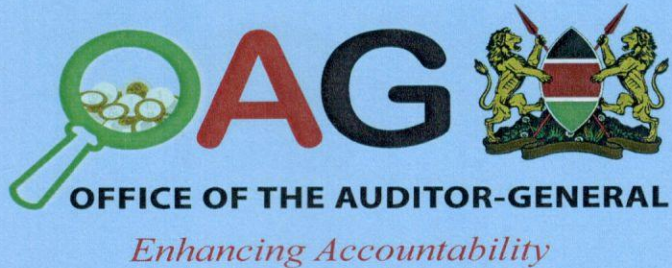


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**NAKURU RURAL WATER AND
SANITATION COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2020**



NAKURU RURAL WATER AND SANITATION 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)**



Nakuru Rural Water and Sanitation Company Limited

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

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Nakuru Rural Water and Sanitation Company Limited

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For the year ended June 30, 2020

2. KEY NARUWASCO INFORMATION (Continued)

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, 721 344 898,

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

NARUWASCO Auditors:

Auditor General,

Anniversary Towers, University Way

P.O. Box 30084,

GPO 00100

NAIROBI, KENYA

Principal Legal Advisers

Attorney General

Nakuru Rural Water and Sanitation Company Limited

Annual Reports and Financial Statements

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1. KEY NARUWASCO 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.

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 under review were as follows:

Mr. J. Thiga Kariuki	- Out-going Chairman – exited 17th June, 2020
Mr. Charles Njuru	- In-coming Chairman – appointed 17 th June, 2020
Ms. Frida Mwangi	- Out-going Vice-Chair person – exited 31/12/2019
Ms. Mary Mburu	- In-coming Vice-Chairperson – appointed 17th June, 2020
Mr. Gilbert Rotich	- Retiring Member - exited 1st November, 2019
Mr. Johnson Kamau	- Member
Mr. Philip Wachira	- Retiring Member – exited 1st November, 2019
Mr. Kennedy Ombati	- Member
Mr. Kipngetich Cherono	- Member
CPA Virginia Kimani	- In-coming Member – appointed 14th April, 2020
Mr. Kenneth Mbaria	- In-coming Member – appointed 14th April, 2020
Mr. Gabriel Chepkwony	- In-coming Member – appointed 14th April, 2020
Mr. Benson Nguyo	- In-coming Member – appointed 14th April, 2020
CPA. Reuben K Korir	- Managing Director

Company Secretary – Outsourced Service

CS Gikuhi Kiana

Registered Office:

NARUWASCO Plaza

Stanley Mathenge Road, off Nakuru - Eldoret Highway





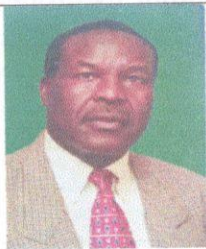
NAKURU, KENYA

Nakuru Rural Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020




3. THE BOARD OF DIRECTORS

	NAME	PROFILE
1	 <p>Charles Njuru</p>	<p>DOB: 1958</p> <p>Charles Njuru has a wealth of experience in teaching and management having been a head teacher in various schools. He is an educationist.</p> <p>He represents Molo Sub-county at the Board and currently serves as the Chairman of the Board having previously served as the Chair of Finance and General-purpose committee.</p>
	 <p>Mary Mburu</p>	<p>DOB: 1969</p> <p>Ms. Mary M Mburu has a wealth of experience in project management and banking. She serves the Board as the Chair of the Technical committee of the Board. She represents professionals at the Board</p>
2	 <p>Kenneth Mbaria</p>	<p>DOB: 1987</p> <p>Kenneth Mbaria is a businessman dealing in real estate. He is currently member of the Technical committee of the Board. He represents Gilgil Sub-county at the board.</p>
3	 <p>Kipngetch Cherono</p>	<p>DOB: 1962</p> <p>Mr. Kipngetch Cherono has a wealth of experience in senior management. He works in Egerton University as an administrator.</p> <p>He currently serves the Board as the chair of the Finance and General-purpose committee. He represents Rongai Sub-county at the Board.</p>
5	 <p>Gabriel Chepkwony</p>	<p>DOB: 1956</p> <p>Gabriel Chepkwony is career manager having served in telecommunication sector. He is currently a Trustee of Telposta Pension scheme. He is a member of the Audit and Risk Management committee of the board. He represents greater Kuresoi sub-county.</p>

