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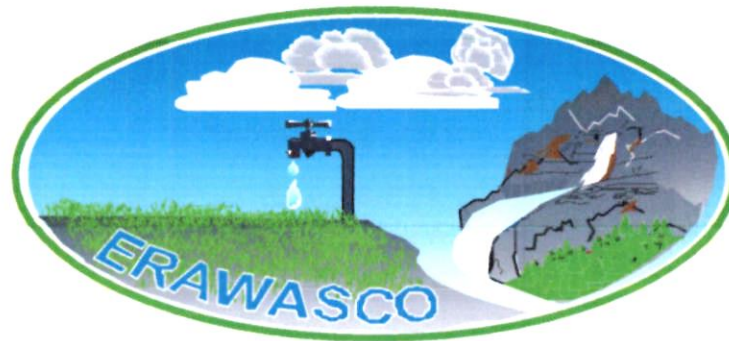
THE AUDITOR-GENERAL

ON

ELDAMA RAVINE WATER AND SEWERAGE COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2020





ELDAMA RAVINE WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2020

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

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

Table of Contents	Page
1. KEY ENTITY INFORMATION	iv
2. MANAGEMENT TEAM.....	vi
3. REPORT OF THE CHIEF EXECUTIVE OFFICER	vii
4. REVIEW OF ELDAMA RAVINE WATER AND SEWERAGE COMPANY LIMITED PERFORMANCE FOR FY 2019/2020.....	x
5. CORPORATE GOVERNANCE STATEMENT.....	xv
6. MANAGEMENT DISCUSSION AND ANALYSIS	xvi
7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING xx	
8. REPORT OF THE DIRECTORS	xxii
9. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xxiii
10. REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR ELDAMA RAVINE WATER AND SEWERAGE CO. LTD.....	xxiv
11. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020.....	1
12. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020	2
13. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020	3
14. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020.....	4
15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020	5
16. NOTES TO THE FINANCIAL STATEMENTS.....	6

1. KEY ENTITY INFORMATION

Background information

Eldama Ravine Water and Sewerage Company Limited was established in Kenya as a Public limited Company under the provisions of the Company's Act Cap 486 on 15th December 2005 and started its operations on 15th January 2007. It took over the Management of Water Supply as a Service Provider within the mandated Jurisdiction of Eldama Ravine Sub-County and its environs after signing a Service Provision Agreement (SPA) with the then Rift Valley Water Works Development Agency (Licensee) on **15th January 2007**.

It gets its water supply from two main water sources i.e. **Narasura River** and **Chemususu Dam Water Supply**. The Company's main shareholder is Baringo County Government. The Company is managed independently through a **Board of Directors** representing various Stakeholders.

Principal Activities

The principal activity of the Company consists of provision of water services within the Legal jurisdiction of Eldama Ravine Town and its Environs.

Vision.

To be a model of excellence in Water Provision.

Mission.

To optimally provide adequate, safe and reliable water and sewerage services to our customers at a commercially sustainable level.

Core objectives.

Provision of water within the Jurisdiction of Eldama Ravine Town and its environs.

Directors

The Company Board of director's tenure elapsed on 30th September 2013. However the Company is working closely with Baringo County Government together with the Central Rift Valley Water Works Development Agency (CRVWWDA) in ensuring that Board of Directors for the Company is concluded the soonest to ensure that Company's operations are run smoothly as per requirement.

Corporate Secretary

Mr.Samwel k. Koech
P.o Box 826,
Eldama-Ravine.

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

Registered Office

Kenya Commercial Bank Building, 1st floor, Market road,
P.O. Box 826 – 20103,

ELDAMA RAVINE.

Corporate Headquarters

P.o Box 826,
Kamelilo Along E/Ravine Nakuru highway
Eldama-Ravine-KENYA

Corporate Contacts

Telephone: 2540794 257 299

E-mail: erawasco2007@yahoo.co.uk

Corporate Bankers

Kenya Commercial Bank,
Eldama Ravine Branch,
Market Road,
P.O. Box 415 – 20103,

ELDAMA RAVINE.

Bank Account Numbers:

(i) 1105641945

(ii) 1161792953

(iii) 1111359407

(iv) 1118994051

Independent Auditors


Auditor General,
Office of the Auditor General,
Anniversary Towers, University Way
P.O. Box 30084,
GPO 00100

NAIROBI, KENYA.

Principal Legal Advisers

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

2. MANAGEMENT TEAM

S/NO.	NAME	POSITION	QUALIFICATIONS	RESPONSIBILITY
01.	SAMUEL KIPLIMO KOECH 	Managing Director	-Higher National Diploma in Water Engineering. -Served as Sub-County Water officer- Baringo County Government	Ag.Managing Director and in charge of Technical Services.

3. REPORT OF THE CHIEF EXECUTIVE OFFICER

Introduction

It is my pleasure to release these financial statements relating to the operations of Eldama Ravine Water and Sewerage Company Limited for the financial year 2019/2020. These financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), Public Audit Act, 2015, and Water Act 2016 and within the requirements stated in the Company's Act Cap 486 Laws of Kenya.

Overview

During the year under review, the Company reached out the areas requiring Water Services. Although there is low performance and low revenue base the company strives to enhance its service delivery levels through completion of Chemususu Dam and distribution network.

Sewerage

Currently sewerage services are being provided by Baringo County Government.

Maintenance

The main works carried out composed repair and replacement of pipes and pipe fittings, inspection of water works and machineries, testing and maintenance of fire fighting equipments and cleaning of sedimentation tanks at Chemususu Treatment Works. This would improve on the quality of water supplied.

Water Sector Reforms

Under the water Act 2016, the following institutional framework has been created for the water services sector. The Company falls under the legal jurisdiction of Central Rift Valley Water Works Development Agency (CRVWDA). Various Water Sector Reforms includes:

- (i) Water Resources Authority
- (ii) Water Services Regulatory Board
- (iii) Water Works Development Agencies
- (iv) Water Sector Trust Fund
- (v) Water tribunal
- (vi) The county governments- who owns and establishes all the water service providers

Training, Capacity Building and Human Resources Development

The Company values and appreciates the enormous contribution and commitment of personnel towards improved performance. In this regard, the company is focusing in developing its human capital and enhancing the skills and abilities for the personnel development as well as towards meeting the company's business challenges. The training process will always be customized to suit the specific needs of the company, its customers, stakeholders and all-round development of personnel.

Performance Management

In response to the emerging challenges, the company is putting up measures to taking up several steps to improve and sustain its role leadership in the water sector. In addition, strategic business planning and periodic business review will be invigorated and strengthened.

The company is in the process of establishing a performance management system where the Board of Directors and the Corporate Management Team (C.M.T) are going to be appraised of their performance. Through this system all the company staff will be appraised as well.

As at now, the company does not have the Human Resource, as well as the commercial manager. The Managing Director is being assisted by section heads and zonal supervisors on day to day basis to run company business.

From the performance appraisals, skill gaps established, will be filled through training and capacity building.

Public Relations

Public relations remained good during the year. The Management and the Shareholders upped their efforts leading to improvement in productivity, cost reduction, quality services and employee performance.

International Standards Organization (ISO)

The company is in the process of aligning its systems with the best practices and is presently in process of acquiring the ISO quality management systems certification. A team will be established to spearhead the process.

Health and Safety

The company is in the process of establishing an Occupational Health and Safety committee in keeping line with the requirements of the factories and other places of Work Act.

Corporate Social Responsibility

The company is in the process of forming a committee which will foster strong relationship with the community. This will be achieved after implementing a well-defined corporate social responsibility frame work.

Corporate Governance Issues

The company is in the process of implementing the Corporate Governance guidelines as set out by the Water Services Regulatory Board. This is aimed at achieving transparency, accountability efficiency and effectiveness in service delivery.

Internal Control Systems and their Adequacy

I wish to confirm that the Company has proper and adequate systems of internal controls geared towards achieving efficiency in its various business operations, safeguarding of assets, optimum utilization of resources, and compliance with the law and statutory regulations.

Disclosures

During the year under review, besides the transactions reported in the notes to the Accounts, there were no transactions with the Directors and Management that had Conflict with the company's interest.

Conclusion

I am glad to record my profound gratitude to the Management and the entire staff, for the commitment, hard work and dedication with which the affairs of the company were conducted in the year under review

Finally, I wish to extend my sincere thanks to the entire fraternity of all class of stakeholders and the Office of the Auditor General (OAG) in particular for their input and all the consumers for their continued support, advice and guidance.

I have every confidence that this spirit will be sustained in the years ahead and for ERAWASCO the future is bright and we hope to satisfy the stakeholders.

Thank you.

Mr. Samwel K. Koech
Name


.....
Sign

10.2.2021
.....
Date

Ag. Managing Director/Technical Manager,
Eldama Ravine Water and Sewerage Company Limited



4. REVIEW OF ELDAMA RAVINE WATER AND SEWERAGE COMPANY LIMITED PERFORMANCE FOR FY 2019/2020.

Eldama Ravine Water and Sewerage Company Limited (ERAWASCO) has Strategic pillars and objectives within its strategic Plan for the year 2020-2024, it focuses on the twin theme of *improving water supply infrastructure and the enhancement of service delivery* to the clients. It is recognized that a significant section of the water supply infrastructure currently in place was established more than 30 years ago and has inadequate capacity to supply the growing population.

