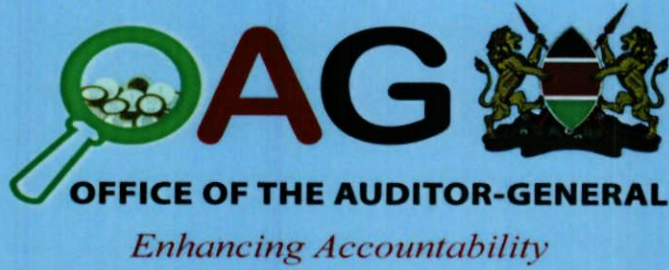


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REPORT

OF

THE AUDITOR-GENERAL

ON

KIKUYU WATER COMPANY LIMITED

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

PAPERS LAID	
DATE	10/02/2022
TABLED BY	SENATE MAJORITY LEADER
COMMITTEE	
CLERK AT THE TABLE	GETRUBO



KIKUYU WATER COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

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

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

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KEY ENTITY INFORMATION

Background information

Kikuyu Water Company Ltd (KWCL) was incorporated under the Companies Act (Cap. 486) on 10th March 2006 and was appointed by Athi Water Services Board (a state corporation) as an agent for the provision of efficient and effective water and sewerage services within Kikuyu Township and its environs. It is currently owned by County Government of Kiambu.

Principal Activities

The principle activities for which the Company was established are: -

- To supply the town of Kikuyu together with the neighborhood and its environs, with water and to carry on business of water and sewerage works and to manage the assets belonging to Athi Water Services Board and the assets shall not be subject to any resolution of the Company or that of the Council
- To exercise overall control over the sources and supply of water and in particular, to conserve, redistribute and to augment those water resources, including sinking boreholes, and to make, build and construct, lay down and maintain reservoirs, waterworks, cisterns, culverts, filter-beds, main and other pipe and appliances, and to execute and do all works and things necessary or convenient for obtaining, storing, selling, delivering, measuring and distributing water, or otherwise for the purposes of the Company
- To provide and distribute a constant supply of potable water for commercial, industrial and domestic purposes.

(a) Vision Statement

To be the leading Company in the provision of quality, reliable and affordable water services in the Region and beyond

(b) Mission Statement

To consistently provide excellent water services in our area of jurisdiction to the absolute satisfaction of our esteemed customers all year round"

(c) Core Values

Customer Focus

The customer will be the reason for our existence. Therefore, we will consistently provide a world-class quality customer service to meet expectations of our customers.

KEY ENTITY INFORMATION (Continued)

Professionalism and Integrity

We shall observe the highest standards of professionalism and good governance in all that we do. We shall ensure that these values are deeply embedded in our culture.

Our Employees

We will make Kikuyu Water Company Ltd the employer of choice, attracting, motivating and retaining good people while offering equal opportunity of employment to all. We will recognize and reward performance, train and promote personal development.

Good Citizenship

We will comply with the laid down regulations in all our operations. We will contribute to causes that promote social and community development. As part of our long-term strategy, we will participate and partner with institutions that promote and preserve sustainable environment.

(d) Key Management

The company's day-to-day management is under the following key managers:

- The Managing Director
- The Technical Manager
- The Finance & Administration Manager
- Internal Auditor

(e) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	The Managing Director	Mrs. Jane Wanjiru Murage
2	Finance & Administration Manager	Ms. Mary Wanjiku Mbugua
3	Internal Auditor	Ms Jeniffer Chebet
4	Technical Manager	Mr. Benson Nginyo

(f) Fiduciary Oversight Arrangements

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KEY ENTITY INFORMATION (continued)

The company had two committees namely the audit and risk management committee, Finance, administration and Technical committees whose roles were as follows;

Audit & Risk Management committee activities

An audit committee is appointed to assist the board in discharging its duties relating;

- To safeguarding of assets
- The operation of adequate systems
- Control processes,
- The preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.
- The audit committee will be the principal governance watchdog in Kikuyu Water Company. Its purpose is to provide additional focus on financial issues that are vital to the company but which often cannot be fully examined by the main board because of shortage of time available to it.

Finance, Administration & Technical committee activities

- Prepare strategies and plans for attaining the Company's service delivery objectives
- Review strategies and plans for attaining the Company's service delivery objectives
- Review proposals and plans for infrastructure development and improvement
- Consider, evaluate and review progress of implementation for infrastructure development programs
- Set up and review standards, procedures and controls for provision of water services
- Consider and evaluate applications for water services provision
- Being informed, vigilant and effective overseers of the financial reporting process and the company's internal controls.
- Reviewing the company's quarterly, half-yearly and year-end financial statements, focusing particularly on;
 - a) Any changes in accounting policies and practices
 - b) Any major variances between actual results and budget
 - c) Compliance with International Accounting Standards and other statutory obligations
- Ensure that accounting and financial management policies are in place and that they are implemented.

Kikuyu Water Company Limited
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For the year ended June 30, 2019

KEY ENTITY INFORMATION (continued)

- Discussing the Company's budget, and recommending to the Board of Directors for discussion.
- The Finance Committee will spearhead fundraising activities of the board.
- To approve the establishment of the Company's Organogram
- To ensure that the Company has the right number and quality of staff with relevant skills;
- To ensure that it identifies the right sources of procuring the above-mentioned staff; and
- To determine the budgetary estimates for procurement of staff.

Directors

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

- | | | | |
|-----|---------------------------|-------------------|----------------------------------|
| 1. | Prof. Eng Bernard Njoroge | - Chairman | - Appointed on26 March 2019 |
| 2. | Eng Philip Gichuki | - Chief Executive | - Appointed on26 March 2019 |
| 3. | Emma Nganga | | - Appointed on26 March 2019 |
| 4. | Eng Andrew Muigai | | - Appointed on26 March 2019 |
| 5. | Dominic Ichugu Gachanja | | - Appointed on26 March 2019 |
| 6. | Bishop Solomon Waweru | | - Appointed on26 March 2019 |
| 7. | Samuel Gatama | | - Appointed on26 March 2019 |
| 8. | Ndungu Wa Munywe | | - Appointed on26 March 2019 |
| 9. | Prof. Stephen Njuguna | | - Appointed on26 March 2019 |
| 10. | James Muriuki | | - Appointed on26 March 2019 |

Corporate Secretary

Josphine Muritu
P.O. Box 2344-00900
Kiambu

Registered Office

1st Floor Mugumo House, Kikuyu Township
P. O. Box 313-00902, Kikuyu.
Tel: 0728578098

Corporate Headquarters

1st Floor Mugumo House, Kikuyu Township
P. O. Box 313-00902, Kikuyu.
Tel: 0728578098

KEY ENTITY INFORMATION.(Continued)

Corporate Contacts

1st Floor Mugumo House, Kikuyu Township
P. O. Box 313-00902, Kikuyu.
Tel: 0728578098

Corporate Bankers

Kenya Commercial Bank-Kikuyu Branch
P. O. Box 148-00902, Kikuyu.
Tel: +254-66-33046 Fax: +254-66-33246

Equity Bank (K) Limited-Kikuyu Branch
P. O. Box 1707-00902, Kikuyu.
Tel: +254-66-31071 Fax: +254-66-31072

Family Bank Limited
P.O Box 75145, Nairobi
Tel: +254-335003 Fax 337231

Kenya Post Office Savings Bank
P.O Box 30311-00100, Nairobi
Tel 020-2229551 Fax 0202229186