Nakuru Rural Water and Sanitation Company Limited

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For the year ended June 30, 2020

6	 <p>Benson Nguyo</p>	<p>DOB: 1989</p> <p>Benson Nguyo is an accountant by profession and a director in one of the major Sacco. He represents Njoro sub-county and currently member of the Finance and General-Purpose Committee of the Board.</p>
7	 <p>Johnson Kamau</p>	<p>DOB: 1964</p> <p>Johnson Kamau is an engineer by profession and currently serves as the chief officer of water in Nakuru County. He represents the County Government of Nakuru in the Board. He is a member of the Finance and Technical committees of the Board.</p>
8	 <p>Kennedy Ombati</p>	<p>DOB: 1984</p> <p>Kennedy Ombati is an economist by profession and serves as the Chief Officer economic planning for Nakuru county. He represents the county government of Nakuru at the Board. He serves in the Audit and Risk management committee of the Board.</p>
9	 <p>CPA Virginia Kimani</p>	<p>DOB: 1977</p> <p>CPA Virginia Kimani is an accountant by profession and currently serves as a finance officer in a major online technology firm. She currently serves as the Chair of the Audit and Risk management committee of the Board.</p>
10	 <p>FCPA Reuben K Korir</p>	<p>DOB: 1969.</p> <p>CPA Reuben K Korir is an Accountant by profession, with a wealth of experience in the water sector having served in the sector from 1996 to date.</p> <p>He is currently the MD of Nakuru Rural Water and sanitation company limited.</p>

Nakuru Rural Water and Sanitation Company Limited

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For the year ended June 30, 2020

4. MANAGEMENT TEAM

 <p>FCPA. Reuben K Korir (BCom, CPA, MBA)</p>	<p>Chief Executive Officer/Managing Director</p>
 <p>Mr. Edward Mwangi (B.Sc. Eng.)</p>	<p>Technical Services Manager</p>
 <p>CPA. Benjamin M Maundu (BCom, CPA)</p>	<p>Commercial Manager</p>
 <p>Ms. Linda Korir (BA, IHRM, MBA)</p>	<p>Human Resource and Administration Manager</p>
 <p>CPA Teresia Mumbi Ng'ang'a (BCom, CPA)</p>	<p>Senior Accountant</p>

Nakuru Rural Water and Sanitation Company Limited

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

 CPA Joseph Njoroge Mundia (BCom, CPA)	Internal Auditor
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5. 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, 2020.

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, has continued to partner with Vitens Evides International (VEI), Nakuru County Government, and other development partners and stakeholders in implementing various programs within its service area. Among the major project completed during the year was Total-Mau Summit that was jointly funded by VEI/WFL and NARUWASCO.

During the year under review, our revenue performance reduced by **2% (from Kshs 233 million in 2018 - 2019 to Kshs 228 million)**. Key among the contributing factors was Covid-19 pandemic, two weeks interruption of Turasha and Rongai South water supply due to damage caused by floods.



Mr. Charles Njuru

Chairman

Date: 8/2/2021

Nakuru Rural Water and Sanitation Company Limited

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

6. REPORT OF THE CHIEF EXECUTIVE OFFICER

Financial Performance

The financial year ended 30th June 2020 was the fourteenth year of the company's existence since its establishment on April 2007.

During the year under review, the company realised total gross income of **Kshs 209,563,249** compared to **Kshs 272,988,918.00** for the previous financial year, representing a reduction of **2%**. The decrease in income was majorly caused by Covid-19 pandemic, two weeks interruption of Turasha and Rongai South water supply due to damage caused by floods.

Annual Workplans

All departments in the company namely, Human Resource, Technical Services, Commercial Services, Finance Services, ICT, Procurement and Supply Chain, and Internal Audit and Risk Management developed and implemented their Annual workplans during the year under review. The annual workplans form the agenda of the quarterly Board committee meetings.