The strategic Plan for 2020-2024 is hinged on the following key strategic objectives:

1. To develop effective Human Resource capacity for efficient corporate governance to meet Shareholder, stakeholders and clients demands
2. Improve water and infrastructure
3. To operate efficiently, reduce non revenue water and improve the billing system
4. To protect the environment and water catchment areas as well as check the quality of potable water
5. To improve on the quality of data and dissemination of information as well as communication with stakeholders
6. To increase revenues
7. To continue mainstreaming cross cutting issues: Gender, HIV/AIDS and corruption
8. Maximize the utility of ERAWASCO Fixed and Current Assets

To achieve the commercial aspects of the above, the company would implement a comprehensive corporate business plan focusing on:

- i. Reduce UFW from the current 68% to at least 50% by year three of plan
- ii. Increase customer connections by at least 500 by year three of plan
- iii. Reduce billing related complaints from the current 10% to 1% by year three of plan
- iv. Improve revenue collection from 80% to 90% by year three of plan
- v. Continuous negotiations with the Government and development partners with an intention of bringing down the cost of debts by the Company to 25% from the current estimated 75%.
- vi. Initiation of PPP arrangements
- vii. Ensure strict monitoring of the implementation of the Strategic and Business plans
- viii. Implementation of effective risk mitigation and management strategies
- ix. Application of new tariff structure as recommended by the tariff review consultancy.

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

Achievements

- The company continues to be a leading WSP in the sub county despite numerous challenges, old and dilapidated infrastructure, and financial constraints.
- Environmental issues have taken lots of priority. ERAWASCO has established Laboratory system capable to monitor water quality and is in the process of procuring modern equipment. The company often gets routine surveillance monitoring from CRVWWDA

Progress Made to-date

- Treatment works at Chemususu is undergoing rehabilitation and a new one is under construction.
- The company applied for the tariff adjustment, which was approved by CRVWWDA in January 2009 and implemented immediately and was due for review in 2010. The tariff was however not reviewed, in 2013 an application for new tariff was forwarded, but due the rigorous processes the term of the then Board of directors lapsed before completion. To date the company still uses the old extra ordinary tariff adjustment.

Water Demand in Eldama Ravine

Eldama Ravine town is home to a large market for permanent and passing population. Some large institutions e.g. Baringo school with a student population of 1000 as at 2018, Eldama Ravine Referral Hospital, are also located within the town. Commercials and other numerous colleges and schools are based within town.

Currently the water supply coverage is about 56% of population within the boundaries of Eldama Ravine. This represents a population of approximately 22,470 people

Eldama Ravine is highly commercial Town and the rate of population and industrial (light industries) growth is equally high. Soaring water demand emanates from high water-demanding commercials and residential

It is recommended that every 3 years, the technical team, marketing and sales department work together to assess the water and sanitation demands, within the constraints of the market and propose appropriate tariffs for consideration by the Management.

Table I summary of projected water demand for area

Consumer category	Water demand(m ³ /day)			
	Present	initial	future	ultimate
	2020	2021	2023	2024
Human	4000	7000	8000	10000
Livestock	500	700	900	1100
Institutional and commercial	800	1030	1260	1490
Sub total	5,300	8730	10160	12590
UFW/NRW (30%)	1590	2619	3048	3777
TOTAL	6890	11349	13209	16367

Increasing Water Supply to meet Demand

Treatment works at Chemususu is currently undergoing expansion. For the planning period 2020-2024, it is projected to produce further 5,000 m³ daily, bringing total daily productions to 7,500m³.

At the same period we expect to energize the try empty pipelines that have not been getting any water. If all the above, as extensively discussed in the strategic planning meeting, are implemented the production capacity will be as shown in the table below:

In order to achieve the desirable economic and social benefits related to the provision of adequate water supply and sanitation services the company may adopt funding in three basic forms:

- (1) Funds for capital investment in infrastructure to extend basic services to those without,
- (2) Funds for ongoing provision of water.
- (3) Funds to develop the capacity of water services institutions.

Because water is inextricably linked to the environment, the financial and pricing arrangements should also take into account the effects of the use of water services on the environment. Beyond these social and environmental mandates, water services will be managed in terms of normal financial and economic principles (commercial) that will be applied to the financing and pricing of water services that are not basic services, provided that environmental impacts are appropriately managed.

Table II water supply verses demand and sales per day

	supply(m ³ /day)	demand(m ³ /day)	Deficit /surplus(m ³ /day)	Sales @42/= per m ³	Surplus sold as bulk
2020	2500	6800	(4300)	102,000	0.00
2021	16349	11349	5000	689,658	75,000.00
2023	18209	13209	5000	764,778	75,000.00
2024	21367	16367	5000	897,414	75,000.00

Strategic Objectives

Based on the situational analysis and strategic plan meeting held on 3rd June 2018, the following have been identified as the main strategic objectives:

1. To develop effective HR capacity for efficient corporate governance to meet stakeholders and clients demands
2. Improve water infrastructure
3. To operate efficiently, reduce non revenue water and improve the billing system
4. To protect the environment and water catchment areas as well as check the quality of potable water
5. To improve on the quality of data and dissemination of information as well as communication with stakeholders

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

6. To increase revenue
7. To continue mainstreaming cross cutting issues: Gender, HIV/AIDS and corruption
8. Maximize the utility of ERAWASCO Fixed and Current Assets

Eldama Ravine water and Sewerage Company Limited Performance targets set for the year 2019/2020 are show in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Recruit board of directors	Improved capacity in Governance IT Resource mobilization Financial management	Information has been given to shareholders to fast track the recruitment process.	Requirement obtain for the process of recruitment	Schedule to take place before the end of year.
Have expanded and well equipped office	To obtain enough space for office operations	The company has occupied the new offices	New offices and boardroom has been constructed	Offices and boardroom in place – to be furnished.
Strengthened staff skills	To improve on performance and service delivery	List of staff and key areas has been identified to be focused.	Undertake staff training needs assessment	Schedule to take place before the end of year.
Develop modern human resource capacity	Have standard appraisal mechanism in place	Planning has been put in place awaiting Board of Directors for approvals and execution.	Develop performance, appraisal tools	All requirements put in place including documentations
Improve water Capacity	To improve on revenue base and increase coverage	Chemususu dam completion, construction of more water tanks and pipeline extension	Chemususu dam completion, construction of more water tanks and pipeline extension	Chemususu dam completed pipe extension 80% completed. More tanks have been constructed.

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

Reduction of UFW	To minimize water loss and increase customer satisfaction	Current state at 68% of water loss is unaccounted for.	Survey reports to be done. Installation of water meters in identified key area	Survey reports has been done
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5. CORPORATE GOVERNANCE STATEMENT

Eldama Ravine Water and Sewerage Company Limited is committed to operating under clear governance frame work and adhere to sound management practices.

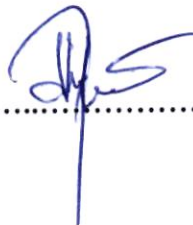
We are committed to ensuring compliance with all the provisions of the water Act 2016, the Service Provision Agreement (SPA) granted by Central Rift Valley Water Works Development Agency (CRVWDA) and the Companies Act, Cap 486 as well as the corporate governance guidelines issued by WASREB vide a gazette notice on 18th June 2010.

Baringo County Government is in charge of the Company operations and is in the process of recruiting the Board of Directors for the Company.

For and on its behalf;

Mr John C. Kidogo

.....
Sign



**Chief Officer,
Water and Irrigation,
Baringo County Government**



Mr. Samwel Koech

.....
Sign



.....
Date

10.2.2021

**Ag. Managing Director/Technical Manager
Eldama Ravine Water and Sewerage Company Limited**



6. MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the year under review, the Company reached out to the areas requiring Water Services. Although there is low performance and low revenue base the company strives to enhance its service delivery levels through completion of Chemususu Treatment plant and the distribution network which will be able to reach more consumers.

Performance

The company's performance has been disclosed in page 1 to 5 of the financial reports

Revenue items

The total Company's income for the financial year 2019/2020 was **Kshs.11,623,578.00**. The main source of income is Water Sale contributing **92%** of the total income. Out of the total income realized the Company received grant in kind from the County Government of Baringo through supply of Water Chemicals worth **ksh.842,900.00**

Accounts Receivables

Accounts receivables rose by **Kshs.471,444.00** that is from **Kshs.36,575,191.00** to **Kshs.37,046,635.00** due to non-settlement of billed Water on time, non payment of share capital to mention but a few. However, we are putting in place mechanisms to recover these debts.

