respect of Coast Water Works Development Agency. As disclosed in Note 26 to the financial statements, the balance was arrived at after deducting total assets of Kshs.455,315,653 and capital and reserves of Kshs.301,684,617 from total current and non-current liabilities of Kshs.785,682,119. However, supporting documents for the balances were not provided for audit review.

Consequently, the accuracy and completeness of the liability of Kshs.28,681,849 could not be confirmed.

8.3 Capital Reserve Fund

As previously reported, the statement of financial position reflects Kshs.50,094,019 in respect of capital reserves fund. As disclosed under Note 27 to the financial statements, the balance comprised of Kshs.34,256,900 relating to the assets at formation of the Company and Kshs.15,837,119 for expenses incurred in the first year after formation. However, expenses incurred during the year of formation should have been recognized as revenue grant and not capital grant in line with Paragraph 20 of International Accounting Standard No. 20 which provides that, a government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized in profit or loss of the period in which it becomes receivable.

Further, capital reserves of Kshs.34,256,900 which relates to financing of assets during formation of the Company was not treated in compliance with International Accounting Standard No. 20 Paragraph 26 on presentation of grants related to assets which requires recognition of the grant as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset or Paragraph 27 which requires deduction of the grant in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Under the circumstances, the accuracy and completeness of capital reserve fund of Kshs.50,094,019 could not be confirmed.

9.0 Non-Current Liabilities

The statement of financial position reflects a balance of Kshs.526,638,909 in respect of total non-current liabilities, representing an increase of Kshs.58,923,933 or 12.6% from the balance of Kshs.467,714,976 reported in the previous year. An audit review of the non-current liabilities revealed the following:

9.1 Bulk Water

As previously reported, the statement of financial position reflects Kshs.265,329,908 in respect of bulk water. As disclosed in Note 24 to the financial statements, the total outstanding bulk water liability was Kshs.315,671,948 of which the Company classified Kshs.265,329,908 as non-current and Kshs.50,342,040 as current liability. However, the Management did not provide for audit review any agreement between the Company and the Coast Water Works Development Agency suspending immediate settlement of the outstanding amount of Kshs.265,329,908 for a period of more than 12 months from 30 June, 2019. The Management, therefore, disclosed Kshs.265,329,908 as non-current liability, contrary to Paragraph 69 (c) of International Accounting Standard No. 1 – Presentation of Financial Statements - which provides that, an entity shall classify a liability as current when the liability is due to be settled within twelve (12) months after the reporting period. Further, the total amount due from the Company was disclosed as a current liability in Coast Water Works Development Agency's financial statements.

Consequently, the accuracy and completeness of bulk water non-current liability of Kshs.265,329,908 as at 30 June, 2019 could not be confirmed.

9.2 Licencee Fees

As previously reported, the statement of financial position reflects Kshs.249,547,877 in respect of licensee fees. As disclosed in Note 23 to the financial statements, the total outstanding licensee fees is Kshs.285,515,715 out of which Kshs.249,547,877 is classified as non-current while Kshs.35,967,839 is classified as a current liability. However, the Management did not provide for audit review any agreement between the Company and Coast Water Works Development Agency suspending immediate settlement of the outstanding amount of Kshs.249,547,877 for a period of more than 12 months from 30 June, 2019. The Management, therefore, disclosed the non-current liability of Kshs.249,547,877 contrary to Paragraph 69 (c) of International Accounting Standard No. 1 – Presentation of Financial Statements which provides that an entity shall classify a liability as current when the liability is due to be settled within twelve months after the reporting period. In addition, the total amount due from the Company was disclosed as a current liability in Coast Water Development Agency's financial statements.

Consequently, the accuracy and completeness of Kshs.249,547,877 licensee fees as at 30 June, 2019 could not be confirmed.

9.3 Deferred Income

As previously reported, the statement of financial position reflects a balance of Kshs.11,761,124 in respect of deferred income which, as disclosed in Note 3 (b) to the financial statements, related to Water Services Trust Fund. However, the Management did not provide an analysis and details of the grants received from the Fund, nor explain how the same was utilized as a capital expenditure to justify the treatment as deferred income in line with Paragraph 24 of International Accounting Standard No. 20 – Accounting for Government Grants and Disclosure of Government Assistance - which provides that, Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Consequently, the accuracy and completeness of the deferred income balance of Kshs.11,761,124 could not be confirmed.

9.4 Un-Explained Variance for the Coast Water Works Development Agency's Liability Balance

The statement of financial position reflects a total liability of Kshs.572,505,815 due to the Coast Water Works Development Agency as detailed below:

	Statement of Financial Position Component as at 30 June, 2019		Amount due to CWWDA (Kshs.)
1	Capital and Reserves	CWWDA Liability	(28,681,849)
2	Non- Current Liabilities	Bulk Water	265,329,908
3	Non- Current Liabilities	Licensee Fees	249,547,877
4	Trade and Other Payables	Licensee Fees	35,967,839
5	Trade and Other Payables	Bulk Water	50,342,040
	Total owed to CWWDA		572,505,815

However, the financial statements of Coast Water Works Development Agency reflected that the Company owed the Agency Kshs.658,879,187 resulting into an unexplained or unreconciled variance of Kshs.86,373,372.

Consequently, the accuracy and completeness of the reported liabilities owed to the Coast Water Works Development Agency could not be confirmed.

10.0 Going Concern Uncertainty

The statement of profit and loss and other comprehensive income reflects loss of Kshs.55,790,186 (2017/2018 - loss of Kshs.55,956,028) thereby decreasing the retained earnings to a deficit of Kshs.351,878,636 from a deficit of Kshs.296,088,450 as at 30 June, 2018.

Further, audit analysis of the company's statement of financial position as at 30 June, 2019 revealed a working capital of Kshs.29,834,328, being current assets of Kshs.288,877,538 less current liabilities of Kshs.259,043,210. However, the Company's Management had classified bulk water of Kshs.265,329,908 and licencee fees of Kshs.249,547,877 as non-current liabilities although the Management did not provide any evidence or agreement suspending settlement of the amount for the next twelve months. Had the liabilities been disclosed as current liabilities, the Company would have had a material negative working capital of Kshs.485,043,457, an indication that it cannot meet its current obligations as and when they fall due.

Under the circumstances, although the Company's financial statements for the year ended 30 June, 2019 have been prepared on the going-concern basis the same could not be ascertained.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

As disclosed under the progress on follow up of auditor recommendations section of the financial statements, matters reported in the prior year remained unresolved as at 30 June, 2019.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Work in Progress

The statement of financial position reflects a balance of Kshs.4,495,730 under work in progress which, as disclosed in Note 11(a) to the financial statements, related to a building under construction in Mariakani. However, the work in progress (buildings) has remained the same since 2016/2017 financial year and no explanation has been provided on why the building had not been completed five years since it was started so as to be capitalized and depreciated at the applicable rates.