Staff Matters

Capacity building of Staff

In an effort to build capacity of our staff and be able to face new technological advances in the water sector, we continued training them through sponsorship to attend various courses related to their lines of duty. We spent Kshs 2,654,640 in training our staff.

Appraisal of Staff members

During the year under review, we developed and implemented performance management tool that was used to appraise all staff. Accordingly, the process of appraising all staff was undertaken during the year.

Staff discipline:

During the same period, several cases on staff discipline were handled and concluded. A new staff disciplinary committee made up of HoDs and Union representative was reconstituted. This has led to improved staff discipline and performance.

Retirement:

Four staff members have been given retirement notices. Already one retired as at June, 2020 and two from ministry also discontinued from the payroll.

Projects Implementation Status

Nakuru Rural Water and Sanitation Company Limited

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

Project	Status
Kiamunyi Borehole Project	<ul style="list-style-type: none"> ○ The borehole is now operational and producing around 34m³ per hour, ○ 17 km pipeline to Kiamunyi is to be implemented in the next financial year.
Total Mau Summit Water Project	<ul style="list-style-type: none"> ○ The project is more than 98% complete. ○ Two prepaid water kiosks (Total and Mau summit) now operational, ○ Already 164 customers have registered and 105 already connected and now active at mau summit,
Rongai – Kampi Ya Moto Water Project	<ul style="list-style-type: none"> ○ This project was approved for funding by VEI in May 2020, ○ The project shall be implemented in the next financial year 2020/2021.
WWX/VEI Project <ul style="list-style-type: none"> ○ NRW ○ WFL ○ ERP ○ Capacity Building 	<ul style="list-style-type: none"> ○ Implementation of this project is on-going. Among the components being rolled out are capacity building and investment plans development, ○ NRW management projects are on-going, ○ ERP system is now up and running already,

Covid – 19 Pandemic Challenge

We continued complying with all the government protocols and guidelines during the pandemic period. To sustain company operations, we scaled down on new projects and focus only on essential activities in addition to continuous engagement of our customers through SMS.

Training and Induction of Board of Directors

Following the successful recruitment of four new board members to represent Kuresoi, Bahati/Subukia, Gilgil and Njoro sub-counties, we held an induction training of the Board of directors and senior management team in June, 2020.

Impact Report:

Impact report for the financial year 2018/2019 was released in July 2020 and our performance ranking improved by **25** places from position **67** previous year to position **42** out of **82** utilities this year.

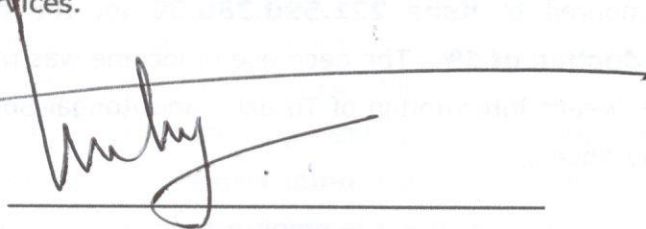
Donors/Partners – WaterWorX Project

Nakuru Rural Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

During the year, we continued implementation of the WWX project (a partnership program with the Netherlands) through VEI. This is a 15-year partnership with the Dutch government and its WSPs under a program called WaterWorX, set to focus majorly on capacity building and network extension to provide improved access to clean water and sanitation services.



FCPA Reuben K Korir

Managing Director

Date: 9/2/2021

Nakuru Rural Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

7. REVIEW OF NARUWASCO PERFORMANCE FOR FY 2019/2020

The financial year ended 30th June 2020 was the fourteenth year of the company's existence since its establishment on April 2007.

During the year under review, the company realised total gross income of **Kshs 209,563,249** compared to **Kshs 221,590,380.00** for the previous financial year, representing a **reduction of 5%**. The decrease in income was majorly caused by Covid-19 pandemic, two weeks interruption of Turasha and Rongai South water supply due to damage caused by floods.

Nakuru Rural Water and Sanitation Company Limited

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

8. 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 2019/2020 financial year and regulatory levels, a calendar of the Board meetings was developed and adhered to.