Expenditure Items

The total expenditure for the year amounted to **Kshs.18,174,527.00**

Accounts Payables

Accounts payables rose by **Kshs.8,294,788.00** that is from **Kshs.80,431,074.00** to **Kshs.88,725,862.00**. Delay to clear these liabilities was highly contributed by the fact that we have a lot of outstanding debts from consumers and especially those we inherited from the licensee whose collectability is in doubt. However, the Company through the assistance of licensee endeavors to recover this amount and reduce the liabilities to a manageable level.

Operating deficit

The Company's operational deficit for the year ended 30th June 2020 was **Kshs.(6,653,364.00)**. This was from a surplus of **Kshs.624,905.00** in the year ended 30th June 2019. The management has imposed strict measures in ensuring that it increases the revenue base and collections thereof hence reduction of deficits in future.

The resultant deficit is posted to the General Reserve Account as required by the company's Act Cap 486 Laws of Kenya.

Rapid Results Initiative (R.R.I)

The level of unaccounted for water (UFW) poses considerable challenges to the efforts of the company to operate in a financially sustainable manner. The level of UFW reduced from **72%** in the year **2019** to **68%** in the year **2020**. We are putting all our efforts in ensuring that we regulate the rate of unaccounted for water to a manageable level. To account for the water produced, we have gradually and consistently installed water meters to our consumers. We have also ensured that leaks and bursts are attended to on time. In addition, we have been making frequent and surprise visits to our consumers in a view of advising them on ways of conserving water. We are in the process of acquiring master/zonal meters in order to establish how much water is lost and where.

Other Challenges

In the year under review, the company faced challenges which put pressure on profitability in various segments of its operations. These were:

- (i) Rampant illegal connections due to private plumbers
- (ii) Eldama Ravine Town has not witnessed any applicable increase in industrial activities.
- (iii) The Main Shareholder (Baringo County Government) has not handed over the control of sewerage services to the company which could have boosted the company's revenue base.
- (iv) Metering Services: - The Company has not managed to meter all consumers due to lack of enough meters and fittings for installations that could serve the high demand in terms of consumers due to lack of funds.
- (v) The Company's current water distribution network (obsolete) cannot serve the bloated population within its area of Jurisdiction
- (vi) Leakages/ bursts due to aged pipeline systems.
- (vii) Old treatment plant which is prone to water quality issues
- (viii) Staff unrest due to continuous delay in payment of salaries which reduces morale
- (ix) Increase in creditors which hinder the smooth running of the operations by the organization.

Water Extension Projects.

Water distribution Network from the Chemususu Main supply financed by the National Government is ongoing.

Sewerage

Currently sewerage services are being provided by Baringo County Government.

Maintenance

The main works carried out composed of pipe fittings, inspection of water works and machineries, cleaning of sedimentation tanks at Chemususu Treatment Works. This would improve on the quality of water supplied.

Training, Capacity Building and Human Resources Development

The Company values and appreciates the enormous contribution and commitment of personnel towards improved performance. In this regard, the company is focusing in developing its human capital and enhancing the skills and abilities for the personnel development as well as towards meeting the company's business challenges. The training process will always be customized to suit the specific needs of the company, its customers, stakeholders and all-round development of personnel. However the Company has not been able to either carry out this requirement due to the financial constraints, to meet this requirement the Company will approach the Licensee to assist in building the Capacity of the employees.

Performance Management

In response to the emerging challenges, the company is putting up measures to taking up several steps to improve and sustain its role leadership in the water sector. In addition, strategic business planning and periodic business review will be invigorated and strengthened.

The company is in the process of establishing a performance management system where the Board of Directors and the Corporate Management Team (C.M.T) are going to be appraised of their performance. Through this system all the company staff will be appraised as well.

From the performance appraisals, skill gaps established, will be filled through training and capacity building.

Public Relations

Public relations remained good during the year. The Management and the Board of Directors upped their efforts leading to improvement in productivity, cost reduction, quality services and employee performance.

International Standards Organization (ISO)

The company is in the process of aligning its systems with the best practices and is presently in process of acquiring the quality management systems certification. A team will be established to spearhead the process.

Health and Safety

The company is in the process of establishing an Occupational Health and Safety committee in keeping line with the requirements of the factories and other places of Work Act.

Corporate Social Responsibility

The company is in the process of forming a committee which will foster strong relationship with the community. This will be achieved after implementing a well-defined corporate social responsibility frame work.

Corporate Governance Issues

The company is in the process of implementing the Corporate Governance guidelines as set out by the Water Services Regulatory Board. This is aimed at achieving transparency, accountability efficiency and effectiveness in service delivery.

Internal Control Systems and their Adequacy

I wish to confirm that the Company has proper and adequate systems of internal controls geared towards achieving efficiency in its various business operations, safeguarding of assets, optimum utilization of resources, and compliance with the law and statutory regulations.

Company's Operations

Eldama Ravine Water and Sewerage Company operates Chemususu and Narasura Water Supplies as its main sources of water and hence revenue to cater for its operations and maintenance. The Company draws its water from Chemususu and Narasura intake and water is distributed by gravity to an estimated population of 62,006 people within the area of supply with an average production of 2700m³ per day.

The Government through the National Water and Pipeline Corporation has completed constructing a dam at Chemususu with a capacity of 11,000,000m³ and an estimated production of 35,000m³ per day at the ultimate period. However, the construction of the distribution network is ongoing and is expected to meet the demands of its consumers and also will be able to extend to the new consumers hence expectations in the increase in revenue base.

Disclosures

During the year under review, besides the transactions reported in the notes to the accounts, there were no transactions with the Directors and Management that had any conflict with the company's interest.

Conclusion

Now that the distribution network project is almost complete, the company expects to improve on pipe extension with a view to selling more water and thus increase the revenue collection. This will enable the company improve service provision. Finally I would like to thank the Baringo County Government, Central Rift Valley Water Works Development Agency(CRVWDA), the staff and all our consumers for their support during the year.

I look forward to more support and co-operation in the coming year.

Thank you.

Mr.Samwel Koech


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Sign

10.2.2021
.....
Date

**Ag. Managing Director/Technical Manager,
Eldama Ravine Water and Sewerage Company Limited**



7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile

The company continues to be a leading WSP in the sub county despite numerous challenges, old and dilapidated infrastructure, and financial constraints.

- Environmental issues have taken lots of priority. The Company has established Laboratory system capable to monitor water quality and is in the process of procuring modern equipment. The company often gets routine surveillance monitoring from CRVWWDA. Treatment works at Chemususu is undergoing rehabilitation and a new one is under construction.
- The company applied for the tariff adjustment, which was approved by CRVWWDA in January 2009 and implemented immediately and was due for review in 2010. The tariff was however not reviewed, and in 2013 an application for new tariff was forwarded, but due to the rigorous processes the term of the then Board of directors lapsed before completion. To date the company still uses the old extra ordinary tariff adjustment.
- Eldama Ravine town is in Baringo County. ERAWASCO was appointed by CRVWWDA as Water Service Provider for Eldama Ravine town and its environs. It extends its services 3kilometers beyond Town boundaries. Currently water coverage is 56% of the population within this area. The coverage decreases with distance from the central business district. In the low-income settlements, it is a mixed scenario: some parts are partially or well covered, while others are not covered at all. To ensure the financial self- sufficiency of the company, expansion should focus on the medium income areas. By 2021 coverage is projected to be 80% of the total population. However the increase in geographical coverage is made complex by the new constitutional dispensation, especially with respect to county boundaries.
- CRVWWDA is licensed by the WASREB to be responsible for the efficient and economical provision of water Services within its jurisdiction. RVWSB in turn engaged ERAWASCO to be a Water Service Provider in Eldama Ravine town and its environs through a Service Provision Agreement (SPA)¹ as required by the water Act 2002, sections 53 and 55, and water act 2016.

2. Environmental performance

To attain the principle of sustainable development the Company have adopted the recommended procedure to be followed before a project is implemented. This involves approvals to ensure that the project does not pose any negative effects to the environment.

3. Employee welfare

The Company values and appreciates the enormous contribution and commitment of personnel towards improved performance. In this regard, the company is focusing in developing its human capital and enhancing the skills and abilities for the personnel development as well as towards meeting the company's business challenges. The training process will always be customized to suit the specific needs of the company, its customers, stakeholders and all-round development of personnel.

4. Water quality Control.

The company will ensure that its water quality meets national standards through internal and external tests in compliance to KEBs & WHO standards. In addition to its in-house laboratory tests, samples will be sent on a regular basis to the Kenya Bureau of Standards.

Employee Relations/Fair remunerations

The Company ensures fair remunerations and has a committee in place who will always deal with any conflict or disagreement amongst the employees.

Customer service

The Company has put in place standards of meeting the customer demands, these includes how customers complaints are handled also period to which bursts are attended from the time it is reported.

Approved Tariffs.

The Company uses the approved tariffs by the regulator (WASREB) this will ensure the customers are not exploited in any way.

5. Community Engagements

The company is in the process of forming a committee which will foster strong relationship with the community. This will be achieved after implementing a well-defined corporate social responsibility frame work. However the Company ensures close relationship with its customers through effective communication and conducting water clinics. Also community involvements in projects implementation to enable them own the projects.

