

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NAKURU RURAL WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2018**



NAKURU RURAL WATER AND SANITATION COMPANY LIMITED

P.O. BOX 386 - 20100

NAKURU, KENYA

STANLEY MATHENGE ROAD

Tel. +254 51 2 213 214, +254 721 344 898,

Email: info@naruwasco.co.ke Website: www.naruwasco.co.ke

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE, 2018

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



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KEY ENTITY INFORMATION

Background information:

NARUWASCO is a wholly owned company of Nakuru County Government responsible for provision of water and sanitation services within the rural parts of Nakuru County covering an approximate service area of 7,406km². NARUWASCO assumed this responsibility with effect from 1st April, 2007 after the signing of the Service Provision Agreement (SPA) between it and the RVWSB and subsequent approval by Water Services Regulatory Board (WASREB). The WSP is governed by a Board of Directors with the day to day management being undertaken by the Managing Director.

The total population within our service area is 511,586. However, we only provide water services to an estimated population of 304,693 (2009 Census). The rest are served by CBO's through community projects.

Principal Activities:

The principal activity of the company is water service provision within its area of jurisdiction.

Directors:

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

Mr. J. Thiga Kariuki	- Chairman
Ms. Frida Mwangi	- Vice-Chair person
Mr. Gilbert Rotich	- Member
Dr. Nelson Maara	- Member
Mr. Kenneth Kamuren	- Member
Ms. Catherine Thumbi	- Member
Mr. Philip Wachira	- Member
Ms. Jacinta Mwangi	- Member
CPA. Reuben K Korir	- Managing Director



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Corporate Secretary:

Registered Office:

NARUWASCO Plaza

Stanley Mathenge Road off Nakuru - Eldoret Highway

NAKURU, KENYA

Corporate Headquarters:

NARUWASCO Plaza

Stanley Mathenge Road off Nakuru - Eldoret Highway

NAKURU, KENYA

Corporate Contacts:

P O Box 386-20100,

NAKURU, KENYA

Telephone: (254) 51 2 213 214, 0721 344 898,

E-mail: info@naruwasco.co.ke Website: www.naruwasco.co.ke

Corporate Bankers:

Kenya Commercial Bank

Nakuru Branch

P.O. Box 18-20100,

NAKURU, KENYA

Independent Auditors:

Auditor General,

Anniversary Towers, University Way

P.O. Box 30084,

GOP 00100

NAIROBI, KENYA



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Principal Legal Advisers

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

NAIROBI, KENYA



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THE CURRENT BOARD OF DIRECTORS

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
Mr. J. Thiga Kariuki	Retired Civil Servant, and Chair of the Board
Ms. Frida Mwangi	Business Lady
Mr. Gilbert Rotich	Business Man
Mr. Philip Wachira	Business Man
Mr. Johnson Kamau	County Government Employee
Mr. Kipngetich Cherono	Business Man
Ms. Mary M. Gichua	Business Lady
Mr. Charles Njuru	Business Man
CPA. Reuben K Korir	Managing Director
Mr. Kennedy Ombati Momanyi	County Government Employee



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CORE MANAGEMENT TEAM

Insert each key manager's passport-size photo and name, and key profession/academic qualifications	Indicate the main area of responsibility – without details
CPA. Reuben K Korir	Managing Director
Mr. Edward Mwangi	Technical Manager
Mr. Ezekiel Kemboi	Commercial Manager
Ms. Linda Korir	Human resource Manager
CPA Teresia Mumbi	Senior Accountant
CPA Mary Njoroge	Senior Internal Auditor
Note: The CEO/MD and the Company Secretary will feature both under the 'Board' and 'Management'.	



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CHAIRMAN'S STATEMENT

It is my pleasure to present the Annual Report and Financial Statements of Nakuru Rural Water and Sanitation Company Limited (NARUWASCO) for the year ended 30th June, 2018.

The company has continued to play its role in providing water services within its area of jurisdiction as defined and mandated by the license from Water Services Regulatory Board (WASREB).

The new constitution recognizes access to water as a basic human right to all citizens. The Board is aware that this presents a major challenge in effectively responding to our responsibilities. In this regard, the Board has put in place measures to ensure that its strategic plans are aligned to this fact. In order to increase access to water services and reduce Non-Revenue Water (NRW), the company, in collaboration with SNV, VEI, Nakuru County Government, and other development partners and stakeholders have implemented various programs within its service area.

During the year, the company participated in corporate social responsibility (CSR) activities through visits and donations to needy public schools.

Mr. Thiga Kariuki

Chairman

Date: 12/2/2019



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REPORT OF THE CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR

Financial Statements:

The financial year ended 30th June 2018 was the twelfth year of the company's existence since its establishment on April 2007.

During the year under review, the company realised total income of **Kshs. 251** million compared to **Kshs 212** million for the previous financial year, representing an **18%** increase. The increase in income was as a result of the efforts management put in place among them aggressive metering, improved supervision of meter-reading, billing and revenue collection operations.

Staffing and Employee Development:

On staff and employee development, the following were key milestones achieved during the year.

- Correct placement:

After approval of the new scheme of service, correct placement of staff in accordance with the board approved criteria was completed.

- Medical scheme:

To ensure all members of staff are covered including their family members, management has proposed to adopt an internally managed medical scheme for full benefits, the same shall be rolled out during the next financial year 2018/2019.

- Recruitment of TM and HRM

During the year under review, we successfully recruited two new senior managers (i.e. Technical and Human Resource Managers).

Financial management and Billing/Revenue Collection systems

During the year, we continued with our automation of financial and billing systems. New financial management information system (Sage Evolution)



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was acquired and fully implemented. To tap into new billing and revenue collection technologies, we initiated procurement of a new billing and revenue collection system.

Transport:

In our efforts to continue improve and modernize transport, we procured a total of 7 additional motor bikes and one new single cabin pickup during the year.



New single cabin pickup.

Projects:

Below is the update of on-going projects being implemented by the company:

i. WaterWorX program

Following the approval and subsequent signing of the WaterWorX program in early November, 2017, preparations for full implementation of the project have been on-going culminating in the finalization of the inception report during the year. The fifteen (15) year program with an expected funding of more than Kshs 400 million is scheduled to start September, 2018.