Safaricom Limited
P.O Box 66827 – 00800, Nairobi
Tel: 020 – 4273272/0722003272

(a) Independent Auditors

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




Principal Legal Advisers

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




THE BOARD OF DIRECTORS

1. Director 1	Prof . Eng Bernard Njoroge
2. Director 2	Eng Philip Gichuki
3. Director 3	Emma Nganga
4. Director 4	Eng Andrew Muigai
5. Director 5	Dominic Ichugu Gachanja
6. Director 6	Bishop Solomon Waweru
7. Director 7	Samuel Gatama
8. Director 8	Ndungu Wa Munywe
9. Director 9	Prof. Stephen Njuguna
10. Director 9	James Muriuki
11. Company Secretary	Josphine Muritu

Kikuyu Water Company Limited
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For the year ended June 30, 2019
MANAGEMENT TEAM

	<p>JANE WANJIRU MURAGE - THE REGIONAL MANAGER</p> <p>Jane Murage holds a BSC in Water & Environmental Engineering (Egerton University) Diploma in Water Technology (KEWI)</p> <p>She is responsible of monitoring and assessing management's performance</p> <p>Ensuring that the company complies with the legal and governance framework of the company</p> <p>Ensuring institutional transformation in accordance with corporate strategy</p>
	<p>MARY MBUGUA - FINANCE & ADMINISTRATION MANAGER</p> <p>She holds a Master's in Business Administration (UON), BA(KEMU) and is a CPA(K)</p> <p>She assists in development of current and long-term goals as well formulating policies and procedure</p> <p>Production of financial report. Oversees implementation of accounting and financial management system and oversees all the accounting function including; cash flow management, revenue collection, payroll and budgeting</p>
	<p>BENSON.NGINYO-TECHNICAL MANAGER</p> <p>He hold a diploma in Water Management (KEWI)</p> <ul style="list-style-type: none"> -Oversees the Technical department and operations and maintenance of water systems. -In charge of water production and distribution. -Enforcing of all targets related to NRW reduction <p>He has several years of experience in management, supervision of water projects and planning and coordinatng company's maintenance and operations activities</p>

**Kikuyu Water Company Limited
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For the year ended June 30, 2019**

	<p>JENIFFER CHEBET – INTERNAL AUDITOR She holds a Bachelor of commerce in marketing She ensures that there is a strong control environment to prevent fraud. Ensuring compliance with laid down internal controls -preparing audit reports for the Board Audit & risk committee. -setting internal audit programs and systems which are risk based</p>
	<p>JOSEPH WAIHARO NJOROGE- PROCUREMENT OFFICER. He holds a Diploma in Purchasing & Supplies Management and currently Pursuing a Bachelor Degree in Business Administration & Management. Ensures that the procurement function is run in line with the Public Procurement and Disposal Act.</p>
	<p>DAVID KIMANI-COMMERCIAL OFFICER He holds a Bachelors of Commerce in Finance and is a CPA(k) He formulates a work plan for daily commercial operation Ensure Monthly cycles and correct bills are produced accordingly</p>

Kikuyu Water Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2019

CHAIRMAN'S STATEMENT

Today am delighted to present to you the financial report for the year ended 30th June 2019. As a company we put in a lot of effort to fulfill our mandate which is to provide water and sanitation services in Kikuyu and Kabete sub-counties of Kiambu county.

During the year ended 30th June 2019 the company focused on key objectives as stated in the strategic plan which include; increased coverage, financial sustainability, operational sustainability and customer satisfaction.

The company has made wide strides in its strive to reduce the gap between water supply and demand by undertaking several water projects which increased water produced by 730,000m³ over year by operationalizing Kanyanjara, Ruku and Muguga boreholes and also taking over Chura, Kanyariri, Lussigate and Nyakumu water projects which have increased our coverage by 9.5%

I am happy to note that our sewage works have been incorporated for funding through African development bank and actual construction works is ongoing.

In addition, during this period the company registered some positive growth in customer base, revenue collection, billing, operational stability, good governance among others although with some short coming here and there.

During the financial year the company made a deficit of ksh 1,138,835 compared to a deficit of ksh 7,018,040 during the previous financial year. The increase in loss was occasioned by increased operational cost, staff cost as a result of annual salary increment and cost of subsistence allowances.

Some of these challenges are being addressed through our limited company capacity and by partnering with other stakeholders such as County Government of Kiambu and Athi Water Service Board.

I would take this opportunity to record my gratitude to my fellow board members for their support and valuable contribution to the company. I would also like to thank the management and the staff of the company for their commitment, strength and dedication towards the company. To our development partners I express my heartfelt gratitude for your continued support. Last but not the least I would also thank our stake holders for their support and loyalty and assure them of our determination to continually improve the quality of our services

Company's Chairman

REPORT OF THE CHIEF EXECUTIVE OFFICER

Today am pleased to present to you the financial report for the year ending 30th June 2019. During the financial year the company made several strides toward achieving the set strategic objectives which include; Increase in water coverage, Attaining Financial Sustainability Attaining operational efficiency/institutional strengthening and Attaining customer satisfaction and Mainstreaming cross cutting issues

The following are some of the achievements;

- A feasibility study of possible source of Water at Kinari Dam has been successfully completed through assistance of the Kiambu County Government and National Water Conservation & Pipeline Cooperation.
- A survey on possible abstraction of water from Bathi dam was carried out with assistance of the kiambu county surveyors and it was found that about 2000m³/day would be available however the water weir would require to be raised.
- A total of 11.5km pipeline have been laid which has resulted to 756 new connections
- We have increased revenue collection from 8.0 million to 9 million per month.
- We have increased water production by 730,000m³/year by taking over Nyathuna, Karura, Kabuthi, Chura and Kanyariri community Water Project and improving the efficiency of the pumpsets.
- We have actualized the NRW Strategy and have reduced NRW from 47% to 41%

Sewerage Work system.

Our sewage works have been incorporated for funding through African development bank review of the design is going on and actual construction works will commence in next financial year.

Financial Performance

During the year ended 30th June 2019 the company's revenue increased from ksh 98,084,485 to ksh 108,262,943 while the expenditure increased from ksh 105,102,525 to ksh 109,401,778. The increase in cost was due to increased operational cost from water projects which were taken over from community as they were operating at low efficiencies. The net effect is that the company made a deficit of ksh 1,138,835 compared to deficient of ksh 7,018,040 made in the previous financial period and we assure our stakeholders that we shall ensure the projects operate efficiently to minimise the operational cost while we maximize on revenue collections

Way forward

The challenges at hand call for great improvement of existing systems and construction of new ones and I believe that with the assistance of our stakeholders this problem would be addressed.

Kikuyu Water Company Limited
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Water is now a Constitutional Right and this may pose a challenge in our endeavour to serve the underserved in line with Sustainable Development Goals.

We are generally striving in the following key areas in order to attain sustainable operations;

- Enhanced revenue collection from water sale and exhauster services
- Reduced non- revenue water hence increased water sale
- Enhanced staff productivity
- Improve water coverage and reliability
- Intensify partnering with existing Self Help Water Projects.
- Implement on-going /upcoming projects

Appreciation

I am most thankful to County Government of Kiambu, Athi Water Services Board, Kikuyu and Kabete Sub-Counties, Constituency Office-Kikuyu and Kabete, all customers and in particular University of Nairobi Kikuyu Campus, Alliance Boys High School, our Suppliers and bankers for their support and loyalty and we assure them of our determination to continually improve the quality of our services.