Consequently, value for money on the work in progress balance of Kshs.5,970,173 could not be confirmed.

2. Tax Expenses

As previously reported, included in the trade and other payables balance of Kshs.255,808,845 is tax liability of Kshs.18,300,794 for prior year assessment, out of which Kshs.8,480,175 relates to fines and penalties. The Company was audited for compliance with tax laws by the Kenya Revenue Authority in financial year 2016/2017. This resulted to an assessment of Kshs.35,800,794 comprising of Kshs.27,325,619 defaulted principal taxes and Kshs.8,475,175 being the penalties and interest. The

Company did not settle the tax assessed which may lead to additional penalties and interest.

The Company is therefore, in breach of the law.

3. Staff Costs

The statement of profit and loss and other comprehensive income reflects administrative costs of Kshs.301,706,312 which, as disclosed in Note 6 to the financial statements, included staff costs of Kshs.166,776,604. The following observations were made regarding the staff costs:

3.1 Employees Above the Age of Sixty (60) Years

A review of staff records revealed that, out of the Company's two hundred and eleven (211) employees, five (5) attained the mandatory retirement age of sixty (60) years at different times during the year. However, the five (5) employees continued to work for the Company and were paid salaries totaling to Kshs.1,112,028, contrary to Section 17.5 of the Company's Human Resources Policy Manual of June 2012 on retirement age which provides that the mandatory retirement age shall be sixty (60) years.

The Company was therefore in breach of its Human Resources Policy Manual and the propriety of the salaries amounting to Kshs.1,112,028 paid to retirees could not be ascertained.

3.2 Excess Employer Pension Contribution.

The staff costs of Kshs.166,776,604 includes Kshs.12,004,490 employer pension contribution. However, records provided for audit review indicated that the employer contributed 15% of the basic salary plus house allowance towards the pension. This is contrary to The National Treasury Circular No. 18/2010 of 24 November, 2010 which provides that pension emoluments must be defined as basic salary excluding housing, transport and any other allowances or fluctuating emoluments. The employer pension contribution was therefore in excess by Kshs.2,444,430.

Therefore, the Management is in breach of the Law and the propriety of employer pension contribution excess payment of Kshs.2,444,430 could not be ascertained.

4. Unaccounted for Water

The statement of profit and loss and other comprehensive income reflects Kshs.498,539,925 in respect of sale of water. Records provided for audit review indicated that the Company received 9,796,476 cubic meters of water from Coast Water Works Development Agency, out of which 4,815,789 cubic meters (49.2%) was billed to its customers. The balance of 4,980,687 cubic meters or 50.8% represents Unaccounted for Water (UFW) which is 25.8% higher than the allowable loss of 25% set by the Water Service Regulatory Board (WASREB) guidelines. The 4,980,687 cubic meters of

Unaccounted for Water may have resulted to a loss of revenue estimated at Kshs.515,600,718 using the Company's average selling price of Kshs.103.52 per cubic meter.

This significant level of Unaccounted for Water may negatively impact on the Company's profitability and sustainability.

5. Gender Composition

As disclosed in Note 6(a) to the financial statements, the Company had two hundred and four (204) staff as at 30 June, 2019. However, a review of personnel records provided for audit revealed that the Company had two hundred and eleven (211) staff as at 30 June, 2019, resulting to a variance of seven (7) staff which was not explained or reconciled. Further, out of the 211 staff, one hundred seventy six (176) or 83% are of the male gender, leaving only 35 (thirty-five) or 17% of the female gender, contrary to Article 27(8) of the Constitution of Kenya, 2010 which provides that, in addition to the measures contemplated in Clause (6), the right to life, equality and freedom from discrimination, state shall take legislative and other measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

In addition, the Board recruited 3 (three) new staff in the Company's senior management cadre, all of whom were male, contrary to the same Article of the Constitution of Kenya, 2010.

6. Over Commitment of Salaries

An audit review of the Company's payroll for the year under review indicated payroll deductions in excess of two thirds of basic pay as detailed below;

Month	No. of Employees
July, 2018	25
August, 2018	18
September, 2018	14
October, 2018	14
November, 2018	16
December, 2018	17
January, 2019	8
February, 2019	17
March, 2019	16
April, 2019	22
May, 2019	24
June, 2019	15

This was contrary to provisions of Section 19(3) of the Employment Act, 2007 which states that the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

Consequently, the Company was in breach of the Law.

7. Administrative Services Procurement

The administrative costs of Kshs.301,706,312 includes amounts of Kshs.1,544,006, Kshs.968,140 and Kshs.309,914 incurred on fuel and lubricants, office supplies and training expenses, respectively which were sourced from suppliers who were not in the list of registered suppliers. This is contrary to Section 71 (1) of Public Procurement and Asset Disposal Act, 2015 which provides that the Head of Procurement function shall maintain and continuously update lists of registered suppliers, contractors and consultants in various specific categories of goods, works or services according to its procurement needs and Section 106 (2) (a) of the same Act which provides that the Accounting Officer of a procuring entity shall give the request to such persons as are registered by the procuring entity.

Further, included in administrative costs of Kshs.301,706,312 are expenses amounting to Kshs.5,011,252 incurred on various items through cash purchases. This is contrary the First Schedule of the Public Procurement and Disposal (Amendment) Regulations, 2013 which requires the maximum value of expenditure under low value procurement for Class B procuring entities to be Kshs.10,000 per procurement per item.

Consequently, the Company is in breach of the Law and propriety of administrative expenses of Kshs.7,833,312 for the year ended 30 June, 2019 could not be ascertained.

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 Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Weaknesses in Information and Communications Technology

Audit review of records and information availed for audit revealed that the Company has no policy guidelines on Information and Communications Technology (ICT) and operates without an ICT Strategy despite implementing a billing system which has led to significant increase in reliance on information technology software, hardware and associated infrastructure. Further, the Company has and continues to undertake manual procedures that inhibit system integrity including manually updating M-Pesa and direct deposits in the bank to the billing system.

In addition, the Company did not have documented procedures on performing database backups and backup registers indicating when backups are successfully done or not. Furthermore, data backups had not been tested to check their integrity and were not stored in an offsite location. Under the circumstances, the ICT controls appear weak and inadequate.

2. Corporate Governance

As disclosed in Note 6 to the financial statements, the administrative costs of Kshs.301,706,312, as previously reported, includes an amount of Kshs.10,457,040 in respect to Directors' emoluments. The following observations were made:

a. Kilifi-Mariakani Water and Sewerage Company Limited has not held any General Meeting since 2012, contrary to the Company's Articles of Association Clause 47 which states that, 'The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting that year'.

b. The Company has nine (9) Directors, two (2) of whom were appointed to the Board in 2014 and seven (7) who joined the Board in 2019. This is contrary to the requirement of the Company's Memorandum and Articles of Association that a third of Directors should retire every third Annual General Meeting.

c. The Company provided for Kshs.720,000 in the budget for the Chairman's honorarium, which was not spent since the Company had been operating without a substantive Chairman for ten (10) years up-to 14 May, 2019 when the current Chairman was appointed. Running the operations of the Board without a substantive Chairperson may have negatively affected its performance or effectiveness.