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ii. Water for Life Proposal:

Our VEI Water for Life Kshs 20 million Njuguni water project funding proposal submitted early October 2017 was approved for funding. The project is for improving water systems within Lare and Kihingo wards of Njoro Constituency. The project implementation started during the second half of the year and it is expected to be completed in November, 2018. The main components of the project includes:

- Construction of 225m³ masonry storage tank and 50-yard taps
- 830 water meters,
- 53 KM HDPE pipeline network,
- Harmonization of at least four boreholes into the network,

iii. Karunga Water Project:

Karunga Water Project was funded by the national government through the RVWSB. The project was completed and handed over to us for management during the year. The project serves karunga town and its environs, a population of more than 2000 people.

iv. PEWAK/VEI:

Our PEWAK project supported by VEI has been on-going during the year. We received 2,600 water meters including a 20 ft. container now being utilized as a store. Our Langalanga and Teachers B DMAs programs are on track.

v. SNV

Our SNV project on NRW Management also progressed on well. Among the components of the project were, 1,000 water consumer and several bulk meters including valves and fittings, Customer Identification Survey was also supported by SNV. The project target areas were Njoro, Kikopey and Salgaa.



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vi. Njoro water project – funded by NARUWASCO

To ease/improve the water situation of Njoro town, we constructed a 3.6 KM pipeline to connect the Rongai South pipeline and Njoro CBD. The new line injects water into the CBD directly and ensure that residents of Jowathu and Bondeni areas receive adequate supply of water. We have minimized reliance on the boreholes.

vii. AGM & EGM

As provided for in the law, we held our 5th Annual General Meeting (AGM) during the year. The businesses transacted among others included presentation of annual and financial reports by the Auditor General for the financial years 2014/2015 and 2015/2016, retirement of directors as provided for in the Memorandum and Articles of Association and amendment of the Articles to provide for county government representation by the CEC Water and Finance in the board of the company.

viii. None Revenue Water (NRW)

NRW has been a major area of concern in the company. Three years ago, NRW was at a high of 67%. A lot of efforts has been put into management of NRW. Our engagement with donors/partners in addition to the company efforts has resulted in the company registering an NRW of 55% as at the end of the financial year.

ix. WASREB/World Bank Proposal:

Our NRW Management funding proposal worth Kshs 100 million under WASREB/World bank was approved for funding during the year. We are currently, at the procurement stage of the planned activities.



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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the NARUWASCO has the responsibility of enhancing corporate governance practices to bring the level of governance in line with International Standards. The essence of good corporate governance practice is to promote and protect stakeholders' interests, among them are Nakuru County Government, RVWSB, WASREB, development Partners, Communities and water consumers.

The Board of Directors exercise leadership, enterprise, integrity and judgment in directing the company and acts in its best interest in a transparent, accountable and responsible way. To ensure the efficient running of the Board's operations, the company has established three standing Committees which meet and make recommendations to the full Board on issues delegated to them. Each committee of the Board has a charter clearly stating its roles. During the year under review the company had the following Committees in place;

- Finance and General Purposes Committee
- Technical Committee
- Audit and Risk Management Committee

In order to ensure that the board expenses are within the approved budget for 2017/2018 and regulatory levels, a calendar of the Board meetings was developed and adhered to.

The Board of Directors are paid sitting allowance for every meeting attended as well as accommodation allowance while on Board duty as per Government and regulatory guidelines. The Chairman is paid a monthly honorarium.


Mr. Thiga Kariuki

Chairman

Date: 12/2/2019



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STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes:

- i. maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *entity*;
- iii. designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. safeguarding the assets of the *entity*;
- v. selecting and applying appropriate accounting policies; and
- vi. making accounting estimates that are reasonable in the circumstances.

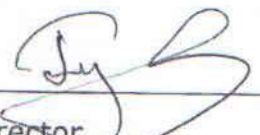


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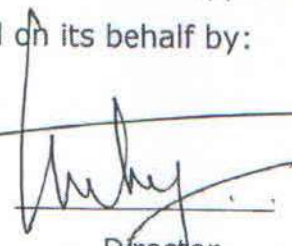
The Directors accept responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2018, and of the *entity's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The *entity's* financial statements were approved by the Board on 20th September, 2018 and signed on its behalf by:



Director



Director

Director



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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

Revenue from the sale of goods and services is recognised in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Grants from WSTF, SNV are recognised in the year in which the *entity* actually receives such grants.

Other income is recognised as it accrues.

Property, plant and equipment

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

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



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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)
Depreciation and impairment of property, plant and equipment

Work in progress is not depreciated. It relates to the costs of ongoing but incomplete works on pipeline and other civil works and installations.

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

- | | |
|--|---|
| i. Buildings | 25 years |
| ii. Plant and machinery | 12.5 years |
| iii. Motor vehicles, including motor cycles | 4 years |
| iv. Office equipment, furniture and fittings | 12.5 years |
| v. Computers and office equipment | are depreciated on reducing balance method at the rate of 30% |

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

Intangible assets

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

Amortisation and impairment of intangible assets

Amortisation 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 recognised so that



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the asset is written down immediately to its estimated recoverable amount.

Inventories

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

Trade and other receivables

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

Taxation

Current income tax

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

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

Deferred tax



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Deferred tax is not computed since NARUWASCO depreciates assets at the same rate as KRA wear and tear rates.

Cash and cash equivalents

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

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

Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance



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charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

Trade and other payables

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

Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees. 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 7.5% per employee per month.

Provision for staff leave pay

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

Budget information

The original budget for FY 2017-2018 was approved by the Board of Directors on July, 2017. Subsequent revisions or additional appropriations



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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.

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

Comparative figures

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



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Subsequent events

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

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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



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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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

During the period under review, the company continued to actively participate in corporate social responsibility (CSR) activities. Due to the unfortunate Solai Dam tragedy, the company contributed/donated building materials worth Kshs 100,000 to the victims.



*NARUWASCO handing over building materials to Red Cross Official
towards helping Solai Dam Tragedy Victims*



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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June, 2018 which show the state of the company's affairs.

Principal activities

During the year under review, the company continued with its core mandate of water service provision.

Results

The results of the entity for the year ended 30th June, 2018 are set out on page 39 – 53

Dividends

Subject to the approval of the shareholders, the Directors do not recommend the payment of dividends.

Directors

The members of the Board of Directors who served during the year are shown on page 4 (four) above.

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the provisions of the Public Audit Act 2003 and the Public Finance Management (PFM) Act, 2012.