Board meetings held during the year:

Board Committee	Meetings held in the year	Members
Full Board & Special	8	All board members
Finance & General Purpose	6	✓ Ms. Fridah Mwangi - Chairperson ✓ Mr. Charles Njuru ✓ Mr. Johnson Kamau
Audit & Risk Management	4	✓ Mr. Philip Wachira - Chairperson ✓ Mr. Kipngetich Cherono ✓ Mr. Kennedy Momanyi
Technical Services	4	✓ Mr. Gilbert Rotich - Chairperson ✓ Mr. Johnson Kamau ✓ Ms. Mary Mburu

Nakuru Rural Water and Sanitation Company Limited

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For the year ended June 30, 2020

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. Charles Njuru

Chairman

Date:

8/2/2021

Nakuru Rural Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

9. MANAGEMENT DISCUSSION AND ANALYSIS

NARUWASCO's Operational Framework

The Ministry of Water & Irrigation is responsible for policy formulation to create an enabling environment for efficient operation and growth of the sector. It sets the strategic direction and provides a long-term vision for all institutions in the sector. Water services is a devolved function hence the county government has a major stake in the company. The power of monitoring and inspection is performed by the county government.

The company's broad mandate is to provide water and sanitation services to the residents of Nakuru County. In order to fulfill her mandate, NARUWASCO works closely in partnership with other institutions in the sector. Some of the institutions that partner with NARUWASCO in the water sector include; Water Services Regulatory Board (WASREB) that exercises national regulatory powers, Water Resource Authority (WRA) which has the authority to manage the catchment areas and sources of water, Water Sector Trust Fund (WSTF) mobilizes grants and cheap finances for the water companies mainly on pro-poor areas, Water Appeals Board (WAB) with mandate of dispute resolution relating to water issues.

Company Governance and Management Structure

The company is governed by a Board of Directors comprising various stakeholders among Constituency representatives and the County Government (shareholder). The Board has two roles; supervisory and advisory roles to the management of NARUWASCO. The top management of NARUWASCO is led by the Managing Director (MD) and supported by senior managers heading specific functions.

Financial strategy

Our financial strategy is to be able to generate sufficient revenues to meet our operational and developmental requirements. Partnership with donors to enable the company solicit for grants to enable financing for long term sustenance of the infrastructure is also key.

Compliance with statutory requirements

The organization's financial statements have been prepared in accordance with the provisions of the PFM Act and have also complied to Public sector accounting standards of Kenya and the approved IFRS templates.

The company is a going concern and have no ongoing or potential court cases that may expose to potential contingent liabilities.

Major Risks Facing the NARUWASCO

Nakuru Rural Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

There is no major risk facing the entity despite the increase in trade and other payables during the financial year. The improved revenue is an indicator that the going concern is not doubtful.

Material arrears in statutory deductions

The main debt in statutory deductions is the pension where there is an agreement between the two parties on how to settle the same. The agreement has henceforth been honored.

Financial and governance issues

There is no major financial improbity reported by the internal audit, the audit committee or any other oversight body during the financial year. Additionally, NARUWASCO does not have any governance issue among the board of directors or the corporate management team.

Key projects

Kiamunyi Borehole Project

The borehole has been drilled, equipped and now operational, producing around 34m³ per hour. 17 km pipeline to Kiamunyi is to be implemented in the next financial year.

Total - Mau Summit Water Project

The project is more than 98% complete. Two prepaid water kiosks (Total and Mau summit) now operational and already 164 customers have been registered and 105 already connected and now active at mau summit.

Rongai – Kampi Ya Moto Water Project.

This project was approved for funding by VEI/WFL in May 2020. The project shall be implemented in the next financial year 2020/2021.

WWX/VEI Project

Implementation of this project is on-going. Among the components being rolled out are capacity building and investment plans development, NRW management projects are on-going. ERP system is now up and running already.

Nakuru Rural Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

10.	CORPORATE	SOCIAL	RESPONSIBILITY
STATEMENT/SUSTAINABILITY REPORTING			

During the period under review, the company continued to actively participate in corporate social responsibility (CSR) activities including donations as listed here below:

- | | | |
|----|--|-----------------|
| i. | Construction of AGC Ketigoi Office (Donations) | Kshs 466,213.00 |
|----|--|-----------------|



Newly constructed AGC Ketigoi Office

A donation for the church having given out a plot for 225m3 water tank

Nakuru Rural Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for NARUWASCO for year 2019/2020 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

During the year under review, the company realised a deficit of **Kshs 13,669,180** compared to previous deficit of **Kshs 16,359,225.00**.