Finally, I would like to express my deep appreciation for the dedication and commitment of Board of Directors, Management and Staff of Kikuyu Water. Without their enthusiasm, hard work and teamwork we would not have come this far.



Jane Murage

Managing Director KWCL

CORPORATE GOVERNANCE STATEMENT

The Company regards good corporate governance as crucial to the success of the business and is committed to practice it so that it remains a sustainable and viable business. This Statement sets out the main corporate governance practices and structures in the Company.

The following Corporate governance guidelines and principles are applied in the Company to govern directors and staff. WASREB guidelines on Corporate Governance for Water companies specify best corporate governance principles and others like the Code of Ethics for directors and the Public Officer Ethics Act, 2003 that applies to public officers.

Directors exercise independent judgment and professional competencies for effective governance of the Company as set out in their terms of reference which clearly spells out important governance arrangements covering appointment of directors.

The Directors' Code of Conduct sets out rules that govern the conduct of individual directors in order to enable the Board to operate effectively and in the best interests of the Company. The Code of Conduct sets out rules for directors to among others: act honestly, in good faith and for the best interest of the Company, exercise duty with care and diligence, avoidance and management of conflict of interest, maintain confidentiality of information about the Company, showing commitment to and attend to Company's business and respect to fellow directors.

Composition of the Board of Directors

The Board comprises ten Directors, including the Managing Director. The composition of the Board of Directors takes into account requirements of the water sector, diverse mix of skills, age, gender, qualifications and experience necessary to achieve the Company's goals and objectives.

Conflict of Interest

Directors are required to make a written disclosure of any transaction in which they have interest and which would constitute a conflict of interest and to abstain from voting when such matters are being considered. Business transactions with all parties, directors or their related parties are carried out at arms' length.

Role and Responsibilities of the Board

The Board provides leadership and strategic direction to the Company. Their main responsibilities are;

- Establishing the short and long-term goals of the Company and strategic plans to achieve those goals;
- Ensuring preparation of the annual and half-year financial statements;
- Approval and review of the annual budgets;
- Setting and periodically reviewing key performance indicators and management performance;
- Ensuring that the Company has adequate systems of internal controls;
- Ensuring that the Company has adequate risk management plans to ensure business continuity.

Role of Chairman of the Board of Directors

The Chairman is primarily responsible for providing leadership to the Board, Chairing Board meetings and general meetings of members. The chairman also ensures that the Board is supplied with timely and sufficient information to enable it to discharge its duties effectively.

Managing Director

The Managing Director is the chief executive of the company responsible for the day to day management of the Company.

Directors Training and Development

The Company recognizes the importance of having a well informed and fully empowered Board of Directors. In this regard, relevant training and capacity development opportunities are organized to equip directors with skills and knowledge necessary to effectively perform their responsibilities.

Board Work plan and Meetings

A work plan and schedule of meetings is prepared annually in advance. The Board meets at least twice per quarter or more depending on the requirements of the business. Directors receive adequate notice for meetings and detailed papers on issues to be discussed

MANAGEMENT DISCUSSION AND ANALYSIS

The company's operational and financial performance

During the financial year the company made a deficit of ksh 1,138,835 compared to a deficit of 7,018,040 during the previous financial year. The increase in loss was occasioned by increased operational cost, staff cost as a result of annual salary increment and the number of staff increased after the company took over two community water projects and cost of subsistence allowances.

Company's compliance with statutory requirements

The company complied with statutory requirement like payment of NHIF, NSSF, PAYE, WIBA and contribution to pension schemes. Nevertheless, we have arrears in other statutory obligations like lease fee, regulatory levy and abstraction levy to WARMA and audit fee

Major risks facing the company

The major risk facing the company is the going concern of the company as a result of the ongoing process of consolidation of water companies in Kiambu County

Material arrears in statutory/financial obligations

We have the following as the material balances in the year under review are as follow;

1. Lease Fee to AWSB Kshs 24,106,488
2. Regulatory Levy Kshs 6,084,954
3. Abstraction Levy Kshs 1,022,215

The company's financial probity and serious governance issues

The company does not have any financial probity or any governance issues, since the company has risk management in place and adequate internal controls. At the moment the company is under going through the process of restructuring/consolidation

Development Projects

We have tabulated our development projects in terms of status, effects and proposed intervention.

No	Proposed Capital Work	STATUS	IMPACT	PROPOSED INTERVENTION	BUDGET

Kikuyu Water Company Limited
Annual Reports and Financial Statements
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1	Rehabilitation of the stalled Rungiri Water Project, rehabilitation of distribution network ,water tank and metering of customers	ongoing	Increase in service levels and reduction of non-revenue water	-Procure water meters, pipes and fittings	4,000,000
2	Equipping of 1No. Boreholes at & Thogoto, Electrification, Rising Main , Storage Tank & Distribution network	Ongoing	Increase water service levels	Partner with Athi Water Services Board for development of boreholes	25,000,000
3	Kinoo-Kingeero Phase II involving pipework, 2No. 100m3 ground masonry tanks & metering	Outstanding	Increase water service levels and adequate storage facilities	Partner with development and county Government partners to secure funds for implementation	50,000,000
4	Procurement of 11No. Motor Bikes	Ongoing	Increase efficiency in bills distribution and meter reading	8No. motor bikes were purchased in Fy2018/2019. 3no will Be purchased fy2019-20120	300,000
5	Construction of Kikuyu Sewerage project	outstanding	improved sanitation	Development partner identified and designs were done	662,000,000
6	Non-Revenue Water Reduction Initiatives	ongoing	Increase in billing efficiency hence more revenue	Invest highly in reduction NRW and also partner with PEWAK &SNV	26,000,000

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Kikuyu water company's Corporate Social Responsibility focus on Education, Health, Environment and Emergency Response like fire outbreak. These initiatives portray the company's commitment to businesses that contribute to sustainable economic development by working with local communities and the society at large, to improve their lives.

Kikuyu Water Company participates in Corporate Responsibility activities in order to support situations that enable the community in our area of jurisdiction realize their full potential and empower people in terms of information, education and communication. The company has engaged in various activities in Corporate Social Responsibility. These includes our 2018 CSR activities which were; we made contributions towards celebration of public holidays and also to assist the county commissioner in community policing and we supported the less fortunate through Henry Wan Yoke's Foundation annual marathon. Our Corporate Social Responsibility Practice will also continue to focus on understanding of the community's need and improving strategic interactions.

REPORT OF THE DIRECTORS

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

Principal activities

The principle activities for which the Company was established are: -

- To supply water to Kikuyu town and its environs and to carry on business of water and sewerage works and to manage the assets belonging to Athi Water Services Board and the assets shall not be subject to any resolution of the Company or that of the County Government of Kiambu
- To exercise overall control over the sources and supply of water and in particular, to conserve, redistribute and to augment those water resources, including sinking boreholes, and to make, build and construct, lay down and maintain reservoirs, waterworks, cisterns, culverts, filter-beds, main and other pipe and appliances, and to execute and do all works and things necessary or convenient for obtaining, storing, selling, delivering, measuring and distributing water, or otherwise for the purposes of the Company
- To provide and distribute a constant supply of potable water for commercial, industrial and domestic purposes.

Results

The net loss for the year of Ksh 1,138,835 million and has been deducted from the retained earnings. The results for the year are set out fully on pages 16 to 37 in the financial statements.