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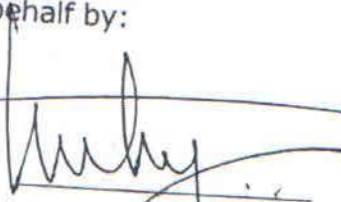
APPROVAL OF THE FINANCIAL STATEMENTS

The company's financial statements in pages 39 to 53 were approved by the Board on 20th September, 2018 and signed on its behalf by:


Mr. Thiga Karuki

Chairman

Date: 12/2/2019


CPA Reuben K Korir

Managing Director

Date: 12/2/19



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REPORT OF THE INDEPENDENT AUDITORS

We have audited the accompanying financial statements of NARUWASCO for the year ended 30th June, 2018 which comprises:

- i. statement of comprehensive income;
- ii. a statement of financial position as at 30th June, 2018;
- iii. a statement of cash flows;
- iv. a summary of significant accounting policies; and
- v. other explanatory notes.

Management's Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements which give a true and fair view of the entity's state of affairs and its operating results in accordance with International Financial Reporting Standards, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor



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considers internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 30th June, 2018, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Public Finance Management Act, and the Companies Act.

Auditor General

Date



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FINANCIAL RISK MANAGEMENT POLICIES

Nakuru Rural Water and Sanitation Company financial risk management objectives and policies are detailed below:

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

(b) Financial risk management objectives

Nakuru Rural Water and Sanitation Company activities expose it to a variety of financial risks including credit and liquidity risks. Nakuru Rural Water and Sanitation Company 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

(c) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Executive Board, which has built an appropriate liquidity risk management framework for the management of Company's short, medium and long-term funding and liquidity management requirements. The (Entity Name) manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

The amount in the unexpended grants and account was split between the Project reserves and Liability to project accounts



**Annual Report and Financial Statements
For the year ended 30th June, 2018**

	2017/2018	2016/2017
	Kshs	Kshs
Payables	326,231,899.00	275,778,481.00

All payables are current

(i) Price risk

Nakuru Rural Water and Sanitation Company does not hold investments that would be subject to price risk; hence this risk is not relevant.

(ii) Fair value interest rate risk

Nakuru Rural Water and Sanitation Company does not hold interest bearing assets or liabilities subject to fair value interest rate risk; hence this risk is not relevant.

(iii) Foreign exchange risk

Nakuru Rural Water and Sanitation Company does not trade in foreign currency therefore not exposed to the risk.

RELATED PARTIES DISCLOSURES

(a) County Government of Nakuru

The County Government of Nakuru is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest.

Other related parties include:

- i) Water Services Regulatory Board
- ii) Rift Valley Water Services Board
- iii) Key management
- iv) Board of directors

(b) Key management compensation

	2017/2018	2016/2017
Directors' emoluments	4,735,100	3,931,800
Compensation to key management	5,970,000	4,950,000
Honoraria	<u>660,000</u>	<u>660,000</u>



Annual Report and Financial Statements
For the year ended 30th June, 2018

Total	10,705,100	9,541,800
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FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

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

(i) Credit risk

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

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.



Annual Report and Financial Statements
For the year ended 30th June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Impair Kshs
At 30 June 2018			
Receivables from exchange transactions	176,117,066.95	176,117,066.95	0
Receivables from non exchange transactions	0	0	0
Bank balances	4,337,889.84	4,337,889.84	0
Total	180,454,956.79	180,454,956.79	0
At 30 June 2017			
Receivables from exchange transactions	134,500,853.9	134,500,853.9	0
Receivables from non exchange transactions	0	0	0
Bank balances	10,144,067.29	10,144,067.29	0
Total	144,644,919.2	144,644,919.2	0

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal.

The entity has significant concentration of credit risk on amounts due from customers. The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the 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.



Annual Report and Financial Statements
For the year ended 30th June, 2018

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.



Annual Report and Financial Statements
For the year ended 30th June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk management (Continued)

	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Trade payables	8,327,558	2,242,046	10,569,604
Current portion of borrowings	0	1,927,271	1,927,271
Total	9,963,630.45	4,169,317	14,132,947.45
At 30 June 2017			
Trade payables	6,361,183	2,242,046	8,463,140
Current portion of borrowings	0	2,665,444	2,665,444
Total	6,361,183	4,907,490	11,128,584

(iii) Market risk

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

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

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk since the company is not affected by market prices. Water prices are fixed by the Water Services regulatory board.



Annual Report and Financial Statements
For the year ended 30th June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Foreign currency risk

The entity has no transactional currency exposures since it does not trade in them.

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

iv) Capital Risk Management

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

	2016-2017	2015-2016
	Kshs	Kshs
Share capital	500,000	500,000
Retained earnings	(348,493,895)	(350,568,137)



Annual Report and Financial Statements
For the year ended 30th June, 2018

Capital reserve	228,709,738	228,709,738
WSTF	51,052,317	50,906,205
Total funds	(41,303,442)	(70,452,194)
Total borrowings	1,927,271	2,665,444
Less: cash and bank balances	(4,300,644)	(10,144,065)
Net debt/(excess cash and cash equivalents)	(2,373,373)	(7,478,621)
Gearing	(5.7)%	(10.6)%

INCORPORATION

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

EVENTS AFTER THE REPORTING PERIOD

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

CURRENCY

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



Annual Report and Financial Statements
For the year ended 30th June, 2018

APPENDIX 1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated these financial statements (Yes/No)
Casino water project	1	Water Sector Trust Fund	6 months	4,880,620	Yes	Yes
Majangwa water project	2	Water Sector Trust Fund	6 months	6,339,360	Yes	Yes
Kampi Somali water project	3	Water Sector Trust Fund	6 months	4,015,578	Yes	Yes
Kasarani water project	4	Water Sector Trust Fund	6 months	2,121,579	Yes	Yes
Household sanitation project	5	Water Sector Trust Fund	6 months	20,973,813	Yes	Yes
Kiwanjandege industrial project	6	Water Sector Trust Fund	6 months	15,406,959	Yes	Yes

Status of Projects completion



Annual Report and Financial Statements
For the year ended 30th June, 2018

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Source fund
1.	Casino water project	4,880,620	4,316,904	100%	4,880,620		Water Sector Trust Fund
2.	Majangwa water project	6,339,360	6,089,751	100%	6,339,360		Water Sector Trust Fund
3.	Kampi Somali water project	4,015,578	4,015,578	100%	4,015,578		Water Sector Trust Fund
4.	Kasarani water project	2,121,579	2,016,600	100%	2,121,579		Water Sector Trust Fund
5.	Household sanitation project	20,973,813	20,043,409.15	96%	20,973,813		Water Sector Trust Fund
6.	Kiwanja ndege industrial project	15,406,959	14,583,718	100%	15,406,959		Water Sector Trust Fund


CPA Reuben K Korir

Managing Director

Date: 


J. Thiga Kariuki

Chairman of the Board

Date:  17/2/2019

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NAKURU RURAL WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Nakuru Rural Water and Sanitation Company Limited set out on pages 39 to 53, which comprise the statement of financial position as at 30 June 2018, and the statement of 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Nakuru Rural Water and Sanitation Company Limited as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Water Act, 2002 and the Companies Act, 2015.