8. REPORT OF THE DIRECTORS

The Board of Directors for the Company is in the process of its constitution, the process is spearheaded by the Baringo county Government. Meanwhile the County under the CECS office oversees the Company's operations and supports in all Technical matters required by the Company.

Principal activities

The principal activities of the Company are provision of water services within the legal jurisdiction of the defunct Town Council of Eldama-Ravine.

Financial Results

The results of the entity for the year ended June 30, 2020 are set out on page 1-5.

Dividends

The Company did not declare any dividends during the period under review

Board of Directors

The Company Board of Directors tenure elapsed on 30th Sept 2013, the new Board has not been constituted to date.

Auditors

The Auditor General is responsible for the statutory audit of Eldama-Ravine Water and Sewerage Co.Ltd in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General has expressed his willingness to continue in office in accordance with section 159(2) of the Companies Act and section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

This statement is approved by the directors and signed on its behalf by:

Mr. John C. Kidogo


Sign

Chief Officer
Baringo County



Mr. Samwel Koech


Sign

Ag. Managing Director/Technical Manager
Eldama Ravine Water and Sewerage Company Limited

10.2.2021

Date



9. STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are responsible for the preparation of this Annual Report and Financial Statements, in accordance with the Company's Act Cap.486 Laws of Kenya, the Public Audit Act 2015 and Public Finance Management Act,2012 Section 14 of the State Corporations Act.

We are of the opinion that these financial statements give a true and fair view of the state of affairs of the Company as at 30th June 2020 and its deficit for the year ended. We have ensured that the Company maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Company. We are also responsible for safeguarding the assets of the Company.

We accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, and in conformity with the International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act,2012 and the State Corporation Act, International Accounting Standards (IAS), and Company's Act and the Water Act 2016.

In the absence of the Board of directors of the Company the office of the CEC Baringo County takes responsibility of overseeing the operations of the Company, We are therefore aware of the challenges reported in the Financial Statements together with the previous observations by office of the auditor general which pertains the going concern of the Company. To arrest the highlighted issues, the County Government together with the Central Rift Valley Water Works Development Agency are working on a strategy to resolve these issues and will consolidate in its annual reports on its progress once a decision is reached.

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

Approval of the financial statements

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

Mr. John C. Kidogo
Sign
Chief Officer
Water and Irrigation Baringo County

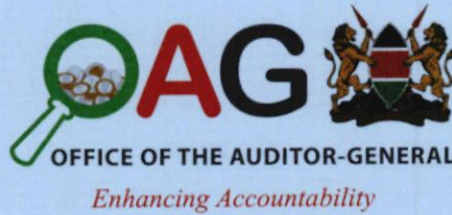


Mr. Samwel Koech
Sign
Ag. Managing Director/Technical Manager
Eldama Ravine Water and Sewerage Company Limited



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REPORT OF THE AUDITOR-GENERAL ON ELDAMA RAVINE WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Eldama Ravine Water and Sewerage Company Limited set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2020, 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the Eldama Ravine Water and Sewerage Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015, and the Water Act, 2016.

Basis for Qualified Opinion

1. Errors in Presentation of Financial Statements

The annual reports and financial statements prepared and presented for audit did not meet the financial statements reporting framework issued by the Public Sector Accounting Standards Board as highlighted below: -

- i. The Management team list on page vi has only one (1) person;
- ii. The statement of profit or loss and other comprehensive income on page 1 has no header;
- iii. Note 15 is repeated both on page 19 and on page 21 and erroneously placed before Note 14;

- iv. Note 17 is repeated both on page 21 and on page 22 and erroneously placed before Note 16;
- v. Note 13 to 23 do not match the notes numbering in the statement of financial position;
- vi. Note 17(a) refers to Note 27b and Note 27c which are not attached to the financial statements; and
- vii. The chairman's statement, progress on follow up of auditor recommendations (appendix i), projects implemented by the entity (appendix ii), inter-entity transfers (appendix iii), and recording of transfers from other government entities (appendix iv) have not been incorporated in the annual reports and financial statements.

Consequently, the annual reports and financial statements as prepared and presented does not comply with the requirements of International Financial Reporting Standards and as prescribed by the Public Sector Accounting Standards Board.

2. Inaccuracies in the Financial Statements

The financial statements prepared and presented for audit had the following inaccuracies: -

- i. The Management discussion and analysis on page xvi indicates a deficit for the year ended 30 June, 2020 of Kshs.6,653,364 while the statement of profit or loss and other comprehensive income reflects Kshs.6,550,949 resulting to unexplained nor reconciled variance of Kshs.102,415;
- ii. The statement of financial position reflects comparative cash and cash equivalents of Kshs.2,802,780 while Note 19 to the financial statements on bank balances reflects Kshs.2,978,085 resulting to unexplained nor reconciled variance of Kshs.175,305;
- iii. The statement of changes in equity reflects total deficit as at 01 July, 2018 of Kshs.22,485,776 while casting revealed total deficit of Kshs.23,210,681 resulting to unreconciled nor explained variance of Kshs.724,905;
- iv. The statement of changes in equity reflects total deficit as at 30 June, 2020 of Kshs.46,423,170 while casting revealed total deficit of Kshs. 46,523,170 resulting to unreconciled nor explained variance of Kshs.100,000;
- v. The statement of cash flow reflects increase/(decrease) in cash and cash equivalents of Kshs.130,463 while casting revealed Kshs.7,599,924 resulting to unexplained nor reconciled variance of Kshs.7,469,461;
- vi. Note 21 to the financial statements reflects increase in inventories of Kshs.223,420 while re-computation in the statement of financial position reflects

Kshs.1,725,732 resulting to unreconciled nor explained variance of Kshs.1,502,312;

Under the circumstances, the accuracy and completeness of the above balances included in these financial statements for the year ended 30 June, 2020 could not be confirmed.

3. Inaccuracy of Comparative Figures

The comparative figures in the financial statements differed from the last year's audited figures as detailed below: -

Component	Note	2019/2020 Comparative Figures Kshs	2018/2019 Audited Figures Kshs	Variance Kshs
Statement of Profit or Loss and Other Comprehensive Income				
Other Income		302,580	6,701,721	(6,399,141)
Grant in Kind- Baringo County Government		6,589,021	0	6,589,021
Statement of Changes in Equity				
Accumulated Loss		(42,367,871)	(42,992,776)	624,905
Statement of Financial Position				
Trade and other receivables – deposits and prepayments	17(a)	68,000	0	68,000
Bank balance - Kenya Commercial Bank a/c 1105641945	17	262,857	171,646	91,211
Bank balance - Kenya Commercial Bank a/c 1118994051	17	173,646	89,522	84,124
Notes to the statement of cash flows – analysis of cash and cash equivalents				
Cash in Hand	21	0	311,800	(311,800)
M-pesa Activity account	21	0	291,020	(291,020)
Balance at end of the year	21	2,199,960	2,802,780	(602,820)

The variances have not been explained or reconciled.

Consequently, the accuracy and completeness of the comparative figures included in these financial statements for the year ended 30 June, 2020 could not be confirmed.

4. Administrative Expenses

The statement of profit or loss and other comprehensive income reflects administrative expenses of Kshs.1,630,052 (2019 – Kshs.1,075,786) as disclosed under Note 10(a) to the financial statements. However, the following unsatisfactory matters were noted;

4.1. Unsupported Travel and Subsistence Allowance

The administration expenditure includes travelling and subsistence allowances of Kshs.443,230. However, the expenditure was not supported with invitation letters, work plans, schedule of activities, work tickets and reports. Similarly, the expenditure includes Kshs.249,500 whose payee was indicated as "Eldama Ravine Water and Sewerage Company" instead of the officer who was issued with the imprest.

Under the circumstances, the accuracy and completeness of travelling and subsistence allowances of Kshs.443,230 could not be confirmed.

4.2. Unsupported Hired Casuals

The administration expenditure includes an amount of Kshs.185,700 for hired casuals which was not supported by way of master rolls, schedule of activities and signed attendance schedules. In addition, no inspection reports of the works done were provided.

Under the circumstances, the accuracy, completeness and probity of Kshs.185,700 expenditure on hired casuals could not be confirmed.

4.3. Unsupported Printing and Stationery

The statement of profit or loss and other comprehensive income reflects administrative expenses of Kshs.1,630,052 (2019 – Kshs.1,075,786) as disclosed under Note 10(a) to the financial statements. The expenditure includes printing and stationery of Kshs.138,052 which was not supported by requisitions, receiving documents (S11), stores ledger and issuance records.

In the circumstances, the accuracy, completeness and probity of Kshs.138,052 expenditure on printing and stationery could not be confirmed.

5. Unaccounted Fuel, Oil and Lubricants

The statement of profit or loss and other comprehensive income reflects general operating costs of Kshs.3,814,797 (2019 – Kshs.3,787,891) as disclosed under Note 12 to the financial statements. Included in the expenditure is Kshs.430,350 relating to fuel, oil and lubricants which was not supported by way of cash sale receipts with ETRs, detail orders, entries in the fuel register and the respective motor vehicles work tickets.