The Company is therefore in breach of its Memorandum and Articles of Association.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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 maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of Kilifi-Mariakani Water Company Limited's effectiveness of internal control, risk management and overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources applied in an effective manner in line with Article 229(6) of the Constitution of Kenya, 2010.

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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

15 September, 2021

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE, 2019

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

		2018-2019	2017-2018
	Notes	Kshs	Kshs
REVENUES			
Sale of water	1	498,539,925	465,717,976
		498,539,925	465,717,976
Cost of sales	2	262,783,681	254,998,692
Gross Profit		235,756,244	210,719,284
WSTF Grant	3(a)	534,597	534,597
County Government	4	-	6,915,535
Other Income	5	26,026,355	13,016,963
TOTAL REVENUES		262,317,196	231,186,379
OPERATING EXPENSES			
Administrative costs	6	301,706,312	273,197,314
Depreciation expenses	11	15,633,509	13,020,167
Amortisation of Intangible Assets	12	767,561	905,702
Adjustments (Audit fees)			-
TOTAL OPERATING EXPENSES		318,107,382	287,123,183
Operating Profit/ (Loss)		(55,790,186)	(55,936,804)
Finance Income			-
Finance Cost	7	-	19,224
Profit/Loss Before Taxation		(55,790,186)	(55,956,028)
Income Tax Expense/(Credit)	8		-
PROFIT/(LOSS) AFTER TAXATION		(55,790,186)	(55,956,028)
Earnings Per Share	9	-	-
Dividend Per Share	10	-	-

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Note	2018-2019	2017-2018
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	158,872,141	142,079,670
Intangible assets	12	3,070,244	3,622,806
WIP-mariakani office	11(a)	4,495,730	5,970,173
Total Non-Current Assets		166,438,115	151,672,649
Current Assets			
Inventories	13	12,786,613	15,433,562
Trade and other receivables	14	247,721,990	187,861,521
Bank and cash balances	15	28,368,935	21,309,857
Total Current Assets		288,877,538	224,604,941
TOTAL ASSETS		455,315,653	376,277,590
EQUITY AND LIABILITIES			
Capital and Reserves			
Owners Equity		-	-
Ordinary share capital	16	100,000	100,000
Retained earnings	19	(351,878,636)	(296,088,450)
CWWDA Liability	26	(28,681,849)	(35,476,311)
Capital Reserves fund	27	50,094,019	50,094,019
Capital and Reserves		(330,366,466)	(281,370,742)
Non-Current Liabilities			
Bulk water	24	265,329,908	247,785,948
Licencee fees	23	249,547,877	207,633,307
Borrowings K-REP	20	-	-
Deferred Income	3(b)	11,761,124	12,295,721
Total Non-Current Liabilities		526,638,909	467,714,976
Current Liabilities			
Trade and other payables	22	255,808,845	188,437,743
Retirement benefit obligations	25	3,234,365	1,495,614
Total Current Liabilities		259,043,210	189,933,357
TOTAL EQUITY AND LIABILITIES		455,315,653	376,277,590

The financial position on pages 24 to 27 were approved for issues by the Board of directors on.....2019 and signed on its behalf by:


MANAGING DIRECTOR


FINANCE MANAGER


CHAIRMAN OF THE BOARD

Name: Hezekiah Nguma Mwarua **Name:** Benedict Katana Ngumbao CPA No. 15256 **Name:** Emmanuel Benedict Furaha

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

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

	Share Capital	Retained Earnings	Capital Reserves	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2018	100,000	(296,088,450)	50,094,019	(245,894,431)
Net loss for the year		(55,790,186)		(55,790,186)
As at 30 th June 2019	100,000	(351,878,636)	50,094,019	(301,684,617)

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

XV. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
OPERATING ACTIVITIES			
Cash generated from Operations	30	40,234,654	17,341,204
Interest received	5	-	-
Interest paid	7	-	(19,224)
Dividends paid		-	-
Taxation paid (Prior years assessment)	8	-	(3,000,000)
Net cash generated from operating activities		40,234,654	14,321,980
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(32,425,980)	(10,372,581)
Proceeds from disposal of property, plant and equipment		-	-
Purchase of intangible assets	12	(214,998)	(1,045,160)
WSTF project	3		-
Work in progress-Ark project		-	(1,474,443)
Proceeds from disposal of quoted investments			
Net cash used in investing activities		(32,640,978)	(12,892,184)
FINANCING ACTIVITIES			
Grant from County Government	4	-	-
Proceeds from borrowings		-	-
Repayment of borrowings	20	-	(839,216)
WST-Grant Deferred Income	3(a)	(534,598)	(534,598)
Net cash used from financing activities		(534,598)	(1,373,814)
Increase/(Decrease) In Cash And Cash Equivalents		7,059,078	55,982
Cash And Cash Equivalents At Beginning Of Year		21,309,857	21,253,875
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		28,368,935	21,309,857

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

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

	Original budget	Final budget	Actual on comparable basis	Performance difference	%
	2018-2019	2018-2019	2018-2019	2018-2019	
Revenue	Kshs	Kshs	Kshs	Kshs	
Sale of goods	561,786,962	561,786,962	498,539,925	(63,247,037)	-11%
Other income	38,220,000	38,220,000	26,026,355	(12,193,645)	-32%
Total income	600,006,962	600,006,962	524,566,280	(75,440,682)	-13%
Expenses					
Compensation of employees	172,216,684	172,216,684	166,776,604	5,440,080	3%
Use of goods and services	339,163,747	339,163,747	354,397,050	(15,233,303)	-4%
Finance cost	16,898,607	16,898,607	4,899,827	11,998,780	71%
Rent paid	1,620,000	1,620,000	1,572,868	47,132	3%
Repairs & Maintanace	7,925,879	7,925,879	7,113,818	812,061	10%
BOD expenses	11,954,000	11,954,000	10,457,040	1,496,960	13%
Other payments	19,025,164	19,025,164	13,311,175	5,713,989	30%
Total expenditure	568,804,081	568,804,081	558,528,382	10,275,699	2%
Surplus/ deficit for the period	31,202,881	31,202,881	(33,962,102)	65,164,983	