Basis for Adverse Opinion

1.0 Overstated Long Outstanding Debtors

The statement of financial position as at 30 June 2018 reported debtors balance of Kshs.171,591,318 and supported by note 8. The debtors increased by Kshs.36,814,464 from Kshs.134,776,854 as at 30 June 2017 to Kshs.171,591,318 as at 30 June 2018. Aging analysis as reported in note 8 to the financial statements reveals that Kshs.115,561,483 (or 67%) has remained uncollected for a period of over ninety (90) days. Evidently, the company has demonstrated lack of seriousness in credit control which has adversely affected the profitability and constrained cash flow. In addition, debtors balance has not been supported by a provision for bad and doubtful debts. In the circumstance, the accuracy and collectability of the reported balance of Kshs.171,591,318 could not be confirmed.

2.0 Unsupported Mpesa Balances

The statement of financial position as at 30 June 2018 reported cash and cash equivalents balance of Kshs.4,619,890, which includes the Mpesa account with a reported balance of Kshs.177,971 that did not have a cashbook to reconcile the balance. Further, the statement

Report of the Auditor-General on the Financial Statements of Nakuru Rural Water and Sanitation Company Limited for the year ended 30 June 2018

of financial position as at 30 June 2018 reported customer suspense account of Kshs.6,933,806 which is supported by note 35. According to the management, customer suspense account represent monies paid by customers but could not be linked to a specific customer account. The schedule provided in support of this liability could not be verified since the information provided contained only MPESA reference number with no customer name, evidence showing the bank statement where the money was deposited. In the circumstance, the accuracy and validity of the cash and cash equivalent balance of Kshs.4,619,890 and the suspense liability account of Kshs.6,933,806 as at 30 June 2018 could not be confirmed.

3.0 Long Overdue Creditors

Included in the creditors balance of Kshs.295,289,508 as at 30 June 2018 are trade payables of Kshs.10,569,604 as disclosed under note 16. Out of the trade payable balance of Kshs.10,569,604 an amount of Kshs.1,604,082 relates to outstanding balances owed to a security firm which dates back from 2016 or three (3) years ago as a result of theft cases and damages caused by the employees of the firm. Although the damages were quantified at Kshs.676,140, no settlement has been done to date with the result that counter claims were raised by each party and it has not been explained how the balance moved from Kshs.676,140 to Kshs.1,602,082. The counter claims by both parties have delayed the settlement of the liability and in the circumstances, the actual creditors balance could not be confirmed.

4.0 Unsupported Loan Balance

The statement of financial position as at 30 June 2018 reported a loan balance of Kshs.1,927,271 which was not supported by a loan account (ledger) maintained by the company. In the absence of a loan ledger, the balance for this account could not be confirmed or reconciled to the control account balance and the bank statement. In the circumstance, the loan balance of Kshs.1,927,271 could not be confirmed as fairly stated.

5.0 Presentation of the Financial Statements

The financial statements presented for audit did not comply with the approved template as significant accounting policies and notes appear before the statements of financial position as at 30 June 2018, statement of comprehensive income, statement of cash flows and statement of changes in equity. The wording of the components is not in line with International Financial Reporting Standards where instead of trade and other receivables we have debtors in the statement of financial position. Note 13 supports share capital which has a nil balance in the notes in the year under review for which no explanation has been made. In addition, no disclosure has been made in resolving the issues raised in the report of the Auditor-General for the year 2016/2017. In the circumstance, the presentation of the financial statements is not in line with the framework set by the Public Sector Accounting Standards Board of Kenya.

6.0 Inaccurate Statement of Cash Flows

The statement of cash flows for the year ended 30 June 2018 reported a decrease in cash and cash equivalents of negative Kshs.5,524,175. However, re-computation of the increase (decrease) revealed a decrease of Kshs.134 and therefore the closing balance should have been Kshs.10,143,931 and not Kshs.4,619,890. In the circumstance, the statement of cash

flows for the year ended 30 June 2018 is not accurately stated and does not agree with the cash and cash equivalents balance of Kshs.4,619,890 reported in the statement of financial position as at 30 June 2018.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nakuru Rural Water and Sanitation Company Limited in accordance with ISSAI 30 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 adverse opinion.

Emphasis of Matter

Going Concern

During the year under review, the Company recorded a surplus of Kshs.2,074,242 compared to a surplus of Kshs.29,895,186 during the year 2016/2017 resulting in accumulated revenue reserves of negative Kshs.348,493,895. However, the current liabilities of Kshs.326,231,899 exceeded current assets of Kshs.183,264,031 resulting in negative working capital of Kshs.142,967,868. This situation indicates a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. In addition, the revenue reserve which could have acted as a potential source of replacement financing, reflects a negative balance of Kshs.348,493,895 as disclosed in the statement of changes in equity and therefore its continued operation as a going concern is dependent on the support of creditors and the County Government. The financial statements do not disclose this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Budget and Budgetary Control

The financial statements for Nakuru Rural Water and Sanitation Company for the year ended 30 June 2018 did not disclose by way of footnotes reasons for material differences between the budget and actual amounts as required by the standards in the statement of comparison of budget and actual amounts. The company incurred capital expenditures in acquisition of assets of Kshs.23,952,763 as disclosed under fixed assets movement schedule note 7, however, it is not clear how the acquisitions were financed since no development funds were budgeted for and received during the year except for grant of Kshs.151,313 received from Water Services Trust Fund disclosed in the statement of changes in equity which is not adequate.

Further, the company over-spent in repairs and maintenance by Kshs.1,624,685 which is equivalent to thirteen (13%) percent without the approval of the Board of Directors. In the circumstance, the statement of budget and actual amounts is not accurately stated and disclosed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Unremitted Statutory Deductions and Other Deductions

The reported creditors balance of Kshs.295,289,508 includes statutory deductions and other deductions of Kshs.74,325,767 which shows an increase of Kshs.6,171,679 from the balance of Kshs.68,154,088 in 2016/2017. Although the disclosure as a statutory liability is shown in note 16 to the financial statements, non-remittance will increase the liabilities through interest and penalties.