Under the circumstances, the accuracy and completeness of fuel, oil and lubricants of Kshs.430,350 for the year ended 30 June, 2020 could not be confirmed.

6. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalent balance of Kshs.2,933,243 (2019 - Kshs.2,802,780) and as disclosed under Note 19 to the

financial statements. However, the balances were not supported with cash books. This is contrary to the Public Finance Management (County Governments) Regulations, 2015 Section 100 which states that accounting officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the vote for which he or she is responsible. In addition, board of survey reports were not provided for audit review.

Under the circumstances, the accuracy and fair statement of the reported cash and cash equivalent balance of Kshs.2,933,243 as at 30 June, 2020 could not be confirmed.

7. Long Outstanding Account Receivables

The statement of financial position reflects account receivables balance of Kshs.37,046,635; (2019 - Kshs.36,575,191) and as disclosed under Note 17(b) to the financial statements. However, Note 15(a) reflects staff receivables of Kshs.1,809,000 which is not included in the figure reported in the statement of financial position.

In addition, Note15(a) includes share capital of Kshs.100,000 receivable from Baringo County, an indication that the County is not committed in forming and supporting the Company. Besides, the disclosure in Note 18 on ordinary share capital indicate that the shares were fully paid which contradicts Note 15(a).

Further, no provisions for bad and doubtful debts adjustments have been made to cater for the likely impairment despite Kshs.25,805,623 or 70% of the debt being aged more than one year.

Under the circumstances, the accuracy and fair statement of the receivables balance of Kshs.37,046,635 as at 30 June, 2020 could not be confirmed.

8. Unsupported Inventories

The statement of financial position reflects inventory of Kshs.1,913,362 (2019 – Kshs.187,630) and as disclosed under Note 14 to the financial statements. However, the inventories were not supported by stock take sheets, ledgers and valuation reports.

Consequently, the accuracy and completeness of the inventory balance of Kshs.1,913,362 as at 30 June, 2020 could not be confirmed.

9. Unsupported Customer Deposits

The statement of financial position reflects accounts payables of Kshs.88,725,862 (2019 – Kshs.80,431,074) and as disclosed under Note 19 to the financial statements. The amount includes customer deposits of Kshs.1,585,000 which are not backed by an equivalent cash balance at the bank since only Kshs.198,646 was held at the bank as at 30 June, 2020.

In addition, thirty-seven (37) new connections were made during the year and a deposit of Kshs.45,000 paid. However, out of this amount, only Kshs.17,000 was traced to the deposit account bank statements resulting to unexplained nor reconciled variance Kshs.28,000.

Consequently, the accuracy and completeness of customer deposits of Kshs.1,585,000 as at 30 June, 2020 could not be confirmed.

10. Un-Cleared Grant - Inherited Debts

As previously reported, the statement of financial position as at 30 June, 2020 reflects granted -inherited debts from Rift Valley Water Works Development Authority of Kshs.13,209,459. The amounts have remained outstanding since the inception of the Company in the year 2007 and comprise of unpaid water bills and salaries paid by the Authority for the Company of Kshs.11,592,483 and Kshs.1,616,976 respectively. No explanations for failure to pay or write-off these debts, was provided for audit.

In the circumstances, the validity and fair statement of grants inherited debts of Kshs.13,209,459 as at 30 June, 2020 could not be confirmed.

11. Irregular Write Off of Work in Progress

The statement of changes in equity reflects accumulated loss of Kshs.59,732,629 (2019 - Kshs.42,367,871). The balance includes a write off in work in progress of Kshs.10,711,394 which is not a deficit and Management has not rendered explanation through a Note to the financial statements for the treatment.

Under the circumstances, the accuracy and fair presentation of the reported accumulated loss of Kshs.59,732,629 as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.11,623,578 and final expenditure budget of Kshs.16,940,905. The

budget was not balanced by a difference of Kshs.5,317,327. However, the statement of comparison of budget and actual amounts reflected a deficit of Kshs.6,550,949. It was not clear how the Company planned to finance the deficit.

Further, it was noted that the final budget amounts reflected in the statement of comparison of budget and actual amounts were similar with the original budget figures as well as the actual amounts received and spent.

2. Material Uncertainty Related to Going Concern

The statement of financial position reflects accumulated loss of Kshs.59,732,629 (2019 - Kshs.42,992,777). Further, the current liabilities balances of Kshs.88,725,862 exceed the current assets of Kshs.41,961,240, resulting to negative working capital of Kshs.46,764,622. The Company is technically insolvent and could be facing challenges in meeting its financial obligations as and when they fall due. However, this fact was not disclosed by way of a Notes to the financial statements as required by the standards.

Consequently, the Management has prepared these financial statements on a going concern basis on the assumption of continued financial support from the County Government and creditors.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Board of Directors

The term of the Board of the Company lapsed on 30 September, 2013 and new Board has not been reconstituted since then. This contravenes Guideline 4.2.5 of the corporate governance guidelines for the water services sector, on Board succession policies and period in office which requires that the Water Service Providers shall avoid a situation where all Board members retire at the same time.

Under the circumstances, the Company is in breach of corporate governance guidelines for the water services sector.

2. Failure to File Returns

The Company returns for the period ended 30 June, 2020 had not been filed. This is contrary to Section 705 of the Companies Act, 2015 which states that every company

shall submit to the Registrar successive annual returns each of which is made up to a date not later than the date that is from time to time the company's return date.

Similarly, there was no evidence that annual tax returns were filed contrary to Section 52B (1)(b) of the Income Tax Act (Cap 470) which requires every person, other than an individual chargeable to tax under the Act, for any accounting period commencing on or after 1st January, 1992 to furnish the Commissioner with a return of income, including a self-assessment of his tax on such income, not later than the last day of the sixth month following the end of his accounting period.

Under the circumstances, the Company is breach of the law.

3. Irregular Grant in Kind

The statement of profit or loss and other comprehensive income reflects grants in kind-Baringo County Government of Kshs.842,900 (2019 – Kshs.6,589,021) as disclosed under Note 8 to the financial statements. The grants were to augment the budgetary resources through purchase of water chemicals. This is contrary to Section 71(4) of the Public Finance Management (County Governments) Regulations, 2015 that provides that a County Government entity is not allowed to give a County Government entity donation to augment the budgetary resources of designated departments.

Consequently, the County is in breach of the law.

4. Irregular Procurement of Water Chemicals

The statement of profit or loss and other comprehensive income reflects goods and services of Kshs.1,336,037 (2019 – Kshs.805,225) as disclosed under Note 7 to the financial statements. Included under goods and services is Kshs.1,215,250 in respect to water treatment chemicals out of which Kshs.372,350 were cash purchases without procurement due process of identifying suppliers and awards. Requisitions from the user department were not raised, supplies were unrecorded in the store ledger and no segregation of duties on receiving, storage, issuance and usage of chemicals. This is contrary to Section 44(1) and (2)(d) of the Public Procurement and Asset Disposal Act, 2015.

Under the circumstances, the Company is breach of the law.

5. Lack of a Substantive Managing Director

The statement of profit and loss and other comprehensive income for the year ended 30 June, 2020 reflect personnel cost of Kshs.11,229,420 (2019 – Kshs.11,563,893) as disclosed under Note 10(b) to the financial statements. Included under personnel cost is Kshs.600,000 on CMT responsibility allowance being acting allowance to the acting Managing Director. It was further observed that the office of the Managing Director has been vacant for over four years and no efforts seems to have been made to fill the post. No satisfactory explanation has been given for this anomaly or irregularity.

Under the circumstances, the Company is breach of the law.

6. Accounts Payables

The statement of financial position as at 30 June, 2020 reflect accounts payables of Kshs.88,725,862 (2019 – Kshs.80,431,074) as detailed in Note 19 to the financial statement. However, the following observations were made;

6.1. Net Salaries (November 2017 - June 2020)

Note 19 to the financial statements reflects salary arrears of Kshs.22,166,812 an increase by Kshs.3,502,310 from Kshs.18,664,502 reported as at 30 June, 2019. The schedule presented for audit indicated amounts due to banks and sacco's instead of showing each employee, opening balance for the year, monthly net pay, payments made and the closing balance. No efforts appear to have been made by the Company to clear the outstanding salaries.

Consequently, the Company is in breach of the law.

6.2. Non-Remittance of Statutory

Note 19 on accounts payables for the year ended 30 June, 2020 reflects unpaid statutory deductions totalling Kshs.22,780,055 as detailed below.

Account Payable	Amount (Kshs)
KUCFAW Scheme	85,398
NWCP Scheme	13,486,048
Kenya Revenue Authority (PAYE)	6,781,577
NHIF	19,300
NSSF	711,040
LAPTRUST	1,696,692
Total	22,780,055

These deductions include some old balances relating to the year 2012 and prior years. No explanation was provided for the failure to remit the deductions which attract unnecessary interest and penalties .

Consequently, the Company is in breach of the respective laws.