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

Explanations to the Budget variances

- a) The shortfall of 11% in sale of water was due to high non-revenue water attributed to aged network, stopped meters, water theft, bursts and leaks. The other factor contributing to huge disparity in revenue is water rationing which precipitates inconsistency in supply of water in some areas.
- b) Shortfall in other incomes was due to low connectivity in new connections and failure to meet reconnection fee target was due to change in approach of handling clients through customer management plan. The company adopted broadcast system to sensitize clients to pay.
- c) The above factors affected the overall shortfall of total revenue for the year 2019.
- e) Purchases for goods and services although it has unfavorable variance of 4% there are quite a number of expenditure lines that contributed to over expenditure
 - i) Estimated bills for bulk water supply lead to increase in bulk water bill
 - ii) Over-expenditure on staff training cost was due to increase in training needs for staff.
 - iii) Over-expenditure on Operation and Maintenance field allowances
 - c)i Travelling and accommodation- this is contributed by World Bank trainings and consultative meetings, etc
 - ii Hire of transport increased due to lack of enough fleet.
 - d)Conference and meeting increased due to world bank activities.
- Wasreb levy increased due to percentage increased from 1% to 9% as from September 2019

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kilifi Mariakani Water and Sewerage Company Limited is established by and derives its authority and accountability from the Water Act 2002. The Company is wholly owned by the County Government of Kilifi and is domiciled in Kenya. The Company's principal activity is supply of water to the residents of Kilifi South, Ganze, Kaloleni, Rabai and parts of Kilifi North Sub County.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Company's 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 actuarially determined liabilities at their present value. The financial statements are prepared in conformity with International Financial Reporting Standards (IFRS), which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements management engage experts for advice. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act 446, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard/Amendment to a standard	Effective date	Impact
Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)	1 Jan 2016	The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

Standard/Amendment to a standard	Effective date	Impact
		circumstances. Affected the entity and hence adopted in January 2016
Amendment to IFRS 5 (Annual Improvements to IFRSs 2012–2014 Cycle , issued in September 2014)	1 Jan 2016	The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa. The standard does not affect the company and hence does not apply.
Amendment to IFRS 7 (Annual Improvements to IFRSs 2012–2014 Cycle , issued in September 2014)	1 Jan 2016	The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. The standard is relevant to the entity and therefore was adopted.
Amendments to IFRS 10, IFRS 12 and IAS 28 titled Investment Entities: Applying the Consolidation Exception (issued in December 2014)	1 Jan 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. Not applicable to the entity so not adopted.
Amendments to IAS 1 titled Disclosure Initiative (issued in December 2014)	1 Jan 2016	The amendments, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. This amendments affects the entity early adoption 1 january,2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 Jan 2017	<p>The amendments clarify that:</p> <ul style="list-style-type: none"> • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. <p>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. Early adoption 1 January 2017</p>

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

Standard/Amendment to a standard	Effective date	Impact
Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)	1 Jan 2017	The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes in fair values; and (iii) other changes. Early adoption in January 2017
Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 Disclosure of interests in other entities	1 st Jan 2017	Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution. The standard does not apply to the company's operation and therefore not adopted

Standard	Effective Date	Impact
IFRS 15 Revenue from Contracts with Customers (issued in May 2014)	1 Jan 2018	The new standard, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance. Affects the entity so it is to be adopted for the first time in January 2018
IFRS 9 Financial Instruments (issued in July 2014)	1 Jan 2018	This standard will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition: The entity does not deal with financial instruments and therefore the standard does not apply – Not adopted

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

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

Amendment/Interpretation to a standard	Effective date	Impact
<i>IFRS 16: Leases</i> <i>(Issued 13 January 2016)</i>	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. <i>Not adopted</i>
<i>IFRS 17 Insurance Contracts</i> <i>(Issued 18 May 2017)</i>	Applicable to annual reporting periods beginning on or after 1 January 2021	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 <i>Insurance Contracts</i> as of 1 January 2021. <i>Not adopted</i>
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i> <i>(Issued 7 June 2017)</i>	Applicable to annual reporting periods beginning on or after 1 January 2019	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: <ul style="list-style-type: none"> • 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 <i>Not adopted</i>

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

<p><i>Prepayment Features with Negative Compensation (Amendments to IFRS 9)</i> (Issued 12 October 2017)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.</p> <p>Not adopted</p>
<p><i>Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)</i> (Issued 12 October 2017)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p> <p>Not adopted</p>
<p><i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> (Issued 12 December 2017)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> • IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. • IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows <i>generally</i> when calculating the capitalisation rate on general borrowings. <p>Not adopted</p>
<p><i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)</i> (Issued 7 February 2018)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>The amendments in <i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)</i> are:</p> <ul style="list-style-type: none"> • If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are

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		<p>determined using the assumptions used for the remeasurement.</p> <ul style="list-style-type: none"> In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. <p><i>Not adopted</i></p>
<p><i>Amendments to References to the Conceptual Framework in IFRS Standards</i></p> <p><i>(Issued 29 March 2018)</i></p>	<p>Annual periods beginning on or after 1 January 2020</p>	<p>Together with the revised <i>Conceptual Framework</i> published in March 2018, the IASB also issued <i>Amendments to References to the Conceptual Framework in IFRS Standards</i>. 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 <i>Conceptual Framework</i>. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised <i>Conceptual Framework</i>.</p> <p><i>Not adopted</i></p>

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii) Early adoption of standards

The entity early – adopt new or amended standards in year 2019 as highlighted below;

- i) Disclosure initiative (amendments to IAS7: Statement of cash flow)
- ii) Recognition of deferred Tax Assets for unrealized losses (Amendments to IAS 12)

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the Company's delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the Company actually receives such grants.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognised as it accrues.

2. In-kind contributions

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

3. Property, plant and equipment

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

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

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

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

4. Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognised in the income statement on a 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:

Buildings and civil works	2.5% or the unexpired lease period
Plant and machinery	12.5 %
Motor vehicles, including motor cycles	25.0%
Computers and related equipment	30 %
Office equipment, furniture and fittings	12.5 %
Cold water meters	20 %
Water infrastructure pipeline	4%
Software (Intangible Asset)	20%

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

Depreciation and impairment of property, plant and equipment

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

5. Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised because 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.

6. Amortization and impairment of intangible assets

Amortisation is calculated on the Reducing Balance basis over the estimated useful life of computer software of five years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

7. 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.

8. Finance and operating leases

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

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

9.Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

10.Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

11.Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Inventories

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

13. Trade and other receivables

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

14. 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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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.

15. Cash and cash equivalents

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

16. Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Trade and other payables

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

18. Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2014. The scheme is administered by County Pension Fund Managers and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

19. Provision for staff leave pay

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

20. Exchange rate differences

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

21. Budget information

The original budget for FY 2018-2019 was approved by the Board of directors on 30 June 2018. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not have additional appropriations on the budget in FY2018-2019.

The entity's budget is prepared on a 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 accrual basis. The amounts in the financial statements were recast from the accrual 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

23.Comparative figures

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

24.Subsequent events

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

- Changes in the market in relation to the asset conditions

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 6 and 12.