Dividends

As provided for in the Water Act 2016, no dividends shall be paid by a WSP until universal coverage is met.

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 NARUWASCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

Nakuru Rural Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 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 Nakuru Rural Water and Sanitation Company Limited, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the *company* for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2020. 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 NARUWASCO;
- v. selecting and applying appropriate accounting policies; and
- vi. making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for NARUWASCO'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 NARUWASCO's financial statements give a true and fair view of the state NARUWASCO transactions during the financial year ended June 30, 2020, and of NARUWASCO financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the NARUWASCO, which have been relied upon in the preparation of NARUWASCO financial statements as well as the adequacy of the systems of internal financial control.

Nakuru Rural Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

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

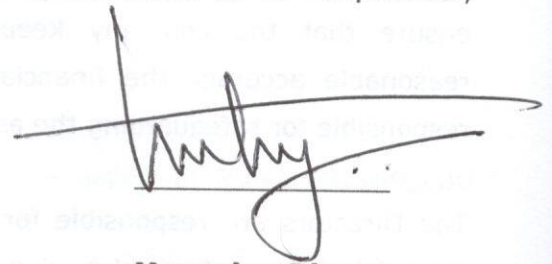
Approval of the financial statements

The NARUWASCO financial statements were approved by the Board on 21st September, 2020 and signed on its behalf by:



Chairman

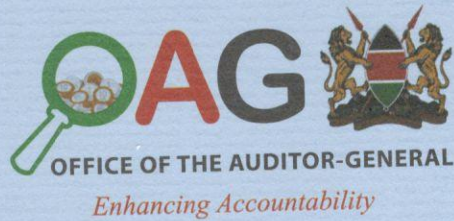
8/2/2021.



Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON NAKURU RURAL WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nakuru Rural Water and Sanitation Company Limited set out on pages 1 to 30, which comprise the statement of financial position as at 30 June, 2020, statement of profit and 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 Nakuru Rural Water and Sanitation Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and Water Act, 2016.

Basis for Qualified Opinion

1.0 Errors and Other Discrepancies in the Financial Statements

The financial statements reflect the following presentation errors:

- (i) The address of the Principal Legal Adviser to the Company on Page iii has not been indicated. Further, the Attorney-General is denoted as the Principal /Legal Adviser to the Company in place of the County Attorney.
- (ii) The Company Secretary is not listed among the members of the Board of Directors on Page iv as prescribed by the Public Sector Accounting Standards Board.
- (iii) The report of the Directors on Page xvii has not been signed by the Company Secretary as prescribed by the Public Sector Accounting Standards Board.
- (iv) The name of the Company at Page xviii is generically labeled as "company for that year/period" instead of "Nakuru Water and Sanitation Company Limited for the year 2019/2020".

In view of these errors, the financial statements do not provide true and fair information on the Company and do not comply with the reporting format prescribed by the Public Sector Accounting Standards Board.

2.0 Unconfirmed Balances

Several balances reflected in the financial statements are not supported with adequate records or information, or are misstated, as explained in the following paragraphs:

2.0.1 Billing Adjustment

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2020 reflects billing adjustments totalling Kshs.7,124,054 as further disclosed in Note 8(b) to the financial statements. Records on the balance indicated these were adjustments to water sales and other income bills. However, the adjustments were not linked to any specific bills or customer accounts and as a result, their accuracy and validity could not be confirmed.

2.0.2 Long Outstanding Trade Receivables

The statement of financial position reflects a trade receivables balance totalling Kshs.182,592,115 as disclosed in Note 15 to the financial statements. However, aging analyses presented for audit verification indicated that receivables totalling Kshs.134,509,428 or 74% of the balance had remained uncollected for various periods longer than one hundred twenty (120) days but, contrary to the Company's debt management policy, Management had not made any bad or doubtful provisions for their likely impairment.