6.3. Non-Remittance of Permit Levies and Fees

The levies fees payable to RWWSB, WASREB and WARMA of Kshs.35,008,307 were not remitted during the year as shown below;

Body	Levies and Fees for the year Kshs	Accrued Debt Kshs
RVWWDA 14% lease fee	1,489,592	26,744,605
WASREB 4% regulatory levy	225,598	1,391,710
WARMA levy	822,000	6,871,992
Total	2,537,190	35,008,307

No explanation was provided for non-remittance of these dues which attract interest and penalties.

Consequently, the Company is in breach of respective regulations.

7. Lack of a Procurement Plan

In the year under review, the Company did not have a procurement plan in place. This is contrary to Section 50(3) of the of the Public Finance Management (County Governments) Regulation, 2015 which provides that the accounting officer shall make an expenditure commitment only against the procurement plan approved for the entity in accordance with Public Procurement and Asset Disposal Act, 2015.

To this extent, the Company is in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water (NRW)

The statement of profit or loss and other comprehensive income reflects water sales of Kshs.10,640,100; (2019-Kshs.11,392,497) and as disclosed under Note 6 to the financial statements. Available records indicate that the Company produced 737,745

cubic meters (M³) of water out of which, only 232,422 cubic meters or 31.5% were billed leaving out the balance of 505,323 cubic meters or approximately 68.5% of the production as Non-Revenue Water. The excessive NRW over and above the allowable threshold of 25% amounted to 320,887 cubic meters or at Kshs.22,141,203 equivalents at the average distribution rate of Kshs.69 per cubic meter.

Further, Note 9 to the financial statements indicates nil revenue from Cheberen and Timboroa compared to Kshs.112,700 realized in the previous financial year. The Management explained pump break down at Timboroa and siltation and unreplaced main pipes at Cheberen as the reason for failure to collect revenue from the two sources.

Consequently, the adequacy of controls over water produced during the year under review is in doubt.

2. Lack of Fire, Risk and Fraud Management Policies

The Company does not have fire, fraud and risk management policies in place. This is contrary to Section 1009 (1) of the Companies Act, No.17 of 2015 which states that a company that keeps its records shall ensure that adequate precautions are taken; (a) to guard against falsification of those records; and (b) to facilitate the discovery of any falsification of those records that might occur.

Consequently, the identification and mitigation of fraud risks and their impact on the performance of the Company could not be ascertained.

3. Lack of Service Provision Agreement

Contrary to the provisions of Section 78(1) of the Water Act No.43 of 2016 which require a company providing water services within a specified geographical area to obtain an operating license, the Company did not have a service provision agreement from Rift Valley Water Works Development Agency during the year under review.

Under the circumstances, it is not possible to assess the Company's performance, including adequacy of internal control procedures and policies during the year.

4. Lack of Strategic Plan

The Company does not have a strategic plan in place to provide guidance on the broader objectives that are to be achieved by the organization and its responsibilities.

Consequently, the operations of the Company may not be moving in a coherent manner for lack of formal guidance.

5. Lack of Internal Audit and Audit Committee

The company doesn't have an internal audit department to guide and evaluate its internal controls. This is contrary to the Public Finance Management (County Governments) Regulations, 2015 Section 155(2).

Similarly, an audit committee which can provide strategic oversight over the controls in the Company has not been established. This is contrary to the Public Finance Management (County Governments) Regulations, 2015 Section 167(1) which states that subject to paragraph (2) of this regulation, each county government entity shall establish an audit committee.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Company 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

Report of the Auditor-General on Eldama Ravine Water and Sewerage Company Limited for the year ended 30 June, 2020

**11. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019 - 2020	2018 - 2019
		Kshs.	Kshs.
REVENUES			
Water Sales	6	10,640,100	11,392,497
Other Income	9	140,578	302,580
Grant in Kind-Baringo County Government	8	842,900	6,589,021
TOTAL REVENUES		11,623,578	18,284,098
COST OF SALES			
Goods and Services	7	1,336,037	805,225
Gross Surplus		10,287,541	17,478,873
OPERATING EXPENSES			
Personnel costs	10(b)	11,229,420	11,563,893
Administrative Expenses	10(a)	1,630,052	1,075,786
Depreciation of PPE.	15	61,309	77,375
General Operating Costs	12	3,814,797	3,787,891
Finance costs	11	102,912	81,207
TOTAL OPERATING EXPENSES		16,838,490	16,586,152
OPERATING PROFIT/(DEFICIT)		(6,550,949)	892,721
PROFIT/(DEFICIT) BEFORE TAXATION		(6,550,949)	892,721
COORPORATION TAX 30%		-	267,816
PROFIT/(DEFICIT) AFTER TAXATION		(6,550,949)	624,905

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

12. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020	2019
		Kshs	Kshs
ASSETS			
Current Assets			
Cash and cash equivalents	19	2,933,243	2,802,780
Accounts Receivables	17(b)	37,046,635	36,575,191
Inventories	16	1,913,362	187,630
Utility Deposits		68,000	68,000
Total Current Assets		41,961,240	39,633,601
Non-Current Assets			
Property plant and equipment	15	341,452	402,761
Work In Progress		-	10,711,394
Total Non-Current Assets		341,452	11,114,155
TOTAL ASSETS		42,302,692	50,747,756
LIABILITIES			
Current Liabilities			
Accounts payables	21	88,725,862	80,431,074
Total Current Liabilities		88,725,862	80,431,074
Equity			
Share Capital	20	100,000	100,000
Grant-Inherited Debts		13,209,459	13,209,459
Accumulated Loss		(59,732,629)	(42,992,777)
Total Equity		(46,423,170)	(29,683,318)
TOTAL EQUITY AND LIABILITIES		42,302,692	50,747,756

Name: Samwel Koech

Name: John C. Kidogo

Designation: Ag Managing Director
ERAWASCO LTD

Designation: Chief Officer, Water and Irrigation,
Baringo County Government.

Sign.....

Sign.....

Date: 10.2.2021

Date: 10 FEB 2021



**Annual Reports and Financial Statements
For the year ended June 30, 2020**

**13. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE
2020**

	Ordinary Share Capital	Accumulated Loss	Grant (CRVWDA)	Total
At July 1,2018	100,000	(36,420,140)	13,209,459	(22,485,776)
Surplus/Deficit for the Year	-	624,905	-	624,905
Baringo County Grant	-	(6,572,636)	-	(6,572,636)
At June,30 2019	100,000	(42,367,871)	13,209,459	(28,433,507)
				-
At July 1,2019	100,000	(42,367,871)	13,209,459	(28,433,507)
Surplus/Deficit for the Year		(6,550,949)		(6,550,949)
Work in Progress	-	(10,711,394)	-	(10,711,394)
At June 30,2020	100,000	(59,732,629)	13,209,459	(46,423,170)

Annual Reports and Financial Statements

For the year ended June 30, 2020

14. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	2018-2019
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/(used in)operations	23	7,599,924	8,813,410
Net cash generated from/(used in)operating activities		7,599,924	8,813,410
INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS		130,463	2,490,963
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,802,780	311,817
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,933,243	2,802,780

15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Original Budget 2019-2020	Adjustments 2019-2020	Final Budget 2019-2020	Actual on comparable basis	Performance Difference 2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
REVENUE					
Water Sale	10,640,100	-	10,640,100	10,640,100	-
Other Income	140,578	-	140,578	140,578	-
Total Income	10,780,678	-	10,780,678	10,780,678	-
GRANT/SUBSIDY					-
Baringo County Government	842,900	-	842,900	842,900	-
TOTAL ESTIMATED INCOME	11,623,578		11,623,578	11,623,578	-
EXPENSES		-	-		-
Personnel Expenses	11,229,420	-	11,331,835	11,331,835	-
Administrative Expenses	1,630,052	-	1,630,052	1,630,052	-
Operating Costs	3,979,018	-	3,979,018	3,979,018	-
Total Expenditure	16,838,490	-	16,940,905	16,940,905	(6,550,949)
Surplus/(deficit) for the period	-	-	-	(6,550,949)	

16. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Eldama Ravine Water and Sewerage Company Limited was established in Kenya as a Public limited Company under the provisions of the Company's Act Cap 486 on 15th December 2005 and started its operations on 15th January 2007. It took over the Management of Water Supply as a Service Provider within the mandated Jurisdiction of Eldama Ravine Sub-County and its environs after signing a Service Provision Agreement (SPA) with the then Rift Valley Water Works Development Agency (Licensee) on **15th January 2007**.

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 financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Eldama Ravine Water and Sewerage Company Limited.

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

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 2020

Accounting Policies

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

a) Basis of Preparation

These financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Company's Act Cap 486, Public Audit Act 2003 and the Water Act 2016.

(b) Revenue Recognition

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements For the year ended June 30, 2020

Revenue is recognized on Accrual basis as follows:-

Revenue from the provision of water services is recognized when the title of services are rendered to the customer. Billing is done on monthly basis.

c) Currency

The financial statements are prepared in Kenya Shillings (Kshs) rounded to the nearest shilling.