Directors

The members of the Board of Directors who served during the year are shown on page 5 In accordance with Regulation of the company Articles of Association.

Business overview

During the year ended 30th June 2019 the company's revenue increased from ksh 98,084,485 to ksh 108,242,943 while the expenditure increased from ksh 105,102,525 to ksh 109,421,778. The increase in cost was due to increased operational cost from water projects which were taken over from community as they were operating at low efficiencies. The net effect is that the company made a deficit of ksh 1,138,835 compared to deficient of ksh 7,018,040 made in the previous financial period.

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the Section 15 of the Public Finance Management (PFM) Act, 2012. The company's auditors, Office of Auditor General continue in the office in accordance with public Audit Act 2015

Relevant audit information

Kikuyu Water Company Limited
Annual Reports and Financial Statements
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The Directors in office at the date of this report confirms that:

- (i) There is no relevant audit information of which the Company's auditor is unaware; and
- (ii) Each of the Directors have taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company s auditor is aware of that information.

Approval of financial statements

The financial statements were approved at a meeting of the Board of Directors held on2019

Results

The net loss for the year of Ksh 1,138,835 million and has been deducted from the retained earnings. The results for the year are set out fully on pages 1 to 37 in the financial statements.

Directors

The members of the Board of Directors who served during the year are shown on page vi In accordance with Regulation of the company Articles of Association.

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the Section 15 of the Public Finance Management (PFM) Act, 2012. The company's auditors, Office of Auditor General continue in the office in accordance with public Audit Act 2015

By Order of the Board

Josephine Muritu
Corporate Secretary
Kiambu
Date:.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year 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 company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


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

The company is going through a process of consolidation to form Kiambu County Water and Sewerage Company and there it might not be a going concern in

Approval of the financial statements

The company's financial statements were approved by the Board on _____ 2019 and signed on its behalf by:

Director

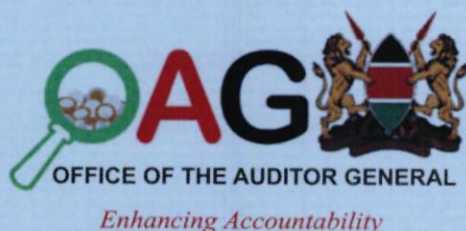


Director

Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KIKUYU WATER COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kikuyu Water Company Limited set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the 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 Kikuyu Water Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with Financial Reporting Standards and comply with the Water Act, 2016, the Kenyan Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Irregular Borrowing from Customers' Deposits

The statement of financial position and as disclosed in Note 18 to the financial statements reflects customers' deposits balance of Kshs.16,371,240 as at 30 June, 2019. However, the customers' deposit bank account had a balance of Kshs.10,430,543 resulting to an unexplained and unreconciled variance of Kshs.5,940,697. Management explained the variance to be as a result of borrowings to cater for operational expenses. This was contrary to Company policy on borrowing and the Board of Directors guideline setting the borrowing from customers' deposits at a maximum of Kshs.1,000,000 for the purpose of current expenditure which should be repaid within the financial year.

Consequently, the accuracy of the customers' deposits balance of Kshs.16,371,240 as at 30 June, 2019 and the validity of the borrowing could not be confirmed.

2.0 Unsupported Board Expenses

The Statement of profit or loss and other comprehensive income and as disclosed in Note 7(a) to the financial statements reflects administration of Kshs.55,678,098. Included in this amount is Board expenses of Kshs.260,000. Management did not provide the Board minutes and signed attendance register for audit review.

Consequently, the validity of the Board expenses of Kshs.260,000 for the year ended 30 June, 2019 could not be confirmed.

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

Material Uncertainty in Relation to Going Concern

I draw attention to statement of Board of Directors' responsibilities on Page XXI which indicates that the Company is going through a process of consolidation of water companies in Kiambu County and there is uncertainty on its continued existence as a going concern.

Further, the statement of financial position reflects the Company's current liabilities balance of Kshs.70,019,182 which exceeded the current assets balance of Kshs.46,940,099 resulting in a negative working capital of Kshs.23,079,083 as at 30 June, 2019. The existence of this material uncertainty may cast significant doubt on the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Kiambu and its creditors.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness, 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

Non-Revenue Water

During the financial year 2018/2019, the Company produced a total of 2,225,433 cubic meters of water out of which only 1,305,334 cubic meters was billed to customers in the financial year. The balance of 920,099 cubic meters or approximately 41.34% of the total volume of water produced represents non-revenue water which is 16.34% over and above the allowable limit of 25% set by Water Services Regulatory Board Guidelines. The non-revenue water of 41.34% may have resulted in a loss of sales estimated at Kshs.68,572,044.

The significant level of non-revenue water is an indication of inefficiency and ineffectiveness in the use of water and public resources, and may negatively impact on the Company's profitability and its ability to sustain services in the long run.

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 governance were not effective.

Basis for Conclusion

Lack of Approved Information Technology Security Policy

Review of the Company's information technology systems revealed that it has in place Enterprise Resource Planning (ERP) to manage its operations. However, the Company did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in development of ICT policy framework to enable the company realize long term ICT strategic goals. Lack of an approved IT policy may result in unclear direction regarding maintenance of information security across the organization and safeguarding the Company's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether

processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of profit or loss and comprehensive income are in agreement with books of account; and
- (iv) In my opinion the information given in the report of the directors on pages xix and xx, is consistent with the financial statements.

Responsibilities of Directors and those Charged with Governance

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Company or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease 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 Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 December, 2021

Kikuyu Water Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2019

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


	Note	2018-2019	2017-2018
		Kshs	Kshs
REVENUES			
Revenue	6	108,262,943	98,084,485
TOTAL REVENUES		108,262,943	98,084,485
OPERATING EXPENSES			
Administration Expenses	7	55,678,098	48,744,532
Operation & Maintenance	8	52,549,700	55,227,805
Depreciation	9	1,084,885	997,213
Amortization	10	89,095	132,975
TOTAL OPERATING EXPENSES		109,401,778	105,102,525
PROFIT/(LOSS) BEFORE TAXATION		(1,138,835)	(7,018,040)
INCOME TAX EXPENSE/(CREDIT)		-	-
PROFIT/(LOSS) AFTER TAXATION		(1,138,835)	(7,018,040)


kikuyu water company limited
 Annual Reports and Financial Statements
 For the year ended June 30, 2019

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2018 Kshs	2017 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	8,672,375	7,257,707
Intangible assets	10	180,887	269,980
Total Non-Current Assets		8,853,262	7,527,687
Current Assets			
Inventories	11	1,636,145	2,373,664
Trade and other receivables	12	33,857,246	22,722,180
Bank and cash balances	13	11,446,708	11,905,925
Total Current Assets		46,940,099	37,001,769
Total Assets		55,793,361	44,529,456
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	14	100,000	100,000
Capital reserve	15	349,000	349,000
Retained earnings	16	(14,674,821)	(13,535,986)
Capital and Reserves		(14,225,821)	(13,086,986)
Current Liabilities			
Trade and other payables	17	52,447,942	42,138,002
Customer Deposits	18	16,371,240	14,278,440
Differed Income	19	1,200,000	1,200,000
Total Current Liabilities		70,019,182	57,616,442
TOTAL EQUITY AND LIABILITIES		55,793,361	44,529,456

The financial statements were approved by the Board on _____ 2019 and signed on its behalf by:

Signature 
 Managing Director
 Name: Jane Murgge

Signature 
 Head of Finance
 Name: David Kimani
 ICPAK M/NO: 14784

Signature.....
 Chairman of the Board
 Name;

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

	Ordinary share capital	Retained earnings	Capital Reserves	Total
At July 1, 2016	100,000	(5,970,581)	349,000	(5,521,581)
Fair value adjustment on quoted investments	-	-	-	-
Total comprehensive Loss	-	(547,365)	-	(547,365)
At June 30, 2017	100,000	(6,517,946)	349,000	(6,068,946)
At July 1, 2017	100,000	(6,517,946)	349,000	(6,068,946)
Total comprehensive Loss	-	(7,018,040)	-	(7,018,040)
Capital/Development grants received during the year	-	-	-	-
At June 30, 2018	100,000	(13,535,986)	349,000	(13,086,986)
At July 1, 2018				
Total comprehensive Loss		(1,138,835)		
Proposed final dividends				
At June 30, 2019	100,000	(14,674,821)	349,000	(14,225,821)

kikuyu water company limited
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018-2019	2017-2018
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	20	2,040,336	3,993,150
Net cash generated from/(used in) operating activities		2,040,336	3,993,150
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(2,499,553)	(819,777)
Net cash generated from/(used in) investing activities		(2,499,553)	(819,777)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash generated from/(used in) financing activities		0	0
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(459,217)	3,173,373
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		11,905,925	8,732,552
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
		11,446,708	11,905,925

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

	Original budget 2018-2019	Adjustments 2018-2019	Final budget 2018-2019	Actual on comparable basis 2018-2019	Performance difference 2018-2019	Explanations to Performance Differences
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
water sales	100,958,642		100,958,642	97,301,308	3,657,308	The variance was 3% and therefore within the limit
New connections	2,676,234		2,676,234	1,881,100	795,134	The budget was not realized since the budgeted projects were not implemented
Exhauster Revenue	1,531,200		1,531,200	1,239,000	292,200	There was stiff competition from private exhausters
Sale of water meters	0		0	182,249	(182,249)	There was no Budget for this item
Other income	6,481,620		6,481,620	7,659,285	(1,177,665)	Compensation of damaged pipes by contractors
Total income	111,647,696		111,647,696	108,262,943	3,404,753	
Expenses						
Administrative Expenses	8,767,944		8,999,944	7,626,160	1,373,784	Due to cash flow problems we could not spend as Budgeted
Board Expenses	1,230,800		1,230,800	260,000	970,000	The board did not meet as expected
Staff Expenses	33,379,142		33,379,142	34,261,144	(882,002)	
General Expenses	5,228,045		5,228,045	5,782,951	(554,906)	We had not budgeted for Wasco games that costed 682,200
Professional Fees	232,000		232,000	232,000	-	
Administrative Fees & Regulatory	5,269,553		5,269,553	7,515,845	(2,246,292)	There was review of regulatory levy to water services regulatory board which increased from 1% to 4%
Operational Expenses	57,173,605		57,173,605	52,549,700	4,623,905	
Total expenditure	111,513,089		111,513,089	108,227,800	5,530,781	
Surplus for the period	134,607	-	134,607	(15,143)	(2,126,028)	

Note: PFM Act section 8(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kikuyu water Company Limited is established by and derives its authority and accountability from Company's Act. The Kikuyu Water Company Limited is wholly owned by the County Government of Kiambu and is domiciled in Kenya. The entity's principal activity is xxx.

- To supply the town of Kikuyu together with the neighborhood and its environs, with water and to carry on business of water and sewerage works and to manage the assets belonging to Athi Water Services Board and the assets shall not be subject to any resolution of the Company or that of the Council
- To exercise overall control over the sources and supply of water and in particular, to conserve, redistribute and to augment those water resources, including sinking boreholes, and to make, build and construct, lay down and maintain reservoirs, waterworks, cisterns, culverts, filter-beds, main and other pipe and appliances, and to execute and do all works and things necessary or convenient for obtaining, storing, selling, delivering, measuring and distributing water, or otherwise for the purposes of the Company

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the 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, are disclosed.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *kikuyu water company Ltd*

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

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

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

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

IFRIC 23: Uncertainty Over income tax treatments

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

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

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

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

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

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

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

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

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

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

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

IFRS 17 Insurance Contracts (Issued 18 May 2017)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

iii) Early adoption of standards

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

iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *company* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the *company* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- 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.

b) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment

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

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

Plant and machinery & water meters	10%
Motor vehicles, including motor cycles	25%
Computers and related equipment	33%
Office equipment, furniture and fittings	10%

A Pro Rated depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

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

Billing Software	33%
------------------	-----

g) 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 company, 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.

h) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the company 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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.

j) 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.

k) Unquoted investments

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

l) 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.

m) 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.

n) 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 company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Current income tax (Continued)

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate

Deferred tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Deferred tax (Continued)

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

o) Cash and cash equivalents

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

p) 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.

q) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2018. The scheme is administered by an in-house team 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. 15% per employee per month.

s) 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.

t) 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/period 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.

u) Budget information

The original budget for FY 2018-2019 was approved by the Board of Directors on 1st July 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Budget information (Continued)

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 6 of these financial statements.

v) Service concession arrangements

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

w) Comparative figures

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

x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company 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 company. 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 company.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

Provisions

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 REVENUE

	2018/2019	2017/2018
	Kshs	Kshs
Water Sales	97,301,308	83,245,901
New Connections	1,881,100	2,432,940
Exhauster Revenue	1,239,000	1,378,000
Sale of Meters	182,249	74,200
Other incomes	7,659,285	10,953,444
Total	108,262,943	98,084,485

7 (a) ADMINISTRATION COSTS

	2018	2017
Description	Kshs	Kshs
Advertising,	4,939	107,741
Communication services and supplies	472,000	427,266
Annual Subscriptions	85,400	120,228
Bank charges and commissions	479,599	394,576
Billing Services Fees	198,000	162,000
Co-operate Social Responsibility	143,850	65,000
Electricity and water	120,000	121,000
IT & internet Services	286,610	210,200
Sstationery and photocopying	531,504	70,670
Courier & postage	9,711	10,960
Printing & Reproduction	136,651	491,320
Rent & Rate expenses	858,370	731,437
General Office Running Expenses	939,753	994,575
Motor vehicle Repair & maintenance	976,460	1,033,865
Fuel & Lubricants	1,701,111	1,319,804
Compensation	-	252,565
Wasca Games	682,200	-
Board Expenses	260,000	624,001
Capacity building training / other board expenses		42,000
Insurance	36,536	30,245
Staff training Expenses	715,315	498,210
Travelling and subsistence Allowances	4,759,605	3,795,830
WIBA & General accident Cover	81,555	190,371
Maintenance Of Office Equipment	189,940	227,880
Filling Of VAT Claim	-	2,174,595
Strategic Plan	-	250,000
Company Secretarial	-	87,900
Audit Fees	232,000	232,000

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Administrative Expenses- AWSB	4,129,076	3,932,454
Administrative Expenses- WASREB	3,362,769	977,515
Lease	24,000	24,000
Total	21,416,954	19,600,208

7 (b) STAFF COSTS

Salaries and allowances of permanent employees	27,758,654	22,447,694
Wages of temporary employees	2,236,050	3,363,600
DIT Levy	38,400	33,700
Compulsory national social security schemes	3,433,910	2,649,180
Uniforms & Medical Items	143,630	14,150
Leave pay and gratuity provisions	196,000	192,000
Staff welfare	454,500	444,000
Total	34,261,144	29,144,324