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.0 SALES		
	2019	2018
	Kshs	Kshs
Sale of water	498,966,148	465,717,976
Credit Adjustments	(426,223)	
Total	498,539,925	465,717,976

2.0 COST OF SALES	2019	2018
	Kshs	Kshs
Cost of Water	192,842,040	180,543,960
Lease Fees	35,967,839	41,914,618
Chemicals	887,920	1,477,080
Electricity Booster pumping	26,998,628	25,316,184
Adjustment	1,220,954	-
Network extension	4,866,300	5,646,850
NRW/GIS	-	100,000
Total	262,783,681	254,998,692

During the year under review the cost of bulk water purchase increase from ksh 180,543,960 to ksh 192,842,040. An increase in cost of bulk water by ksh 12,298,080.

3.0 (a) GRANTS FROM WATER SERVICE TRUST FUND

	2018-2019	2017-2018
	Kshs	Kshs
Capital grants received	534,597	534,597
Total	534,597	534,597

Note: Ksh 534,597.00 is arising from the amortization of deferred income from the water services trust fund(WSTF).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Included in the revenue stream of other income is an amount of ksh. 534,597 arising from amortisation of deferred income from the Water Services Trust fund project (WTSF). The amount recognised as income is to offset the equivalent amount of the amortised component.

3.0(b)

Name of the Entity sending the grant	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2015-2016
	KShs			
		KShs	KShs	KShs
Water Service Trust Fund	9,566,305	-	9,566,305	9,566,305
Total	9,566,305	-	9,566,305	9,566,305
				2016-2017
	12,830,318	13,364,915	3,798,610	3,798,610
Total	12,830,318	13,364,915	3,798,610	3,798,610
	12,295,721	12,830,318		2017-2018
	11,761,124	12,295,721		2018-19

4.0 COUNTY GOVERNMENT

	2018-2019	2017-2018
	Kshs	Kshs
County Government	-	6,915,535
Total	-	6,915,535

5.0 OTHER INCOME

	2018 - 2019	2017 - 2018
	Kshs	Kshs
Miscellaneous Revenue	15,312,055	4,402,634
New Connection Charges	6,590,850	5,670,199
Adjustment	1,394,950	
Re-connection charges	2,728,500	2,944,130
Total	26,026,355	13,016,963

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6.0 ADMINISTRATIVE COSTS			
		2018-2019	2017-2018
	Notes	Kshs	Kshs
Staff Costs	6(a)	166,776,604	175,789,479
Directors Emoluments	6(b)	10,457,040	5,044,747
Travelling & Accommodations	6(c)	13,748,854	5,193,249
Hospitality Supplies & Services	6(d)	1,720,578	706,506
Advertising, printing & Stationary	6(e)	4,283,263	2,716,983
Office, general supplies & services	6(f)	11,109,676	9,051,547
Staff Training		3,832,535	2,916,740
Rent Expenses		1,572,868	1,717,229
WASREB levy		15,568,726	4,657,180
Insurance Costs		986,734	1,024,293
Bank Charges & Commission		1,800,927	930,956
Legal fees		842,706	810,415
Fines & Penalties	6(g)	-	25,000
Other Operating Expenses	6(h)	28,351,126	18,994,235
Repairs and Maintenance	6(i)	24,055,770	31,228,454
Communication services and supplies	6(j)	6,454,302	5,804,531
Consultancy		1,138,500	772,150
Provision for Bad & Doubtful Debts		4,737,656	3,516,014
Provision for Audit fees		1,960,400	672,800
Electricity		1,049,550	1,008,033
Donations		68,199	249,963
Staff Uniforms		175,000	366,810
Motor vehicle Inspection		46,300	-
Car Tracking		201,000	-
World water Day		768,000	-
Total		301,706,312	273,197,314

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018-2019	2017-2018
	Kshs	Kshs
6(a) STAFF COSTS		
Salaries & Allowances to Permanent Staff	128,366,416	140,533,420
Wages of Contract Employees	102,000	30,000
Company National Social Security Fund	507,600	495,400
Pension	12,004,490	11,495,018
Staff Welfare	966,263	1,161,751
Staff Medical	12,955,579	6,144,209
Gratuity	4,773,151	6,854,498
Staff Incentives	1,984,500	1,610,000
WIBA	1,468,868	980,620
Staff Licence renewal	10,900	6,500
WASCA	1,772,230	3,615,698
Subsistence Allowances	1,311,210	2,242,110
Subscriptions	553,397	620,256
Total	166,776,604	175,789,479

The average number of employees at the end of the year was:	2018-2019	2017- 2018
Permanent employees – Management	20	20
Permanent employees – Unionisable	171	197
Temporary and contract employees	13	6
Total	204	223

6(b) BOARD OF DIRECTORS EXPENSES

	2018-2019	2017-2018
	Kshs	Kshs
Workshop & Seminars	2,738,540	1,076,100
Travel & Accommodation	48,400	110,000
Committee Allowances	3,094,000	2,365,000
Annual General Meeting	-	-
Chairman Honorarium	600,000	-
BOD Events	3,716,600	1,386,700
BOD Medical	-	29,000
Entertainment	52,500	77,947
BOD Other	207,000	-
Total	10,457,040	5,044,747

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NOTES TO THE FINANCIAL STATEMENT (Continued)

6(c) TRAVELLING & ACCOMONDATION

	2018-2019	2017-2018
	Kshs	Kshs
Transport	675,820	1,628,100
Travel and Accommodation	12,177,010	3,074,844
Hire of Transport	838,874	490,305
Milleage	57,150	-
Total	13,748,854	5,193,249

6(d) HOSPITALITY SUPPLIES & SERVICES

	2018-2019	2017-2018
	Kshs	Kshs
Conference & Meetings	1,720,578	706,506
Entertainment		-
Total	1,720,578	706,506

6(e) ADVERTISING, PRINTING & STATIONARY

	2018-2019	2017-2018
	Kshs	Kshs
comp accessories	630,000	14,200
Printing and stationary general	1,325,034	1,759,498
Publicity Expenses	2,293,529	943,285
Public, adverts & announcements	34,700	-
Total	4,283,263	2,716,983

6(f) OFFICE, GENERAL SUPPLIES AND SERVICES

	2018-2019	2017-2018
	Kshs	Kshs
Office expenses	1,101,644	1,018,328
Office Cleaning	319,088	359,127
Security Services	7,221,640	7,062,948
IT consumables &subscriptions	2,467,304	611,144
Total	11,109,676	9,051,547

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6g) FINES & PENALTIES	2018-2019	2017-2018
	Kshs	Kshs
Laptrust penalty	-	-
Taxes for prior years	-	-
Road offences	-	25,000
	-	25,000

6h) OTHER OPERATING EXPENSES

	2018-2019	2017-2018
	Kshs	Kshs
Disconnection expenses	169,750	390,800
Disconnection Fittings	25,000	-
O&M Field allowance	19,407,870	9,733,085
Fuel & Lubricants	8,669,306	8,682,300
Meter servicing consumables	79,200	188,050
Total	28,351,126	18,994,235