2.0 Unsupported Balances

2.1 Rift Valley Water Services Board Credit Balance

The reported creditors balance includes Rift Valley Water Services Board balance of Kshs.186,280,294 having increased by Kshs.30,783,933 from the balance of Kshs.155,496,361 in 2016/2017, however, no documentation has been provided to confirm the terms and conditions of this balance as a creditor to the Company. In the circumstance, the accuracy and validity of the creditors balance of Kshs.295,289,508 as at 30 June 2018 could not be confirmed.

2.2 Consumer Deposits

The statement of financial position reported consumer deposits of Kshs.18,951,600 as at 30 June 2018 and supported by note 17. The deposits increased by Kshs.2,764,661 from Kshs.16,186,939 as at 30 June 2017 to Kshs.18,951,600 as at 30 June 2018. However, the deposits bank account (KCB account number 1120914175) reflected a balance of Kshs.223,077 as at 30 June 2018 implying that the company had spent Kshs.18,728,523 to fund its operations instead of the whole balance being placed in a bank account as a liability that will crystalize in the future. Consequently, the Company liability on the deposit is not adequately supported by deferred cash flow to settle the deposits accounts as they fall due. In addition, no approval by the Company Board of directors authorizing the Company to utilize the customer deposits to fund operational expenses was provided for audit review. In the circumstance, the accuracy and validity of the consumer deposits balance of Kshs.18,951,600 could not be confirmed as fairly stated.

3.0 Non-Revenue Water

During the financial year under review, the company produced 8,667,744 cubic meters (m³) of water, out of which only 3,349,964 (m³) of water was billed to customers. The balance of 5,317,780 cubic meters (m³) or approximately 61% of the total volume of water produced represented unaccounted for water (UFW) which is over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines. The UFW was 36% above the allowable water loss and may have resulted in loss of sales estimated at Kshs.372,034,391 given that the loss per cubic meter is estimated at Kshs.69.96. In the circumstances, the actual revenue collected was not properly documented.

4.0 Unconfirmed Billings

Verification of billings data provided in support of the water sales figure of Kshs.234,365,058 revealed that billings totaling to Kshs.73,159,145 were not based on actual units consumed by the consumers but the company used estimated units of consumption to bill the consumers. No authorizing documents has been presented for audit to support the basis for the estimates. In the circumstance, the water sales figure of Kshs.234,365,058 could not be confirmed as accurate, and therefore the financial statement is not fairly stated.

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, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1.0 Lack of Capacity in the Internal Audit Department

The Internal Audit department had only two members of staff and therefore it was lacking in capacity as it is supposed to have three officers as per the staff establishment. The result was hindrance to efficient and effective operations by the department and therefore, it could not deliver on its mandate as errors and misstatements went undetected.

2.0 Recruitment

2.1 Casuals

During the year under review, casual payments totaling Kshs.2,897,272 were made. It was however, observed that no muster roll was maintained to record attendance and indicate the

duties and supervision. The payment schedules appear to have been signed using the same pen and signatures of the payees differed with those in the attached copies of identity cards. In addition, no application letters for these casual jobs were provided for audit and therefore it was difficult to ascertain how these casuals were engaged and whether the said services were actually provided. In the circumstance, payments may have been made for services not rendered.

2.2 Project Manager

The Water Company procured the services of a project manager to manage the Njugu-ini / Naishi Game Water Project in Njoro based on a recommendation letter from chief officer from ministry of environment, natural resources energy and water from Nakuru County. However, the position was not competitively procured as no advertisement, interview and contract of employment were provided for audit review. The staff was therefore paid Kshs.360,000 for which no proper documentation on his application, selection, interview and recruitment was documented. No evidence has been presented to confirm whether the Njoro project was carried out.

3.0 Responsibility Allowances

Examination of the monthly payrolls revealed that the company paid responsibility allowance of Kshs.1,394,712 to some employees in the company. As previously reported, there is no policy provided in the human resource manual for the payment of responsibility allowance and therefore the allowances paid were irregular.

4.0 Non Adherence to Stock Taking Rules and Regulations

The company procedure for conducting stock take and reporting includes having the exercise done by two officers who should not in any circumstances have prior knowledge of stock card balances. However, the report on stock taking provided for audit confirmed that this exercise was conducted by one (1) officer for inventory amount of Kshs.1,335,111 reported in the statement of financial position as at 30 June 2018. Therefore, the Water Company failed to adhere to its own laid down rules and regulations.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, 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 not been kept by the Company , so far as appears from the examination of those records; and,
- iii. The financial statements are not in agreement with the accounting records and returns.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) 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 governance.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern/ sustainability of services and using the going concern basis of accounting unless the management of Nakuru Rural Water and Sanitation Company Limited either intends to liquidate the business or to cease operations, or have no realistic alternative but to do so. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Nakuru Rural Water and Sanitation Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the company to cease 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 Nakuru Rural Water and Sanitation 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.



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

Nairobi

17 April 2019

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018

		2017/2018	2016/2017
ASSETS	NOTES		
Non Current Assets			
Total non current assets	7	74,741,228	57,851,265
Current Assets			
Debtors	8	171,591,318	134,776,854
Deposits(Electricity)	9	1,049,000	1,029,000
Inventories	12	1,335,111	1,520,103
Prepayment	10	62,964	5,000
KRA VAT refunds	38	4,605,749	
Cash and Cash Equivalents	11	4,619,890	10,144,065
Total Current assets		183,264,031	147,475,022
Current Liabilities			
Creditors	16	295,289,508	248,234,249
Consumer Deposits	17	18,951,600	16,186,939
Prepayment income	33	1,239,286	2,263,508
Accruals(provision for Audit fees)	31	2,351,520	2,003,520
Customer suspense account	35	6,933,806	4,424,821
Reinstating loan understatement of opening balan		(461,092)	-
Loan	32	1,927,271	2,665,444
Total Current Liabilities		326,231,899	275,778,481
Working Capital		(142,967,868)	(128,303,459)
Net Assets		(68,226,640)	(70,452,194)

EQUITY AND LIABILITIES

Share capital	13	500,000	500,000
Capital Reserve		228,709,738	228,709,738
Revenue Reserve	14	(348,493,895)	(350,568,137)
WSTF Fund	15	51,057,518	50,906,205
Capital Employed		(68,226,639)	(70,452,194)

Signed:

J. Thiga Kariuki

Chairman

11/02/2019

CPA Reuben K Korir

Managing Director

11/02/2019

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDING 30 JUNE 2018

INCOME	NOTES		
REVENUE	5	251,744,184	212,007,316
Costs of production			
Electricity-Production	20	✓ 16,293,937	13,971,339
Supply for Production	21	✓ 18,737,810	16,083,805
Total cost of production		35,031,746	30,055,144
Gross Revenue		216,712,438	181,952,172
EXPENDITURE			
Administrative costs	6	131,326,327	112,248,720
Bank Charges	18	✓ 250,944	266,676
Contracted professional services	23	✓ 7,443,678	4,285,933
Hire of Transport, Plant & Machinery	27	✓ 204,830	202,430
Training Expenses	28	✓ 2,095,928	3,033,256
Regulatory fee	24	✓ 2,343,651	1,889,077
Water Users/Permit fees	22	✓ 4,333,872	4,287,730
Honoraria	29	✓ 660,000	665,000
Repairs & Maintenance	19	✓ 14,124,685	14,514,909
Board Expenses	26	✓ 4,735,100	3,931,800
Depreciation	25	7,062,800	4,229,754
Audit fees	30	✓ 348,000	348,000
Minor Alterations works	36	✓ 1,387,057	1,523,084
AFDB Loan	39	✓ 7,085,934	-
RVWSB		✓ 30,880,383	-
KCB Loan interest	37	✓ 355,008	630,618
TOTAL EXPENDITURE		214,638,196	152,056,986
SURPLUS(DEFICIT)		2,074,242	29,895,186

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

STATEMENT OF CHANGE IN EQUITY
FOR THE PERIOD ENDING 30 JUNE 2018

	Share Capital	Capital Reserve	Reserve	Wstf Grant	Total
As at 1 July 2017	500,000	228,709,738	(350,568,137)	50,906,206	(70,452,194)
As at 1 July 2017	500,000	228,709,738	(350,568,137)	50,906,206	(70,452,194)
Surplus(Loss) for the Year			2,074,242		2,074,242
WSTF Grants				151,313	151,313
As at 30 June 2018	500,000	228,709,738	(348,493,895)	51,057,518	(68,226,639)

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

CASH FLOW STATEMENT
FOR THE PERIOD ENDING 30 JUNE 2018

	2017/2018	2016/2017
OPERATING ACTIVITIES		
profit for the year	2,074,242	29,895,186
Add back:		
Depreciation	7,062,800	4,229,754
Profit before operating Activities	9,137,042	34,124,940
Decrease/(Increase) in debtors	(36,814,464)	(14,582,445)
Decrease/(Increase) in inventory	184,992	(1,175,059)
Decrease/(Increase) in prepayments	(57,964)	5,000
Increase in deposits(Rent and Electricity)	(20,000)	-
Increase in creditors	47,055,259	(14,648,328)
Increase in consumer deposits (payable)	2,764,661	(2,078,500)
Customer suspense	2,508,985	4,424,821
Prepayment income	(1,024,222)	332,259
Increase/(Decrease) in Accruals	348,000	348,000
NET CASH FLOW FROM OPERATING ACTIVITIES	24,082,289	6,751,933
INVESTING ACTIVITIES		
Fixed assets acquired	(23,952,763)	(13,932,668)
NET CASH FLOW FROM INVESTING ACTIVITIES	(23,952,763)	(13,932,668)
FINANCING ACTIVITIES		
Loan balance reinstatement	(461,092)	
Interest on loan	(355,008)	
Loan	(738,173)	(2,464,769)
Grants from SNV	1,278,500	9,944,273
Grants received from WSTF	151,313	
Refunds to WSTF	(5,200)	
NET CASH FLOW FROM FINANCING ACTIVITIES	(129,660)	7,479,504
MOVEMENT IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents brought forward	10,144,065	9,845,297
Increase(Decrease) in Cash and Equivalent For	(5,524,175)	298,769
Actual Balance	4,619,890	10,144,065

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDING 30 JUNE 2018

Details	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Income:	280,700,000	-	280,700,000	251,744,184	28,955,816
Expenditure:					
Chemicals	23,050,000	-	23,050,000	16,293,937	6,756,063
Electricity for pro	24,000,000	-	24,000,000	18,737,810	5,262,190
Administrative o	140,018,559	500,000	140,518,559	131,326,327	9,192,232
Bank Charges	500,000	-	500,000	250,944	249,056
Contracted prof	8,160,000	-	8,160,000	7,443,678	716,322
Hire of Transpor	800,000	(200,000)	600,000	204,830	395,170
Training Expens	3,500,000	-	3,500,000	2,095,928	1,404,072
Regulatory fee	2,700,000	-	2,700,000	2,343,651	356,349
RVWSB				30,880,383	
Water Users/Pei	5,000,000	-	5,000,000	4,333,872	666,128
Honoraria	660,000	-	660,000	660,000	-
Repairs & Maint	12,000,000	500,000	12,500,000	14,124,685	(1,624,685)
Board Expenses	4,700,000	-	4,700,000	4,735,100	(35,100)
Depreciation	-	-	-	7,062,800	
Audit fees	424,000	-	424,000	348,000	76,000
Minor Alterations	6,100,000	(500,000)	5,600,000	1,387,057	4,212,943
KCB Loan intere	-	-	-	355,008	
AfDB Loan				7,085,934	
				249,669,943	
Surplus				2,074,241	

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

NOTES FOR THE ACCOUNTS
FOR THE PERIOD ENDING 30 JUNE 2018

5. Revenue	2017/2018	2016/2017
Water Sales	✓ 234,365,058	188,907,690
Other incomes:		
Connections	✓ 2,419,849	3,196,686
Penalties and reconnection fees	✓ 833,671	-
Water Sale By Tanker	✓ 587,000	940,400
Gain from KRA assessment		16,841,740
Input tax	4,605,749	
Grants from WSTF	✓ 151,313	
Grants from SNV	✓ 1,278,500	1,495,000
Gain from county council loan		625,800
TOTAL	251,744,184	212,007,316
6. Administration costs		
Official Entertainment	✓ 1,923,647	1,049,055
Gratuity	✓ 1,488,000	1,488,000
Pension & nssf	✓ 5,053,137	4,327,299
Electricity for office	✓ 568,508	479,187
Water conservancy	✓ 1,005,671	821,757
Telephone expenses	✓ 2,623,066	2,802,014
Postal and Courier Services	✓ 108,259	55,101
Travelling and Accommodation	✓ 17,637,271	12,543,019
Publishing and Printing Services	✓ 699,860	1,142,875
Subscriptions	341,893	98,500
Advertisement and Publicity	✓ 1,400,890	1,342,658
Rent and Rates	✓ 560,400	692,900
Personal Emoluments	✓ 88,314,090	72,191,429
Staff welfare	✓ 1,657,640	2,146,030
Insurance	✓ 637,676	2,729,566
Supply of Uniforms	✓ 327,298	337,651
General Office Supplies	✓ 1,907,719	1,873,873
Transport and Operating expenses	✓ 4,678,092	5,483,851
Refund of medical expenses	✓ 97,157	399,406
Corporate Social Responsibility	✓ 296,053	244,550
TOTAL	131,326,327	112,248,720