(d) Surplus/(Deficit)

The Company is a non-profit making entity, the board of directors does not recommend payment of dividends, and any surplus is to be ploughed back to finance the company operations.

(d) Property, Plant and Equipments

Property, plant and equipment's are stated at cost, less accumulated depreciation and amortization costs. Land if applicable is revalued on current market price.

Depreciation policy

Land does not depreciate.

Depreciation is calculated on cost or valuation using reducing balance method over the estimated useful lives of the assets. The annual depreciation rates are based along the following estimates.

Asset	Life of assets in years	Depreciation rate (%)
Treatment plants & Equipments	8	12.5
Water works	10	10
Buildings	40	2.5
Vehicles/Motor Cycles	5	20
Office equipments	8	12.5
Furniture and fittings	8	12.5
Tools	8	12.5
software	10	10
Computers, printer and fax	3	30

e) Employees costs and Benefits

The full costs of employees, including un-remitted statutory and other payroll deductions are charged to the financial statements of the period within which the employee and Corporate Management Team worked. If there are unpaid salaries and allowances relating to the year of reporting, accruals are made and identified as a separate item in the statement of financial position under current creditors. However, retrospective adjustment or special payments are required, for example through pay awards, the financial statements are charged with the additional amount as soon as the amount becomes measurable to the accounts of the year.

Exceptionally, paid leave that is not taken by the end of the period is not accrued as charges from period to period are not normally material.

(f) Un-remitted statutory and other deductions

Statutory and other deductions not remitted at the end of the year are identified as current creditors.

(g) Supplies and invoices

All supplies and services are accrued and accounted for in the period during which they were incurred. Accruals are made for all unpaid invoices at the year end and identified as current creditors.

(h) Interest payable and Receivables

Interest payable is charged on accrual basis when due and credited to current creditors. Any outstanding interest not honoured for a period of twelve (12) months is transferred to loan balance as part of non-current creditors. Interest receivable from short and long term investments is recognized once and is considered as part of current assets.

i) Loans and Contractual Obligations

The movement on long term and short term loans is disclosed with details on payments made during the year, interest accrued and the outstanding balance. This balance is considered under both current and non-current liabilities with the amount payable within twelve (12) months shown under current liabilities. The company did not borrow any loan during the year.

(j) Contingencies

Contingent liabilities are liabilities incurred in the event of the occurrence of a particular foreseeable event. These may include guarantees given by the Water Regulatory Bodies. Court cases outstanding or uninsured assets. In the cases, the likely cost to the Company in the event of the contingency occurring is recognized in the accounts by way of notes.

Where it is deemed that the contingency has occurred, or is likely to do so then provision is made in the financial statements for the full amounts of the liability.

(k) Prior year and other adjustments

Prior year, current period and other adjustments arise in the financial statements due to a change in accounting policies, material error detected or change in accounting estimates.

Changes arising as a result of the above, where possible, require the restatement of the previous balances. However, where it is impracticable to determine the cumulative effect, at the beginning of the current period, the earliest date comparative information is restated to correct the error prospectively from the earliest date practicable.

l) Reserves

Renewals Fund

Under the company's Act Cap 486, a Corporation is expected to appropriate an amount from the Company's revenue to the renewals funds. This is supported by creating separate bank account/investments for future replacements of fixed assets as per the company's replacement policy.

2.0 Statement of compliance and Basis of Preparation.

The financial statements have been prepared in line with International Financial Reporting Standards (IFRS) under accrual accounting on historical cost basis as modified by the revaluation of fixed assets and the accounting policies set out above ensuring that they have been applied consistently throughout the period.

3.0 Application of new and revised international financial Reporting Standards (IFRS)

(i) Non –Current Assets

Fixed assets movement schedule for the Company's has been reflected in the financial statements. However, those assets that were inherited from/leased to the Company by the licensee (CRVWWDA) were not taken into account by the date of reporting these financial statements as they have not been valued.

These assets include: water pipeline, one motor vehicles and five motor cycles.

Depreciation has been charged to the assets accordingly applying the internationally recommended depreciation rates on straight line method as reflected in the notes to the financial statements.

(ii) 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 recognized 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 recognized 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 activities as described below.

- i) **Revenue from the sale of goods and services** is recognized in the year in which the delivery of 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 recognized 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) **Other income** is recognized 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

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 recognized 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 costs of ongoing but incomplete works on buildings and other civil works and installations.

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

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

A full year's 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized 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) Amortization and impairment of intangible assets

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

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

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 entity, are classified as investment property under non-current assets.

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

h) Finance and operating leases

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

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

i) Inventories

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

j) Trade and other receivables

Trade and other receivables are recognized 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.

k) Taxation

Current income tax

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

l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, Bank account balances also includes amounts held at Commercial Banks and balances in M.pesa activity account at the end of the reporting period.

m) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized 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.

n) 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.200 per employee per month.

o) Provision for staff leave pay

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

p) Budget information

The original budget for FY 2019-2020 was approved by the Office of the CECM Baringo County Water office. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

u) Budget information

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

q) Comparative figures

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

r) 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, 2020.

5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions

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

Useful lives and residual values

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

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

6 REVENUE

	2019/2020	2018/2019
	Kshs	Kshs
Water Sales	10,640,100	11,392,497
Total	10,640,100	11,392,497

7 COST OF SALES

	2019/2020	2018/2019
	Kshs	Kshs
Water Treatment Chemicals	1,215,250	581,250
Electricity production	120,787	223,975
Total	1,336,037	805,225

8 GRANTS FROM NATIONAL GOVERNMENT

	2019/2020	2018/2019
	Kshs	Kshs
Grant in Kind/Donations	842,900	6,589,021
Total	842,900	6,589,021

9 OTHER INCOME

Description	2019- 2020	2018-2019
	Kshs	Kshs
Labour Charges	74,878	126,780
Reconnection Fees	45,500	36,900
Other Miscellaneous Receipt	20,200	26,200
Cheberen/Timboroa Water Scheme	-	112,700
Total	140,578	302,580

10 (a) ADMINISTRATION COSTS

Description	2019	2018
	Kshs	Kshs
Office Rent	158,400	158,400
Telephone, Postages & Postal Rent	39,818	18,570
Travelling and Subsistence Allowances	443,230	285,675
Printing and Stationeries	138,052	108,655
Electricity (Office)	103,997	24,221
Cleaning materials/Miscellaneous	66,630	17,290
Entertainment/Hospitality expenses	38,400	17,850
Audit Fees	232,000	232,000

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

Insurance (Motor Vehicle/Cycles)	66,225	75,333
Journals & Periodicals	3,600	12,600
General Office repairs, Furnitures and Maintenance	7,000	10,550
Computer Repairs and Maintenance	82,400	88,942
Internet Services	27,300	18,000
Staff Welfare	-	5,000
Uniforms & Protective Gears	6,900	2,700
Hazardous/Risks Expenses	30,400	-
Hired Casuals	185,700	-
Total Administrative Expenses	1,630,052	1,075,786

10 (b) STAFF COSTS

Salaries and allowances of permanent employees	9,644,106	9,775,756
Wages of temporary employees	-	181,250
Compulsory national health insurance schemes	334,800	346,800
Compulsory national social security schemes	63,600	66,000
Other pension contributions	933,216	932,976
Leave pay and gratuity provisions	253,698	235,111
Staff welfare	-	26,000
Total Staff Costs	11,229,420	11,563,893
Basic Pay	6,221,106	6,257,180
House Allowance	2,373,000	2,451,000
Leave Allowance	253,698	235,111
Medical Allowance	334,800	346,800
N.W.C.P.S (Employer's Contribution)	775,248	785,192
N.S.S.F (Employer's Contribution)	63,600	66,000
Commuter Allowance	450,000	462,000
CMT Responsibility Allowance	600,000	600,000
Wages (Hired Casuals)	-	181,250
Lap trust (Employer's Contribution)	157,968	153,360
Hazardous Allowance	-	26,000
Total	11,229,420	11,563,893

11 FINANCE COSTS

	2019-2020	2018-2019
Description	Kshs	Kshs
Bank Charges	102,912	81,207
Total Finance Costs	102,912	81,207

12 GENERAL OPERATING COST

	2019-2020	2018-2019
	Kshs	Kshs
Fuel Oils and Lubricants	430,350	466,327
Repair & Maint.of Motor Vehicle /Mbike Repairs	168,910	189,798
Water Pipes and Fittings	251,860	268,250
Repair of Pumps &Distr.network	76,450	129,235
Regulatory Levy (4%)-WASREB	425,606	311,557
Lease Fees (14%)-CRVWWDA	1,489,621	1,936,724
WARMA-Permit Fees	972,000	486,000
Total Operating Costs	3,814,797	3,787,891

13 OPERATING PROFIT/(LOSS)

	2019-2020	2018-2019
	Kshs	Kshs
Staff Costs (Note 12b)	11,229,420	11,563,893
Depreciation of property,plant and Equipment	61,309	77,375
Auditors Remuneration	232,000	232,000
Total Operating Profit/(loss) Credit	11,522,729	11,873,268