6 i) REPAIRS & MAINTENACE

	2018-2019	2017 - 2018
	Kshs	Kshs
Buildings	1,382,113	2,478,440
Computers	253,076	671,006
Furniture & Equipment	10,500	-
Motor Cycles	923,483	1,229,189
Motor Vehicles	2,750,741	2,291,663
Generator	145,834	36,000
Pumps	1,266,070	1,628,760
Water infrastructure	16,941,952	22,620,196
Electricity repairs	382,000	273,200
Total	24,055,770	31,228,454

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 j) COMMUNICATION SERVICES

	2018-2019	2017-2018
	Kshs	Kshs
Telephone and Internet services	4,398,074	3,945,920
Bill postage	748,808	1,292,011
Tokens (sms)	1,307,420	566,600
Total	6,454,302	5,804,531

7.0 FINANCE COSTS

	2018-2019	2017-2018
	Kshs	Kshs
Interest expense on loans	-	19,224
Interest expense on bank overdrafts	-	-
Total	-	19,224

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.0 INCOME TAX EXPENSE

a) TAXABLE PROFIT/ LOSS FOR THE YEAR ENDED 30 JUNE 2019

	2018-2019	2017-2018
	Kshs	Kshs.
Profit /Loss for the year	(55,790,186)	(55,936,804)
Add back depreciation/amortisation	16,401,070	13,020,167
Add back provision for doubtful debts	4,737,656	3,516,014
Add back provision for Audit fees	672,800	672,800
Add back donations	68,199	249,963
	(33,910,461)	(38,477,860)
Less allowable expenses		
Wear and tear allowances	19,874,204	16,859,750
Loan Interest	-	19,224
Total Allowable items	19,874,204	16,878,974
Amount chargeable to tax	(55,790,186)	(55,356,834)
Taxable Profit / Loss B/F	(299,849,958)	(244,493,124)
	(355,640,144)	(299,849,958)

b) TAXATION (PRIOR YEARS ASSESSMENT)

	2018-2019
Tax liability from previous year	18,300,794
Less payment	-
Outstanding Tax payable	18,300,794

During the Year 2018/19 the company had an outstanding tax payable of kshs 18,300,794.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.0 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax, however the company has been making losses and more so the company being the County Corporation is awaiting the County Government of Kilifi to subscribe to the shares. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

10.0 DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2019, no dividend in respect of the year, ended June 30, 2019 as the company reported losses and the same applies to the prior year financial year 2018.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.0 PROPERTY, PLANT AND EQUIPMENT

DETAILS	Land	Buildings	Motor Vehicles	Computers & Accessories	Furniture and Fitting	Plant and Equipment	Water Infrastructure meters	Water Infrastructure Pipeline	Total
									149,222,986
Bal as at 30 th June 2017	3,445,000	29,816,278	7,926,391	2,367,629	2,800,148	2,375,921	16,725,906	79,269,983	144,727,256
Additional Assets 2018	-	-	2,623,000	3,156,781	783,100	569,700	3,240,000	-	10,372,581
Fixed Assets as 30 June 2018	3,445,000	29,816,278	10,549,391	5,524,410	3,583,248	2,945,621	19,965,906	79,269,983	155,099,837
Depreciation charge 2018	-	745,407	2,637,348	1,657,323	447,906	368,203	3,993,181	3,170,799	13,020,167
NBV as at 30 th June 2018	3,445,000	29,070,871	7,912,043	3,867,087	3,135,342	2,577,418	15,972,725	76,099,184	142,079,670
WIP (Building)		4,495,730							4,495,730
WIP (ARK PROJECT)								1,474,443	1,474,443
									148,049,843
Bal as at 30 th June 2018	3,445,000	29,070,871	7,912,043	3,867,087	3,135,342	2,577,418	15,972,725	76,099,184	142,079,670
Additional Assets 2019			1,970,002	3,240,000	2,376,812	752,760	12,480,249	11,606,157	32,425,980
Fixed Assets as 30 June 2019	3,445,000	29,070,871	9,882,045	7,107,087	5,512,154	3,330,178	28,452,974	87,705,341	174,505,650
Depreciation charge 2019		726,772	2,470,511	2,132,126	689,019	416,272	5,690,595	3,508,214	15,633,509
NBV as at 30 th June 2019	3,445,000	28,344,099	7,411,534	4,974,961	4,823,135	2,913,906	22,762,379	84,197,127	158,872,141
WIP (Building)		4,495,730							4,495,730
Total									163,367,871

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Cost or valuation	Annual depreciation charge	NBV
	Ksh.	Ksh.	Ksh.
Land and buildings	32,515,871	726,772	31,789,099
Plant and machinery	3,330,178	416,272	2,913,906
Motor vehicles, including motor cycles	9,882,045	2,470,511	7,411,534
Computers and related equipment	7,107,087	2,132,126	4,974,961
Furnitur & Fittings	5,512,154	689,019	4,823,135
Cold water meters	28,452,974	5,690,595	22,762,379
water infrustructure pipeline	87,705,341	3,508,214	84,197,127
	174,505,650	15,633,509	158,872,141

11.0 (a) WIP is the building under construction in Mariakani, an office block to reduce rent cost.

12.0 INTANGIBLE ASSETS COST

	2018-2019	2017-2018
	Kshs	Kshs
At 1 July 2018	6,381,462	5,336,302
Additions	214,998	1,045,160
At June 30 2019	6,596,460	6,381,462
At 1 July 2018	2,758,655	1,852,953
Charge for the year	767,561	905,702
Impairment loss		
At June 30 2019	3,526,216	2,758,655
At June 30 2019	3,070,244	3,622,806

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13.0 INVENTORIES		
	2018-2019	2017-2018
Engineering stores	2,906,120	5,621,543
Motor vehicle spare parts	111,291	196,234
Chlorine	48,600	73,080
Building materials	40,000	10,000
Water meters	8,484,430	7,921,353
Computer accessories	717,550	1,081,900
Stationery and general stores	478,622	529,452
	12,786,613	15,433,562

Stationery, water fittings, Chlorine, Building materials, water meters computer accessories, motor vehicles spare parts had not been utilised at the close of the financial year.