The average number of employees at the end of the year was:

Permanent employees – Management	10	10
Permanent employees	48	36
Temporary and contracted employees	13	25
Total	71	71

8. Operational Expenses

Electricity for Pumping	37,494,437	42,009,651
Maintenance of water systems	5,475,323	7,663,823
Maintenance of plant & equipment	7,864,698	4,303,800
Water abstraction Fees	695,092	434,530
Planning & Design	656,400	535,600
Water Quality Testing	-	50,000
Chemicals	-	16,501
Permits & Licences	99,450	-
Exhauster Disposal Charges	264,300	213,900
	52,549,700	55,227,805

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 PROPERTY, PLANT AND EQUIPMENT

2019	Office Equipment	Office Furniture	Motor vehicles,	Water Meters	Plant and machinery	motor cycles	Total
COST OR VALUATION							
At July 1, 2018	2,682,648	978,610	2,623,213	1,384,899	11,963,926	199,800	19,833,096
Additions				1,667,554		832,000	2,499,554
Transfers	-	-	-	-	-	-	-
Disposals							
At June 30, 2019	2,682,648	978,610	2,623,213	3,052,453	11,963,926	1,031,800	22,332,650
DEPRECIATION							
At July 1, 2018	2,017,428	483,381	2,514,737	692,956	6,833,587	33,300	12,575,389
Charge for the year	219,523	49,523	27,119	97,561	513,034	178,125	1,084,885
Impairment loss							
Eliminated on disposal							
At June 30, 2019	2,236,951	532,904	2,541,856	790,517	7,346,621	211,425	13,660,274
NET BOOK VALUE At June 30, 2019	445,697	445,706	81,357	2,261,936	4,617,305	820,375	8,672,376

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

2018	Office Equipment	Office Furniture	Motor Vehicle	Water Meters	Plant & Equipment	Motor Cycles	Total
COST OR VALUATION							
At July 1, 2017	2,385,648	808,633	2,623,213	1,231,899	11,963,926	-	19,013,319
Additions	297,000	169,977	-	153,000	-	199,800	819,777
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At June 30, 2018	2,682,648	978,610	2,623,213	1,384,899	11,963,926	199,800	19,833,096
DEPRECIATION							
At July 1, 2017	1,764,991	437,983	2,478,579	633,074	6,263,549	-	11,578,176
Charge for the year	252,437	45,398	36,158	59,882	570,038	33,300	997,213
Impairment loss							
Eliminated on disposal							
At June 30, 2018	2,017,428	483,381	2,514,737	692,956	6,833,587	33,800	12,575,889
NET BOOK VALUE							
At June 30, 2018	665,220	495,229	108,476	691,943	5,130,339	166,500	7,257,707

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 INTANGIBLE ASSETS

	2018-2019	2017-2018
	Kshs	Kshs
COST		
At July 1	580,000	580,000
Additions	-	-
Disposals	-	-
At June 30	580,000	580,000
AMORTISATION		
At July 1	310,018	177,045
Charge for the year	89,095	132,975
Disposals		
Impairment loss		
At June 30	399,113	310,020
NET BOOK VALUE		
At June 30	180,887	269,980
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 INVENTORIES

	2018-2019	2017-2018
	Kshs	Kshs
Stationery	-	241,069
Electrical Fittings	102,350	145,010
Water Fittings	488,657	711,237
Water Meters	425,074	490,700
Pipes	240,564	539,238
Tools	317,200	205,910
Chemicals	62,300	40,500
	1,636,145	2,373,664

12(a) TRADE AND OTHER RECEIVABLES

	2018-2019	2017-2018
	Kshs	Kshs
Trade receivables (note 12 (b))	56,817,582	45,774,468
prepayments	71,255	14,303
Staff receivables (note 12 (c))	15,000	-
Other receivables	98,000	78,000
Gross trade and other receivables	57,001,837	45,866,771
Provision for bad and doubtful receivable	(23,144,591)	(23,144,591)
Net trade and other receivables	33,857,246	22,722,180

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 (b) TRADE RECEIVABLES

	2018-2019	2017-2018
	Kshs	Kshs
Gross trade receivables	56,817,582	45,774,468
Provision for doubtful receivables	(23,144,591)	(23,144,591)
	33,672,991	22,629,877
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	7,300,110	6,152,155
Between 31- 60 days	14,994,794	6,710,072
Between 61-90 days	6,426,340	2,875,745
Between 91-120 days	4,951,747	6,891,905
Over 120 days	23,144,591	23,144,591
GROSS	56,817,582	45,774,468

12 (c) STAFF RECEIVABLES

	2018-2019	2017-2018
	Kshs	Kshs
Gross staff advances	15,000	-
Provision for impairment loss		
	15,000	-
Less: Amounts due within one year	(15,000)	
Amounts due after one year	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 a BANK AND CASH BALANCES

	2018-2019	2017-2018
	Kshs	Kshs
Cash at bank	11,428,974	11,889,565
Cash in hand	17,734	16,360
	11,446,708	11,905,925

13 b BANK AND CASH BALANCES (Continued)

The make – up of bank balances and short term deposits is as follows:

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2018-2019	2017-2018
		KShs	KShs
a) Current account			
Kenya Commercial bank	1102947962	91,348	129,277
Kenya Commercial bank	1102658111	442,288	439,129
Kenya Commercial bank	1102639648	10,430,543	11,082,420
Equity Bank	0570292031078	79,440	49,649
Post Bank Of Kenya	0744130007563	25,820	26,050
Family Bank	102000004731	131,958	34,125
Sub- total		11,201,397	11,760,650
b) Others(specify)			
cash in hand		17,734	16,360
M pesa		227,577	128,915
Sub- total		245,311	145,275
Grand total		11,446,708	11,905,925

14 ORDINARY SHARE CAPITAL

	2018-2019	2017-2018
	Kshs	Kshs
Authorized:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	=====	=====
Issued and fully paid:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	=====	=====

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15 CAPITAL RESERVES

	2018-2019	2017-2018
	Kshs	Kshs
Donated by GOK		
Opening Balance	349,000	349,000
Additions In the year	-	-
Less Impairments	-	-
Closing Balance	349,000	349,000

16 RETAINED EARNINGS

	2018-2019	2017-2018
	Kshs	Kshs
Opening Balance	(13,535,986)	(6,517,945)
Surplus for the period	(1,138,835)	(7,018,041)
Closing Balance	(14,674,821)	(13,535,986)

RETAINED EARNINGS

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

17 TRADE AND OTHER PAYABLES

	2018-2019	2017-2018
	Kshs	Kshs
Trade payables	14,894,796	12,252,199
Accrued expenses	35,516,683	27,937,217
Other payables	2,036,461	1,948,586
	52,447,940	42,138,002

18 Customer Deposits

	2018-2019	2017-2018
	Kshs	Kshs
Opening Balance	14,278,440	12,198,440
Increase in customer Deposits	2,092,800	2,080,000
Closing Balance	16,371,240	14,278,440

19 Deferred income

	2018-2019	2017-2018
	Kshs	Kshs
Opening Balance	1,200,000	1,200,000
Increase/decrease in deferred income	-	-
Closing Balance	1,200,000	1,200,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 NOTES TO THE STATEMENT OF CASH FLOWS