In view of the old debts included in the balance, the trade receivables balance totalling Kshs.182,592,115 as at 30 June, 2020 may not be fairly stated.

2.0.3 African Development Bank Loan

The statement of profit or loss and other comprehensive income reflects interest repayment on account of an outstanding loan amounting to Kshs.7,085,934 as at 30 June, 2020 issued to the Company by the African Development Bank (AfDB), as further disclosed in Note 41 to the financial statements. However, the loan repayment schedule reflects a principal sum balance of Kshs.170,999,201 as at 30 June, 2020.

In the circumstances, the accuracy and validity of the loan balance totalling Kshs.7,085,934 as at 30 June, 2020 could not be confirmed.

2.0.4 Property, Plant and Equipment

The statement of financial position as at 30 June, 2020 reflects Kshs.143,322,954 as property, plant and equipment. Included in the balance is Kshs.8,891,279 as further disclosed in Note 13(a). The balance includes the book value of software incorrectly included among property, plant and equipment instead of intangible assets.

In addition, the statement of cash flows reflects asset additions totalling Kshs.25,525,753.57 whereas the fixed assets movement schedule reflects Kshs.29,196,714 under Note 13(a) resulting to an unexplained variance of Kshs.3,670,960.43.

In the circumstance, the accuracy and validity of the reported property and plant balance totalling Kshs.143,322,954.69 as at 30 June, 2020 is not fairly stated.

2.0.5 Share Capital

The statement of the financial position reflects share capital totalling Kshs.500,000. Records provided for audit indicated that the Company was incorporated under the Companies Act, Cap 486 on the fourteenth day of September, 2006 through certificate No. C.128339. Article 4 of the amended Articles of Association, 2014 indicates that the share capital of the Company was Kenya shillings five hundred thousand (500,000) divided into five thousand (5000) shares of Kenya shillings one hundred (100) each. However, there were no records indicating issues and subscriptions to the shares. In addition, no share certificates were provided for audit to confirm ownership of the Company by the County Government.

In the circumstances, the accuracy, completeness and ownership of the reported share capital totalling Kshs.500,000 as at 30 June, 2020 could not be confirmed.

2.0.6 Trade and Other Payables

The statement of financial position as at 30 June, 2020 reflects trade payables totalling Kshs.351,423,534 as disclosed in Note 23 to the financial statements. Included in the balance is Kshs.214,025,320 owed to Rift Valley Water Service Board (RWWSB) in respect of water billing levies. However, the balance was not supported by an account ledger and as a result, its accuracy and validity could not be confirmed.

In the circumstance, the accuracy and completeness of trade payables balance totalling Kshs.351,423,534 as at 30 June, 2020 could not be confirmed.

2.0.7 Consumer Deposits

The statement of financial position reflects consumer deposits totalling Kshs.26,785,142 as disclosed in Note 24 to the financial statements. However, the cashbook for deposits maintained at a local bank reflected a balance of Kshs.2,231,907 as at 30 June, 2020. The difference totalling Kshs.24,553,235 was not accounted for and may have been spent irregularly.

2.0.8 Statutory and Other Deductions

The statement of financial position reflects trade payables totalling Kshs.351,423,533 as further disclosed in Note 23 to the financial statements. The balance includes statutory and other deductions liabilities totalling Kshs.75,851,827 as at 30 June, 2020. No explanations have been provided for the delay in remitting the deductions which may result in wasteful expenditure on fines and penalties and in litigation.

As a result, the actual amount of unremitted deductions outstanding as at 30 June, 2020 could not be confirmed.

2.0.9 Previous Year Balances

Several previous year balances reflected in the financial statements are misstated, as hereby explained:

- (i) The report of the Chief Executive Officer on Page viii indicates that the Company realized gross income totalling Kshs.272,988,918 for the previous year whereas the audited statement of profit or loss and other comprehensive income for the year reflected Kshs.221,590,380.80 as gross revenue resulting to an unexplained variance of Kshs.51,398,538.
- (ii) Further, the report indicates that reduction in revenue relative to the previous year was 2% but re-computation yielded a 5% reduction resulting to a variance of 3%.
- (iii) The statement of changes in equity for the year ended 30 June, 2020 reflects a debit opening revenue reserve balance totalling Kshs.359,551,171 whereas the audited financial statements for the financial year 2018/2019 reflected a debit balance of Kshs.364,854,120 in respect to the account resulting to an unexplained variance of Kshs.5,302,949.
- (iv) The statement of profit or loss reflects comparative expenditure totalling Kshs.244,430,933.82 whereas recasting of the items included in the balance yields Kshs.249,732,882.86 resulting to an unexplained variance of Kshs.5,301,949.04.
- (v) Note 20(c) on revenue reserves reflects comparative profit/loss amounting to Kshs.11,057,276 whereas the audited financial statements for the previous year reflected Kshs.16,359,225.06 resulting to a variance of Kshs.5,301,949.

No plausible explanation was provided for the variances and as a result, the accuracy and completeness of the balances cited could not be confirmed.

3.0 Material Uncertainty Relating to Going Concern

The statement of profit and loss and other comprehensive income for the year ended 30 June, 2020 reflects an operating loss amounting to Kshs.13,669,181 (2019 loss of Kshs.16,359,225) which raised accumulated losses to Kshs.373,220,352 as at 30 June, 2020 from Kshs.364,853,120.06 at the end of previous year. Further, the statement of financial position reflects current assets totalling Kshs.195,520,033 and current liabilities totalling Kshs.390,453,031 as at 30 June, 2020 resulting to a negative working capital of Kshs.194,932,998. The Company's unfavorable performance and weak financial position denotes the existence of material uncertainty on its ability to meet its financial obligations as they arise and operate as a going concern.

The Company's financial statements have therefore been prepared on the going-concern basis on assumption that the Company will continue to receive financial support from the County Government of Nakuru, and from its creditors. Management has not disclosed any actions or plans to reverse the unfavorable financial performance and put the Company on the path to profitability.

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

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

The following observations were made regarding the Company's budgetary control and performance for the year ended 30 June, 2020.

1.1 Unbalanced Budget

The Company had an approved total revenue budget of Kshs.326,600,000 against an expenditure budget of Kshs.294,373,034, resulting to a budget surplus of Kshs.32,226,966. This was contrary to Section 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires budgeted revenue and expenditure appropriations to be balanced.

1.2 Budget Performance

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis totalling Kshs.326,600,000 and Kshs.260,042,054 respectively resulting to an under-collection of Kshs.66,557,981.75 or approximately 20% of the budget.

Management explained the shortfall as having resulted from the impacts of the Covid-19 pandemic.

Further, expenditure for the year totalled Kshs.273,711,199 resulting to an over-expenditure of Kshs.13,669,145 or 5% of the income earned. The expenditure was within the allowable variance of 10%.

2.0 Prior Year Issues

The audit report for the previous year (2018/2019) raised several issues relating to balances reflected in the financial statements and effectiveness of internal control, risk management and governance. The status of the issues will be confirmed after they are discussed by the Legislature.

Other Information

The directors are responsible for the other information. The other information comprises the report of directors as required by the Companies Act, 2015, and the statement of the directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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 carried out, except for the matter discussed 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

Non-Revenue Water

Water production records indicated that the Company produced 7,913,191 cubic meters of water during the year under review out of which 3,591,120 cubic meters (45%) were billed to customers. The balance totalling 2,343,773 cubic meters denoted Non-Revenue Water (NRW) which was twenty percentage points above the allowable ratio of 25% set by the Water Services Regulatory Board.

Had the 2,343,773 cubic meters of NRW been billed, the Company would have realized additional revenues totalling Kshs.161,954,714 at the current average billing rate of Kshs.69.10 per cubic meter it applied in the year under review.

In the circumstance, the NRW is a significant contributor to the Company's unsatisfactory financial performance and status. Management has not indicated the actions, if any, taken to control NRW.

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 carried out, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1.0 Lack of Risk Management Policy

Review of risk management processes indicated that the Company did not have a documented risk management and fraud policies contrary to Regulation 158(1) of the (County Government) Regulations, 2015. The provision requires the Accounting Officer in each County entity to develop risk management strategies which include fraud prevention mechanisms.