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

NOTES FOR THE ACCOUNTS

FOR THE PERIOD ENDING 30 JUNE 2018

7. FIXED ASSETS MOVEMENT SCHEDULE

	FURNITURE & FITTINGS 12.5% KES	METER PLANT & EQUIPMENT 12.5% KES	BUILDING 4% KES	MOTORCYCLES 25% KES	COMPUTERS & SOFTWARE OFFICE EQUIPMENT 30% KES	20% KES	WORK IN PROGRESS	TOTAL KES
As at 1 July 2017	454,370	13,972,782	1,194,404	5,130,155	1,027,516	3,938,961	44,436,472	70,154,650
During the year	738,480	11,793,911		3,886,502	982,906		6,550,964	23,952,763
Total cost	1,192,850	25,766,693	1,194,404	9,016,657	2,010,422	3,938,961	50,987,436	94,107,413
LESS DEPRECIATION								
As at 1 July 2017	743,027	7,606,404	47,776	2,810,133	308,256	787,790		12,303,385
During the year	149,106	3,220,837	47,776	2,254,164	603,127	787,790		7,062,800
Accumulated depreci	892,133	10,827,241	95,562	5,064,297	911,382	1,575,580		19,366,185
NET BOOK VALUE	300,717	14,939,452	1,098,852	3,952,360	1,099,041	2,363,371	50,987,436	74,741,228

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

8. RECEIVABLES

	2017/2018	2016/2017
Trade debtors (b)	171,511,318	134,500,854
Staff debtors	80,000	276,000
	171,591,318	134,776,854

(b) Trade Debtors:

DOD	9,196,889	3,896,960
GOK Institutions	5,795,321	2,934,973
NAWASCO	22,697,158	10,492,963
Other Trade debtors	133,821,950	117,175,958
	171,511,318	134,776,854

Gross trade receivables	171,511,318	134,776,853
Provision for doubtful receivables	-	-
	171,511,318	134,776,853

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

Less than 30 days	36,253,798	-
Between 30 and 60 days	13,498,722	-
Between 61 and 90 days	6,197,316	-
Over 90 days	115,561,483	-
	171,511,319	-

Gross staff loans and advances		
Provision for impairment loss	80,000	-
	(80,000)	-
Less: Amounts due within one year	-	-
Amounts due after one year	(80,000)	-
TOTAL	(80,000)	

Staff receivables include salary and laptop advances.

9. Deposits

Electricity	1,049,000	1,029,000
	1,049,000	1,029,000

10. Prepayments

Prepaid airtime	-	5,000
Prepaid electricity	50,220	
Prepaid fuel	12,744	
Total	62,964	5,000

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

11. Cash and Cash equivalents

	2017/2018	2016/2017
Cash in hand	-	-
KCB Deposit account	223,077	543,987
KCB Revenue	37,246	274,768
KCB Expenditure	1,655,145	610,394
KCB Contingency account	19,710	95,462
KCB Household sanitation	3,679	5,067,181
Co.op Bank	-	1,341,350
Equity Bank	867	9,188
Family Bank	420,249	236,201
Kenya Post Office Saving Bank	2,072,174	1,789,935
Mpesa	177,971	175,600
POSTA OFFICE	9,772	
TOTAL	4,619,890	10,144,065

12. INVENTORIES

CHEMICALS:	Kgs	Rate		
Aluminium sulph	25,200	41	1,037,736	
Calcium hypoch	1,215	225	273,375	
Sodium carbona	750	32	24,000	1,520,103
TOTAL			1,335,111	1,520,103

13. Share Capital

Authorised:

5,000 Ordinary shares of Kshs. 100 each 500,000

Issued and Fully Paid:

5,000 ordinary shares of Kshs. 100 each - 500,000

14. REVENUE RESERVE

This item is made up of the following:

Balance b/f	(350,568,137)	(380,463,323)
Profit(Loss)	2,074,242	29,895,186
	(348,493,895)	(350,568,137)

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

NOTES FOR THE ACCOUNTS

15. WSTF GRANTS

	2017/2018	2016/2017
Balance brought forward	50,906,205	40,961,933
HouseHold Sanitation Project	151,313	
Kiwanja Ndege Project	-	9,944,273
	51,057,518	
WSTF Refund	5,200	
TOTAL	51,052,317	50,906,205

16. ACCOUNTS PAYABLES

A) Trade payables	10,569,604	8,463,140
Statutory deductions and other deductions	74,325,767	68,154,088
Kenya power and Lighting CO. Ltd.	1,117,357	1,073,428
Water Resources Authority	14,844,887	14,526,183
Wasreb	1,065,666	521,049
AFDB Loan	7,085,934	-
Rift Valley Water Services Board	186,280,294	155,496,361
TOTAL	295,289,508	248,234,249

17. Consumer deposits	18,951,600	16,186,939
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18. Bank charges

Revenue account	50,330	104,538
Expenditure Account	130,787	110,472
Contingency Account	11,820	16,100
Deposit Account	7,412	4,747
Equity Bank	220	2,520
Family Bank	50,376	28,300
Total	250,944	266,676

19. Repairs and Maintenance

Maintenance of water supply	8,830,124	9,581,501
maintenance of building and station	2,742,444	3,266,668
Maintenance of plant & equipment	2,552,117	1,666,740
Total	14,124,685	14,514,909