	2018-2019	2017-2018
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(1,138,835)	(7,018,040)
Depreciation	1,084,885	997,213
Amortization	89,098	132,975
Operating profit/(loss) before working capital changes	35,143	(5,887,852)
(Increase)/decrease in inventories	735,519	(1,258,797)
(Increase)/decrease in trade and other receivables	(11,043,114)	(2,106,325)
Increase/(decrease) in trade and other payables	10,309,940	11,150,486
Increase/(decrease) in prepayments	(56,952)	1,638
Increase/(decrease) in customer deposits	2,092,800	2,080,000
Cash generated from/(used in) operations	2,005,193	9,881,002
Cash generated from /(used in) operations	<u>2,040,336</u>	<u>3,993,150</u>
(b) Analysis of cash and cash equivalents		
Cash at bank	11,428,974	11,889,565
Cash in hand	17,734	16,360
Balance at end of the year	11,446,708	11,905,925
	=====	=====

21 PROVISION FOR LEAVE PAY

	2018-2019	2017-2018
	Kshs	Kshs
Balance at beginning of the year	-	-
Additional provision at end of year	196,000	192,000
Leave paid out or utilized during the year	(196,000)	(192,000)
Balance at end of the year	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 RELATED PARTY DISCLOSURES

(a) Government of Kenya

The company is wholly owned by County Government of Kiambu- incorporated in Kenya, which owns 100% of the company's shares.

(a) Athi Water Services Board

Athi water Services board is a state corporation under the ministry of water, environment and natural resources incorporated under state corporation act Cap (446) with the mandate of asset development within Nairobi and Kiambu counties. Kikuyu water Company is appointed as an agent of AWSB as one of the Water service providers (WSPs) tasked with the management of asset and liabilities as negotiated through a services provision agreement (SPA). The company is supposed to pay a fixed administration levy to AWSB as indicated in the regular tariff which was approved by the Regulator (WASREB).

(b) County Government of Kiambu

The company is wholly owned by the County Government of Kiambu which owns 100% of the company's shares. The company is supposed to pay a fixed monthly lease fee to the county Government of kiambu as determined in the regular tariff approved by the regulator (WASREB) at ksh 2000 per month.

(c) Water Services Regulatory Board

The company operates under water sector regulator that is Water services regulatory board. The company has signed a Service Provision Agreement (SPA) with the regulator through AWSB and is supposed to pay a regulatory levy to WASREB on monthly basis at 1% and 4% of all revenues generated. The regulator is also supposed to approve water and sanitation tariff at interval of three years or as need be.

(d) Water Resources Management Authority

The company is obligated under the water act of 2002 to pay water resources management authority on monthly basis a levy of 50cts per cubic meter of water produced.

(e) Remuneration for directors' and key management compensation

The remuneration for directors' and other members of key management during the year were as follows

23 RELATED PARTY DISCLOSURES

(b) Government of Kenya

The company is wholly owned by County Government of Kiambu- incorporated in Kenya, which owns 100% of the company's shares.

(a) Athi Water Services Board

Athi water Services board is a state corporation under the ministry of water, environment and natural resources incorporated under state corporation act Cap (446) with the mandate of asset development within Nairobi and Kiambu counties. Kikuyu water Company is appointed as an agent of AWSB as one of the Water service providers (WSPs) tasked with the management of asset and liabilities as negotiated through a services provision agreement (SPA). The company is supposed to pay a fixed administration levy to AWSB as indicated in the regular tariff which was approved by the Regulator (WASREB).

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(e) Remuneration for directors' and key management compensation

The remuneration for directors' and other members of key management during the year were as follows

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(A) ATHI WATER SERVICES BOARD	2019	2018
Balances brought forward	19,977,411	16,044,956
Administrative Fee payable to AWSB	4,129,077	3,932,455
Balance Carried down as at 30th June	24,106,488	19,977,411
(B) COUNTY GOVERNMENT OF KIAMBU		
Balances brought forward	144,000	120,000
County Government of Kiambu	24,000	24,000
Balance Carried down as at 30th June	168,000	144,000
(C) WATER SERVICES REGULATORY BOARD		
Balances brought forward	2,722,185	1,944,670
Regulatory levy payable to WASREB	3,362,769	977,515
Payments during the year	-	(200,000)
Balance Carried down as at 30th June	6,084,954	2,722,185
(D) WATER RESOURCES MANAGEMENT AUTHORITY		
Balances brought forward	1,451,564	1,187,034
Adjustments	(874,441)	
Regulatory levy payable to WARMA	695,092	434,530
Payments during the year	(250,000)	(170,000)
Balance Carried down as at 30th June	1,022,215	1,451,564
(E) DIRECTORS REMUNERATION		
Board allowances	280,000	666,001
Remuneration of key Management	7,180,280	6,658,640
	7,460,280	7,324,641

24 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

The company is exposed to credit risk which is the risk that the debtors will cause a financial loss to the company by failing to discharge an obligation. Credit risk arises mainly from customer deposits held in the form of bank balances or short term deposits, and the cash held at revenue collection points with various institutions like M-pesa platform, Equity bank Ltd, Family Bank Ltd and Post bank of Kenya Ltd.

The company does not have significant concentrations of credit risk posed by collection agents or banks since the financial institutions possess high credit quality and hence the risk of default is low. Cash deposits are maintained with credible financial institutions

The company's accounts receivable is generated mainly from the water sale. Majority of these sales are in accounts receivable which generally are short term for a period not exceeding 30 days. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from billing to customers transactions	56,817,582	33,672,991	23,144,591	-
Receivables from other transactions	71,255	71,255		
Bank balances	11,428,974	11,428,974	-	-
Total	68,317,811	45,173,220	23,144,591	
At 30 June 2018				
Receivables from billing to customers transactions	45,774,468	22,629,877	23,144,591	
Receivables from other transactions	14,303	14,303	-	-
Bank balances	11,889,565	11,889,565	-	-
Total	57,678,336	34,533,745	23,144,591	

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

The company has significant concentration of credit risk on amounts due from water consumers

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

ii) Liquidity risk management

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables and other payables	18,056,067	-	1,129,507	19,185,574
Provisions Lease & regulatory fees	7,515,845	4,933,969	17,909,627	30,359,442
Deferred income	-	-	1,200,000	1,200,000
Employee benefit obligation	2,902,926	-	-	2,902,926
Total	28,474,838	4,933,969	20,239,134	53,647,941
At 30 June 2018				
Trade payables and other payables	15,682,842	-	1,129,507	16,812,349
Provisions Lease & regulatory fees	4,933,969	4,601,326	13,308,301	22,843,596
Deferred income			1,200,000	1,200,000
Employee benefit obligation	2,482,057			2,482,057
Total	23,098,868	4,601,326	15,637,808	43,338,002

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

24 FINANCIAL RISK MANAGEMENT (Continued)

a) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve		
Retained earnings	(14,674,821)	(13,535,986)
Capital reserve	349,000	349,000
Total funds	(14,225,821)	(13,086,986)
Total borrowings	-	-
Less: cash and bank balances	11,446,708	11,905,925
Net debt/(excess cash and cash equivalents)	(2,779,113)	(1,181,061)
Gearing	124%	110%