14 INCOME TAX EXPENSE/(CREDIT)**(a) Current taxation**

	2019-2020	2018-2019
	Kshs	Kshs
Current taxation based on the adjusted Profit for the year at 30%	-	624,905
Current Tax:Prior year under/(over) Provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
TOTAL	-	624,905

b) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2019-2020	2018-2019
	Kshs	Kshs
Profit before Taxation	(6,550,949)	892,721
Tax at the applicable tax of 30%	-	267,816
Current Tax	-	624,905
Prior year Under-Provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects for income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year Over-provision	-	-
Total	-	624,905

15 PROPERTY, PLANT AND EQUIPMENT

2019-2020	Computer, Printers and Cameras	Billing Software	Furniture & fittings	Tools, Equipment & Machinery	Total
	-	-	<u>Kshs.</u>	<u>Kshs.</u>	
	<u>Kshs.</u>	<u>Kshs.</u>			<u>Kshs.</u>
Cost/Valuation					
At 1 st July 2019	491,890	638,000	48,390	316,790	1,495,070
Additions	-	-	-	-	-
As at 30th June 2020	<u>491,890</u>	<u>638,000</u>	<u>48,390</u>	<u>316,790</u>	<u>1,495,070</u>
Depreciation					
As at 1 st July 2019	398,739	424,517	35,255	233,798	1,092,309
Charge for the year	<u>27,945</u>	<u>21,348</u>	<u>1,642</u>	<u>10,374</u>	<u>61,309</u>
As at 30th June 2020	<u>426,684</u>	<u>445,865</u>	<u>36,897</u>	<u>244,172</u>	<u>1,153,618</u>
Net book value					
As at 30 th June 2020	<u>65,206</u>	<u>192,135</u>	<u>11,493</u>	<u>72,618</u>	<u>341,452</u>
As at 30 th June 2019	<u>93,151</u>	<u>213,483</u>	<u>13,135</u>	<u>82,992</u>	<u>402,761</u>

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

	Cost or valuation	Normal Annual Depreciation Charge
Billing Software	638,000	21,348
Computers and related equipment	491,890	27,945
Furnitures and Fittings	48,390	1,642
Tools Equipments & Machinery	316,790	10,374
TOTAL	<u>1,495,070</u>	<u>61,309</u>

Work in progress

Money used to Finance projects was granted by the Water Sector Trust Fund which was utilized up to the financial year 2017/2018. This is a Capital income and was expensed direct to the intended project. Any balance is treated as cash at bank and account payable in the financial statements. This is in line with the WSTF Financing contract and IAS 20. Therefore performance of the fund is accounted for separately in the accounts. All accumulated WIP from previous completed and transferred projects is written off from the books i.e the Company did not receive any funding in this financial 2019/2020 hence nothing has been reflected in the work in progress.

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

14 INVENTORIES

	2019-2020	2018-2019
	Kshs	Kshs
Water treatment Chemicals	1,913,362	187,630
Pipes and Fittings	-	-
Stationeries	-	-
TOTAL	1,913,362	187,630
	=====	=====

15(a) TRADE AND OTHER RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Trade receivables (Note 27b)	37,046,635	35,138,691
Deposits and prepayments	68,000	68,000
Staff receivables(Note 27c)	1,809,000	1,336,500
Share Capital (Baringo County)	100,000	100,000
Gross Trade and other Receivables	39,023,635	36,643,191
Net trade and other receivables	39,023,635	36,643,191
	=====	=====

17 (b) TRADE RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Gross Trade Receivables	37,046,635	35,138,691
Provision for doubtful receivables	-	-
At 30th June, the aging analysis of the gross trade receivables was as follows:		
Less than 30 days	829,230	1,447,264
Between 30 and 60 days	3,945,408	3,445,408
Between 61 and 90 days	3,053,935	2,603,935
Between 91 and 120 days	3,412,439	3,112,439
Over 120 days	25,805,623	24,529,645
Total	37,046,635	35,138,691
	=====	=====

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

17 (c) STAFF RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Gross Staff Receivables	1,809,000	1,336,500
Provision for impairment	-	-
Less: amounts within one year	-	-
Amounts Due after one year	1,809,000	1,336,500
	=====	=====

16 BANK AND CASH BALANCES

	2019-2020	2018-2019
	Kshs	Kshs
Cash at Bank	2,642,223	2,375,265
Cash in Hand	-	311,800
M.pesa activity	291,020	291,020
Total	2,933,243	2,978,085
	=====	=====

17 BANK AND CASH BALANCES

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	2019-2020	2018-2019
		KShs	KShs
a) Current account			
Kenya Commercial Bank	1105641945	362,027	262,857
Kenya Commercial Bank	1111359407	2,075,468	1,890,088
Kenya Commercial Bank	1118994051	198,646	173,646
Kenya Commercial Bank	1161792953	6,082	48,674
Sub Total		2,642,223	2,375,265
Cash in Hand		-	311,800
M.pesa		291,020	291,020
Sub Total		291,020	602,820
Grand Total		2,933,243	2,978,085

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

18 ORDINARY SHARE CAPITAL

	2019-2020	2018-2019
	Kshs	Kshs
Authorised:		
5,000 Ordinary shares of Kshs 20 Per share	100,000	100,000
Issued and fully paid		
5,000 Ordinary shares of Kshs 20 Per share	-	-
5,000 Ordinary shares of Kshs 20 Per share	100,000	100,000
	=====	=====

19 TRADE AND OTHER PAYABLES

	2019-2020	2018-2019
	Kshs	Kshs
Net Salaries (Nov 2017 - June 2020)	22,166,812	18,664,502
Ukulima Co-operative Society	852,223	806,623
Ardhi Co-operative Society	753,204	691,604
British American Insurance	49,987	40,175
KUCFAW	85,398	51,918
N.W.C.P Scheme	13,486,048	12,323,176
Kenya Power & Lighting Co. Ltd	101,031	167,867
Flexilink Company Ltd	50,182	80,182
Lease Fee 14% -RVWWDA	26,744,605	25,255,013
Regulatory Levy 4% -WASREB	1,391,710	1,166,112
WRMA Levy	6,871,992	6,049,992
Net C.M.T Responsibilities Allowances	579,700	609,700
Smart Chip Dynamics	89,081	137,790
County Government of Baringo	542,936	542,936
Kenya Revenue Authority (PAYE)	6,781,577	6,350,762
National Hospital Insurance Fund	19,300	21,600
Co-operative Check-Off Loan	261,811	315,385
L.K. Hardware	131,680	131,680
N.S.S.F	711,040	673,840
African Merchant Assurance co. ltd.	50,000	50,000
Office Auditor General (OAG)	2,420,000	2,188,000
Customer Deposits	1,585,000	1,540,000
Laptrust	1,696,692	1,412,364
Gratuity	583,853	583,853
County Building – Office Rent	720,000	576,000
TOTAL	88,725,862	80,431,074

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

20 PROVISION FOR LEAVE PAY

	2019-2020	2018-2019
	Kshs	Kshs
Balance at the beginning of the year	253,698	235,111
Additional provision at end of year	-	-
Leave paid out or utilized during the year	253,698	235,111
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.

21 NOTES TO THE STATEMENT OF CASH FLOWS

	2019-2020	2018-2019
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating Profit/(loss)	(6,550,949)	624,905
Depreciation	61,309	77,375
Operating Profit/(loss) before working capital changes	(6,489,640)	702,280
(Increase)/decrease in inventories	(223,420)	2,387,870
(Increase)/decrease in trade and other receivables	(471,444)	(2,144,980)
Increase/(decrease) in trade and other Payables	8,294,788	7,368,240
Cash generated from/(used in) operations	7,599,924	8,313,410
Analysis of cash and cash equivalents		
Cash at bank	2,642,223	2,199,960
cash in hand	-	-
Balance at end of the year	2,642,223	2,199,960

22 RELATED PARTY DISCLOSURES

Transactions with related parties

	2019-2020	2018-2019
	Kshs	Kshs
a) Grants from the Government		
Grants in kind from County Government	842,900	6,589,021
Total	842,900	6,589,021
	=====	=====

23 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:

Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Credit risk

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Receivables from exchange transactions	37,046,635	14,818,654	22,227,981	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	2,642,223	2,642,223	2,642,223	-
Total	39,688,858	17,460,877	24,870,204	-
At 30 June 2019				
Receivables from exchange transactions	35,138,691	13,352,703	21,785,988	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	2,375,265	2,375,265	2,375,265	-
Total	37,513,956	15,727,968	24,161,253	-

Eldama Ravine Water and Sewerage Company Limited

Annual Reports and Financial Statements For the year ended June 30, 2020

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.

ii) Liquidity risk management

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

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.

(ii) Liquidity risk management

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2020				
Trade Payables	8,872,587	17,745,172	62,108,103	88,725,862
Total	8,872,587	17,745,172	62,108,103	88,725,862
At 30 June 2019				
Trade Payables	8,043,107	16,086,215	56,301,752	80,431,074
Total	8,043,107	16,086,215	56,301,752	80,431,074