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

NOTES TO THE ACCOUNTS

20. Electricity for Production		2017/2018	2016/2017
LOCATION	ACCOUNT NO		
Rongai south T/works	15,119,920	183,748	137,284
Njoro T/works	15,076,621	55,497	27,721
Elburgon T/W	15,136,682	4,008	8,770
Prison Road Booster	15,332,414	127,384	9,737
Njoro isoleted	24,875,288	1,656,818	1,564,518
Marishoni B/H	15,136,110	196,334	1,016,888
block 4/119	24,508,996	509,906	559,404
Turasha T/W	15,070,444	344,920	516,467
NKU ELD RD	15,108,558	2,463,148	1,977,881
Elburgon B/H AM/Office	15,136,567	1,650,859	1,497,195
kironbon water project	15,127,349	249,971	210,161
Njoro B/h 11	15,074,925	655,212	407,206
Nguso Water Project	15,332,380	4,480,608	3,632,831
Menengai Booster	15,096,421	249,318	-
Twin B/holes molo town	15,099,403	119,613	157,422
Kerma B/h	33,065,913	4,629	2,088
Majangwa B/h	32,425,993	2,414,796	1,292,956
Elburgon ADB B/h	32,426,015	7,751	2,088
Molo hospital Rd B/H	20,190,567	20,279	15,925
Molo ADB B/h no.1	32,426,066	205	-
njuguini borehole	37,532,132	509,421	478,063
Piave water Project	15,077,643	355,742	456,732
Karunga water project	73,734,644	33,683	-
Milimani molo	32,212,482	87	-
TOTAL		16,293,937	13,971,339
21. Supply for Production(CHEMICALS)			
ALLUMINIUM		13,800,032	6,588,800
CHLORINE		4,476,920	9,086,705
SODA ASH		-	243,000
OTHERS		460,858	165,300
TOTAL		18,737,810	16,083,805

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

22. Water Users/Permit fees. Water Produced m3 @ .5		2017/2018	2016/2017
Jul-17	680,459	340,230	370,755
Aug-17	731,060	365,530	374,614
Sep-17	722,165	361,083	371,067
Oct-17	704,710	352,355	376,340
Nov-17	744,170	372,085	372,942
Dec-17	719,056	359,528	374,743
Jan-18	734,156	367,078	352,413
Feb-18	705,714	352,857	341,558
Mar-18	664,321	332,161	336,352
Apr-18	732,336	366,168	347,988
May-18	752,511	376,256	352,407
Jun-18	777,086	388,543	316,554
TOTAL		4,333,872	4,287,730

23. Contracted professional services

Security	3,047,401	2,216,650
Sanitation	28,978	25,683
Legal services	3,000	141,000
Computer Services	2,860,298	1,384,600
Consultancy service	1,504,001	518,000
Total	7,443,678	4,285,933

24. Licensee fee and Regulatory fee @1%. Adjusted Billings

Jul-17	18,496,452	184,965	152,288
Aug-17	18,674,625	186,746	152,638
Sep-17	20,362,913	203,629	173,071
Oct-17	19,262,721	192,627	164,847
Nov-17	19,660,858	196,609	146,289
Dec-17	18,182,959	181,830	161,936
Jan-18	17,395,087	173,951	143,740
Feb-18	21,406,678	214,067	143,169
Mar-18	19,168,087	191,681	153,727
Apr-18	20,207,373	202,074	150,641
May-18	20,565,460	205,655	147,548
Jun-18	20,981,845	209,818	199,183
TOTAL	234,365,058	2,343,651	1,889,077

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

NOTES TO ACCOUNTS	2017/2018	2016/2017
25. Depreciation		
Furniture	149,106	56,796
Meters, plant and Equipment	3,220,837	1,746,598
Building	47,776	47,776
Motorcycles	2,254,164	1,282,539
Computers office equipment	603,127	308,255
Software	787,790	787,790
TOTAL	7,062,800	4,229,754
26. Board expenses		
Sitting Allowance	3,309,100	2,278,800
Travel and accommodation	441,000	523,000
Lunch and Transport	985,000	1,130,000
Total	4,735,100	3,931,800
27. HIRE OF TRANSPORT / MISCELLANEOUS		
	204,830	147,900
TOTAL	204,830	147,900
28. TRAINING EXPENSES	2,095,928	3,033,256
29. HONORARIA & AIRTIME	660,000	665,000
	660,000	665,000
30. Audit (Provision of Audit fees)		
Audit fees for 2017-2018	348,000	348,000
31. Audit (Audit fees Accruals)	2017/2018	2016/2017
2007/2008 (83,520-72000)	11,520	11,520
2010/2011	300,000	300,000
2011/2012	300,000	300,000
2012/2013	348,000	348,000
2013/2014	348,000	348,000
2014/2015	348,000	348,000
2015/2016	348,000	348,000
2016/2017	348,000	
TOTAL	2,351,520	2,003,520

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

NOTES TO ACCOUNTS

32.LOAN

COUNTY COUNCIL NAKURU

KENYA COMMERCIAL BANK

TOTAL

2017/2018

2016/2017

1,927,271

2,665,444

1,927,271

2,665,444

33.PREPAYMENT INCOME

1,239,285

2,263,508

1,239,285

2,263,508

TOTAL

34 .WORK IN PROGRESS

BALANCE B/F

44,436,472

35,111,105

HOUSEHOLD SANITATION

5,214,815

3,449,148

KIWANJA NDEGE

1,336,150

5,876,219

TOTAL

50,987,436

44,436,472

35.CUSTOMER SUSPENSE ACCOUNT

6,933,806

4,424,821

36.MINOR AND ALTERATION WORKS:

TOTAL

1,387,057

1,523,084

1,387,057

1,523,084

37.LOAN INTEREST:

KCB(INTEREST)

355,008

630,618

TOTAL

355,008

630,618

38. KRA VAT REFUNDS

CLAIM AMOUNT

2017/2018

892,723

892,723

846,058

846,058

783,873

783,873

591,442

591,442

957,466

957,466

534,187

534,187

4,605,749

NAKURU RURAL WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2018

NOTES TO ACCOUNTS

39. AFDB LOAN

	Year 1	Year 2	Year 3	Year 4	Year 5
	7,085,934.00	7,085,934.00	7,085,934.00	7,085,934.00	7,085,934.00

40. RVWSB

	Year 1	Year 2	Year 3	Year 4	Year 5
Costs assignable to WSP (1)	179,726,445	182,592,119	167,686,349	184,454,984	202,900,482
Turn-over WSP (2) (respective \	271,119,707	309,245,581	331,293,202	340,798,834	357,329,867
Turn-over of total WSB area (3)	1,577,939,666	1,705,755,002	1,813,610,682	1,994,971,750	2,194,468,925
Turn-over factor (2) / (3)	17	18	18	17	16
Indirect costs assignable to WSP	30,880,383	33,103,116	30,631,352	31,510,242	33,038,701
Total Administrative Cost WSB	30,880,383	33,103,116	30,631,352	31,510,242	33,038,701