14.0 TRADE AND OTHER RECEIVABLES

	2018-2019	2017-2018
	Kshs	Kshs
Trade receivables	232,145,139	172,284,670
Deposits and prepayments	210,990	210,990
VAT recoverable	-	-
Staff receivables	128,406	128,406
Other receivables	15,237,455	15,237,455
Gross trade and other receivables	247,721,990	187,861,521
Net trade and other receivables	247,721,990	187,861,521

The amount of ksh. 15,237,455 for other receivables have been carried forward from the prior years and management is investigation the same to come up with a solution.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14.0 (a) TRADE RECEIVABLES

	2018-2019	2017-2018
	Kshs	Kshs
Gross trade receivables	236,882,795	175,800,684
Provision for doubtful receivables	(4,737,656)	(3,516,014)
Total	232,145,139	172,284,670

As at June 30, the ageing analysis of the gross trade receivables was as follows:

	2018-2019	2017-2018
	Kshs	Kshs
Less than 30 days	59,629,082	34,253,250
Between 30 and 60 days	19,625,589	24,564,975
Between 61 and 90 days	14,456,952	10,729,112
Between 91 and 120 days	7,644,841	5,673,558
Over 120 days	135,526,331	100,579,790
Total	236,882,795	175,800,684

The provision on debtors of ksh. 4,737,656 is a general provision at 2.0% based on historical estimates.

14.0 (b) STAFF RECEIVABLES

	2018-2019	2017-2018
	Kshs	Kshs
Gross staff loans and advances	128,406	128,406
Provision for impairment loss	-	-
Total	128,406	128,406

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15.0 BANK AND CASH BALANCES

	2018-2019	2017-2018
	Kshs	Kshs
Cash at bank	28,360,589	20,891,421
Cash in hand	8,346	418,436
Total	28,368,935	21,309,857

		2018-2019	2017-2018
Financial institution	Account number	Kshs	Kshs
a) Current account			
Kenya Commercial bank	1101877731	542,409	265,683
Kenya Commercial bank	1102227366	57,825	64,342
Kenya Commercial bank	1102227595	7,184,477	2,347,625
Kenya Commercial bank	1101877553	4,461,400	14,369,175
Kenya Commercial bank	1102225444	8,750,554	2,038,010
Co-operative Bank	1136465628000	52,320	57,181
Post Bank	744130000183	4,104,973	318,378
Sub- total		25,153,958	19,460,393
Cash in Hand		8,346	418,436
M-PESA	522100	45,316	292,288
M-PESA	841961	-	17,000
M-PESA	825995	42,400	83,896
Postal Corporation		3,118,915	1,037,844
Sub- total		3,214,977	1,849,464
Grand total		28,368,935	21,309,857

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16.0 ORDINARY SHARE CAPITAL

	2018-2019	2017-2018
Authorised:	Kshs	Kshs
5,000 ordinary shares of Kshs. 1,000 par value each	5,000,000	5,000,000
	5,000,000	5,000,000
Issued and fully paid:		
100 ordinary shares of Kshs. 1,000 par value each	100,000	100,000
Total	100,000	100,000

17.0 REVALUATION RESERVE

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

18.0 FAIR VALUE ADJUSTMENT RESERVE

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

19.0 RETAINED EARNINGS

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

	2018-2019	2017-2018
Retained Earnings	Kshs	Kshs
As at 1 July 2018	(296,088,450)	(240,132,422)
Net loss for the year	(55,790,186)	(55,956,028)
Total as at June 30 2019	(351,878,636)	(296,088,450)

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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20.0 BORROWINGS

	2018-2019	2017-2018
	Kshs	Kshs
Balance at beginning of the year	-	839,216
Domestic borrowings during the year	-	-
Repayments of domestics borrowings during the year	-	839,216
Balance at end of the year	-	-
Less: Amounts due within one year (current portion)	-	-
Amounts due after one year (non-current portion)	-	-

This loan facility awarded to the company by K-REP Bank at an interest rate of 21% per annum on reducing balance was fully settled by last financial year.

21.0 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year-end is attributable to the following items:

	2018-2019	2017-2018
	Kshs	Kshs
Accelerated capital allowances	16,859,750	16,859,750
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(299,849,958)	(299,849,958)
Provisions for liabilities and charges	-	-
Net deferred tax liability	(282,990,208)	(282,990,208)

The movement on the deferred tax account is as follows:

Balance at beginning of the year	(175,576,803)	(175,576,803)
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	175,576,803	175,576,803

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22.0 TRADE AND OTHER PAYABLES

	2018-2019	2017-2018
	Kshs	Kshs
Trade Creditors	75,324,187	53,165,208
Other Liabilities	9,041,771	11,624,474
Long Term Customer Deposit	49,208,661	40,951,861
Water Service Regulatory Services Levy	14,334,353	2,365,628
Tax Liability (Prior years Assessment)	18,300,794	18,300,794
Audit Fees	3,289,200	2,571,200
Lease fees(licensee fees)	35,967,839	41,914,618
Bulk water liabilities	50,342,040	17,543,960
Total	255,808,845	188,437,743

23.0 LICENCEE FEES

Licencee fees is levied by Coast Water Works Development Agency for the use as the agent of the regulator offering administrative services, the rate is 9% of the water sale. The current accumulated amount in ksh. 285,515,715 being ksh. 35,967,839 classified as current and ksh. 249,547,877 classified as non-current. The Water Regulatory Levy is payable to Water Regulator Board (WASREB) at a rate of 1% of water sale upto August 2019 as from November 2018 it changed to 4% of water sales.

24.0 BULK WATER (DEBT)

The Bulk water debt relates to Coast Water Works Development Agency invoices for supply of water, which has been rescheduled for payment in future. The outstanding amount as at 30 June 2019 is ksh. 315,671,948, being ksh. 50,342,040 classified as current and ksh. 265,329,908 classified as non-current.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25.0 RETIREMENT BENEFIT OBLIGATIONS

The entity operates a defined Contribution scheme for all full-time employees from July 1, 2015. The scheme is based on 12 percentage of basic salary plus House allowances of an employee and the employer contributes 15 % of the same. The company also has a few employees who are not contributing to the defined benefit scheme, but the fund managers normally determines liabilities and advises the employer to pay from time to time. Currently we have not been advised on any liability. The below balances relates to defined contribution scheme balances.

	2018-2019	2017-2018
	Kshs	Kshs
Laptrust	3,234,365	1,495,614
Total	3,234,365	1,495,614

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

26.0 COAST WATER WORKS DEVELOPMENT AGENCY LIABILITY

This arises as a result of excess of total liabilities over assets; there are pending unreconciled issues relating to Bulk water over estimation of invoices provided to KIMAWASCO.

Total current & non-current liabilities Ksh. 785,682,119

Less total Assets Ksh. 455,315,653

Less Capital and Reserve Ksh. 301,684,617

CWWDA Liability Ksh. 28,681,849

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REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27.0 CAPITAL RESERVES FUND

	2018-2019	2017-2018
	Kshs	Kshs
Land	2,745,000	2,745,000
Buildings	29,821,900	29,821,900
Motor vehicles	1,690,000	1,690,000
Subtotal	34,256,900	34,256,900
Management salary at formation	521,875	521,875
Payroll deduction on Ex- Nwe	411,423	411,423
Ex-New payroll on formation	418,332	418,332
Management salary at 2006 July	521,875	521,875
Statutory deduction 2006 August	411,423	411,423
Transfer on reconciliation	220,184	220,184
Sub Total	2,505,112	2,505,112
Adjustment for cost of bills	13,332,007	13,332,007
Total	50,094,019	50,094,019

28.0 PROVISION FOR LEAVE PAY

Provision for annual leave pay is a liability the company has tried to avoid by exercising annual leave planning where every head of department and section heads prepares a leave roster to avoid leave liability. This is based on services rendered by full-time employees up to the end of the year.