25 INCORPORATION

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

26 EVENTS AFTER THE REPORTING PERIOD

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

27 CURRENCY

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

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
(1) Electricity expenses	Included in Note 9 to the financial statements under operational expenses is an amount of Kshs. 42,009,651 relating to expenses. An examination of billing statements from Kenya Power and Lighting Company for the period of July 2017 to June 2018 revealed total electricity bills amounting to Kshs. 31,245,031 and thus, resulting in unexplained expenditure difference of Kshs 10,764,620. Further, an analysis of the payment records revealed that cheques amounting to Kshs. 39,962,826 were made in favour of Kenya	During the year under review the company incurred an electricity expense of Ksh 42,009,651 as indicated in note 9 to the financial statements. The company also paid ksh 39,834,342 to service the arrears of Ksh 2,806,257, the current bills of ksh 42,009,651 and as a result the balance of 4,981,566 was not paid as at 30 th June 2018. The tabulation below indicates how the balances were arrived at: Balance B/F 2,806,257 Add expense for the year 42,009,651 Less payments (39,834,342) Is equal to balance C/F 4,981,566 A detailed schedule of how the expenses and payments were arrived at its attached for your information and further action.	Mary Mbugua	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
(2) Payables relating to water regulatory board	According to Note (xvii) to the financial statements on related parties in the summary of significant accounting policies, the Company operates under a regular tariff signed between Water Service Regulatory Board (WASREB), Water Resources Management Authority (WARMA), Athi Water Services Board (AWSB) and Kikuyu sub-county whereby, WASREB is paid 1% of all revenue generated from provision of and sanitation services, AWSB and Kikuyu sub-county are paid a fixed fee on	Note 20 of the financial statements reflects payables to related parties which includes kshs 19,977,411 lease fee to AWSB, regulatory levy kshs 2,722,185 and WARMA charges (Abstraction levy) kshs. 1,451,564 during the current year under review. The levy payable to WASREB is anchored in the service provision agreement APPENDIX 3: SCHEDULE OF LEASE FEES which states as follows. The Lessee shall pay to the Water Services Regulatory Board 1% of Water and Sewerage revenue collected during the month. The abstraction fee payable to WARMA is anchored in the 1 st schedule of WARMA rules PART B WATER USE CHARGES (Attached are copies for your information) We have attached a tariff schedule of lease fee payable to AWSB lease fee payable to Kikuyu sub-county. The company is licensed by Water Services Regulatory Board and operates under a Service Provision Agreement that spells out the term's operation. Attached is the copy of SPA.	Daniel Muiruri	Pending	In Progress

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
(3) Failure to disclose material uncertainty in relation to going concern	In the financial year ended 30 th Jun 2018, the company recorded a net loss of Kshs. 7,018,040 (30 th June 2017: a net loss of Kshs. 547,365) which as a result depleted retained earnings from negative Kshs 6,517,946 as at 1 July 2017 to negative Kshs. 13,535,986 as at 30 June 2018. Further, the current liabilities of Kshs. 57,616,442 as at 30 June 2018 exceeded the current assets of Kshs. 37,001,769 resulting in a negative working capital of Kshs. 20,614,673. The	The expenses of the company included administrative fees expenses of Kshs. 3,932,454 payables to Athi Water Services Board, the administrative fees were based on approved tariff in 2010 to 2013 against a projected billing that was not realised. Athi Water developed Kikuyu Springs with a capacity to produce 1000m3 per day. However, it was not operational in the period under review since the project is not yet operational. However, the company in partnership with Kiambu County Water and Sewerage Company is conducting studies on installation of cheaper sources of power that included solar power. Once this is done the company gets a new tariff it will be able to cover its operational costs.	MD	In Progress	In Progress

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1). Unaccounted for water	Operational income increased by Kshs. 13,976,724 from Kshs. 84,107,871 in the financial year 2016/2017 to Kshs. 98,084,485 in 2017/2018. The total water production for the year under review was 2,053,652 cubic meters. However, only 1,043,780 cubic metres were billed during the year. This implies that unaccounted for water was 1,009,872 cubic metres or 49.17% of the total production. In essence, unaccounted for water was 24.17% over and above the 25% level recommended by WASREB.	The non-revenue water being both apparent and commercial losses, the company has invested heavily in rehabilitation of water systems, storage tanks and addressing leaks and bursts in order to address technical losses. In addition, the company has dedicated a full pledged non-revenue tam so as to maximise on reduction of non-revenue. Also, the company is increasing metering of customers in order to address the same by buying quality meters and installing them to new customers. However, during the financial year under review the company lost considerable amounts of water during construction of road in Kikuyu town and peripheries estates by Nairobi metropolitan development authority. It is also important to note that the county Government of Kiambu had an ambitious rural rid upgrading programme where we also lost water during the exercise. However, the 49.17% is still above the allowable thresholds and the company is committed to bringing it to further down.	Peter Nganga	In Progress	In Progress

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2). Customers' Deposits	The statement of financial position shows that the customers' deposits increased by Kshs 2,080,000 from Kshs. 12,198,440 as at 30 June 2017 to Kshs. 14,278,440 as at 30 June 2018 and as disclosed in Note 21 to the financial statements. However, as disclosed in Note 15 to the financial statements under cash and bank balances, the customers, deposits bank account had a balance of Kshs. 11,082,420 as at June 2018. The difference of Kshs. 3,196,020 apparently represents the amount borrowed by the	While the company's deposits policy anticipant's repayment period not exceeding Twelve months and to maximum of Kshs. 1,000,000 the company however was unable to actualize this due to liquidity pressure. During the year under review the company maintained a standing order of ksh 100,000 to this account for the sole purpose of reducing the balance. Once the company successfully secures a new regular tariff it will be able to cover its operational cost and borrowing will be suspended.	Mary Mbugua	Resolved	Resolved

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3). Audit Fees arrears	Included in the trade and other payables in Note 20 to the financial statements are professional fees totalling Kshs 1,160,000 and which relates to arrears of audit fees that have not been paid by the company for four financial years namely 2013/2014, 2014/2015, 2015/2016, 2016/2017 and 2017/2018. The company has therefore been in persistence breach of Section 41 (1) (c) of the Public Audit Act, 2015 which empowers the Auditor General to charge audit fees at the rates prescribed and be paid accordingly by the	The company in its obligation to prepare the financial statement in accordance to the law has accrued the entire audit fee due to the office of the auditor general prudently. However due to cash flow constraints the company was unable to clear all the debt due to the office of the auditor general as at 30 th June 018 as indicated in Note 20 to the financial statements. During the year under review the company paid a cheque (4552) of Ksh 232,000 in the favour of office of the auditor general and thus why the balance brought down was equal to balance carried down. The company is committed to honour its obligation to pay off all the amounts owed to the AOG office once its liquidity improves.	Daniel Muiruri	In Progress	In Progress

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1). Failure to Appoint Board of Directors.	A review of records of the board of directors of Kikuyu Water Company Limited revealed that the company had in office nine board members, all had retired, the positions remained vacant and has not been filled as at the time of audit in January 2019. In the absence of full board, activities that require full board approval could not be implemented. As a result, there was lack of formulation of new Company Policies, procedures and execution of the functions of the board contrary to Section 79 (1) of the Water Act	The company did not replace the board members who had retired in the course of the financial year since instructions were issued by the county government on the change of management where all the eight water companies are to be merged to form one company.	County Government of Kiambu	Resolved	Resolved

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Guidance Notes:

- (i) Use the same reference numbers 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.

Director General/C.E. O/M. D
(enter title of head of entity)

Jane Mwangi
Managing Director
Date.....

Chairman of the Board

Date.....

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