29.0 DIVIDENDS PAYABLE

The balance of dividends payable relates to unclaimed dividends, payable to different ordinary shareholders. The balances are analysed in annual amount below.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30.0 NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of operating profit /(Loss) to cash generated from/ (used in) operations

	2018-2019	2017-2018
	Kshs	Kshs
Operating profit/(loss)	(55,790,186)	(55,956,028.27)
Depreciation/amortisation	16,401,070	13,925,869
Provision for bad debts	4,737,656	3,516,014
Provision (CWWDA liability)		-
Provision for audit fees	672,800	672,800
Deferred Income	534,597	(534,597)
Operating profit/(loss) before working capital changes	(33,444,063)	(38,375,942.27)
Stock of consumables	2,548,796	(12,078,638.30)
(Increase)/decrease in trade and other receivables	(59,860,469)	(61,773,913)
Increase/(decrease) in trade and other payables	63,066,846	(7,034,908.31)
Increase/(decrease) in cwwda liability	6,794,462	41,417,927.88
Increase/(decrease) in retirement benefit obligations	1,738,751	149,095
Increase/(decrease) in Bulk liability	17,543,960	59,406,213
Increase/(decrease) in licensee remuneration	41,914,570	35,881,333
Owners equity	73,746,916	55,967,109
	40,302,853	17,591,167
Operating Activities		
Donations	(68,199)	(249,963)
Cash generated from/(used in) operations	40,234,654	17,341,204

31.0 RELATED PARTY DISCLOSURES

(a) Government of Kenya

The County Government of Kilifi is the principal shareholder of the KIMAWASCO, holding 100% of the *entity's* equity interest. However, the Government of Kenya provides full guarantees to all long-term lenders of the KIMAWASCO, both domestic and external.

Other related parties include:

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

- i) The Parent Ministry; Ministry of water and irrigation
- ii) County Government of Kilifi
- iii) Water Services Trust Fund
- iv) Coast Water Service Board
- v) Key management;
- vi) Board of director

b) Grants

	2018-2019	2017-2018
	Kshs	Kshs
Water Services Trust Fund	-	-
County Government	-	6,915,535
Total	-	6,915,535

c) Key management compensation

	2018-2019	2017-2018
	Kshs	Kshs
Directors' emoluments	10,457,040	5,044,747
Compensation to the CEO	-	-
Compensation to key management	15,390,400	16,848,000
Total	25,847,440	21,892,747

32.0 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

1. Related Party Balances

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. There were no inter related party transaction during the year.

2. Segment information

The Company does not have segments operating either geographically or departmentally that requires segmental reporting on performance and allocation of resources

3. Contingent assets and contingent liabilities

The Company does not have known contingent assets or contingent liabilities in the financial period under reporting

4. Capital Commitments

There were no Capital commitments made in the next financial year for reporting in the current financial year

5. Events after the reporting period

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

6. Ultimate and Holding Entity

The Company is a Semi- Autonomous Government Agency under the Ministry of Water and Irrigation. Its ultimate parent is the Government of Kenya.

7. Currency

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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

Guidance

- (i) References used or numbers are as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Managing Director

Date: 26/11/2019.....



Chairman of the Board

Date: 26/11/2019....

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ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2019

Follow-up Audit Report.

June 2019 committee meeting.

S/N	Audit area	Action needed.	Actioned status	Board Recommendation.
1.	Property plant & Equipment	<ul style="list-style-type: none"> ▪ Ownership documents for the company assets. ▪ Valuation reports for the company assets. ▪ Status report on the reported work in progress in the last financial year of Ksh 4,495,730.00 	Ongoing	<p>The Managing Director to follow up with coast water board and National water for the ownership documents.</p> <p>The management to budget for the valuation of assets and the pending work in progress in the FY 2019/2020 budget.</p>
2.	Kimawasco fixed assets register.	<ul style="list-style-type: none"> ▪ Revised updated fixed assets register aligned as provided by the accounting and finance policy. 	Ongoing	The finance manager in coordination with the procurement manager to update the company assets register.
3.	Water production & billed volumes.(Non-revenue water).	<ul style="list-style-type: none"> ▪ Leak detection survey reports. ▪ Meter replacement reports. ▪ District metering progress/performance reports. 	Ongoing	The office of the managing director to designate a non-revenue water officer to lead in reducing non-revenue water.
4.	Budgeted revenue & Billed revenue.	<ul style="list-style-type: none"> ▪ Documented strategies by the commercial manager to increase the billed amount so as to meet the budgeted revenue. 	Ongoing	The office of the managing director to appoint a management accountant who will advise on all issues pertaining to budget.
5.	Accounts receivable.	<ul style="list-style-type: none"> ▪ Ageing analysis of the reported old debts portfolio. ▪ Old debts recovery plan. 	Ongoing	The board transferred the revenue collection function from commercial department to finance department. The finance manager to

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6.	Other receivable.	<ul style="list-style-type: none"> Schedules for the other receivable figure of Ksh 15,237,455.00. 	Ongoing	The finance manager to look for the schedules of the other receivable.
7.	Trade creditors.	<ul style="list-style-type: none"> Payment plan on the clearance of the outstanding suppliers. 	Ongoing	Finance manager to prepare a practical payment plan.
8	Long-term customer deposits.	<ul style="list-style-type: none"> Rebanking of the amount of customer deposits of Ksh 26,582,686.00 which was irregular expensed. 	Ongoing	The finance manager to commit a monthly standing order of Ksh 500,000.00 so as to recover the debt.
9	County government grant.	<ul style="list-style-type: none"> Minutes and other supporting documentation to support the county government grant of Ksh 6,915,535.00 	Ongoing	The chairman of the board and the managing director to follow up the documentation with the county secretary.
10	Budget controls and performance.	<ul style="list-style-type: none"> Monthly budget variance performance reports by 10th of every month. 	Ongoing	Board approved appointment of management accountant.
11.	Staff deductions	<ul style="list-style-type: none"> Payment plan for addressing the outstanding deductions of Ksh 8,614,977.00. 	Closed	Pending staff deductions cleared.
12.	Cash and bank balances.	<ul style="list-style-type: none"> Bank /account statements for M-pesa and Postal corporations. 	Closed	Statements were availed.

Thank you.

Regards,



Janji Alfred Dume.

Internal Audit Manager.