In the absence of a risk management policy, Management may not have means to objectively identify, measure and mitigate operational and other risks that the Company may face.

2.0 Lack of Information Communication Technology Committee

The Company did not have an Information Telecommunication (ICT) Strategy Committee to provide leadership on use of ICT. No satisfactory explanation was provided for the failure to establish a Committee.

In the absence of proper leadership, the Company's investment in and use of ICT may not be effective.

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 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 been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's 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 Standards (IFRS) and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

The Board of Directors is responsible for overseeing the Company's 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 of Kenya. 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 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 Company's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause Company to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 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

Nakuru Rural Water and Sanitation Company Limited

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

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Revenue	6	248,145,646.00	261,205,642.50
Cost of Sales	7	38,582,397.00	39,615,261.70
Gross revenue		209,563,249.00	221,590,380.80
Other incomes:	8 (a)	19,020,426.25	8,115,623.00
Grants:	9	-	1,524,572.10
Write off Creditor	43	-	1,604,082.00
Donations in Kind	10	-	539,000.00
Total revenue		228,583,675.25	233,373,657.90
Billing adjustments	8 (b)	(7,124,054.00)	
Net revenue		221,459,621.25	233,373,657.90
OPERATING EXPENSES			
Administrative costs	12	163,363,942.06	152,693,614.27
Bank Charges	28	224,409.91	265,785.97
Contracted professional services	29	5,865,277.80	4,498,235.71
Hire of Transport, Plant & Machinery	30	388,112.00	948,021.00
Training Expenses	31	2,654,640.00	3,618,237.00
Regulatory fee	32	10,401,680.73	7,917,155.51
Water Users/Permit fees	33	3,956,595.50	4,258,451.50
Honoraria	34	660,000.00	660,000.00
Repairs & Maintenance	35	5,694,560.32	13,107,329.00
Board Expenses	36	4,581,000.00	3,924,900.00
Depreciation	37	28,514,738.11	14,904,468.00
Audit fees	38	348,000.00	348,000.00
Minor, Alterations works	39	1,367,654.69	2,221,990.00
Loan interest	40	22,257.05	177,644.90
AFDB LOAN	41	7,085,934.00	7,085,934.00
Rift valley Water Ser. Board	42	-	33,103,116.00
TOTAL EXPENDITURE		235,128,802.17	244,430,933.86
SURPLUS(DEFICIT)		(13,669,180.92)	(16,359,225.06)

Nakuru Rural Water and Sanitation Company Limited

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For the year ended June 30, 2020

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

ASSETS	Notes	2019-2020	2018-2019
		Kshs	Kshs
Non-Current assets			
Property Plant & Equipment	13	143,322,954.69	118,450,409.73
Total Non-current assets		143,322,954.69	118,450,409.73
Current Assets			
Inventories	14	734,400.00	994,388.00
Receivables	15	182,592,115.41	171,896,134.68
Deposits (Electricity)	16	1,096,000.00	1,049,000.00
Kra Vat Refunds	18	4,605,749.00	4,605,749.00
Bank and Cash balances	19	6,491,768.45	6,321,843.36
Total Current Assets		195,520,032.86	184,867,115.04
Total Assets		338,842,987.55	303,317,524.77
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	20(a)	500,000.00	500,000.00
Capital Reserve	20(b)	228,709,738.00	228,709,738.00
Revenue Reserve	20(c)	(373,220,351.92)	(364,853,120.06)
WSTF Grants	21	92,400,570.75	68,210,001.14
Capital & Reserves		(51,610,043.17)	(67,433,380.92)
Non-Current Liabilities			
Loan	22	-	633,719.00
Total Non-Current Liabilities		-	633,719.00
Current Liabilities			
Trade Payables	23	351,423,533.64	335,498,739.00
Consumer Deposits	24	26,785,142.00	22,572,142.00
Prepayment income	25	8,848,835.08	8,998,785.00
Accruals (provision for Audit fees)	26	3,395,520.00	3,047,520.00

Nakuru Rural Water and Sanitation Company Limited

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Total Current Liabilities		390,453,030.72	370,117,186.00
TOTAL EQUITY AND LIABILITIES		338,842,987.55	303,317,524.08

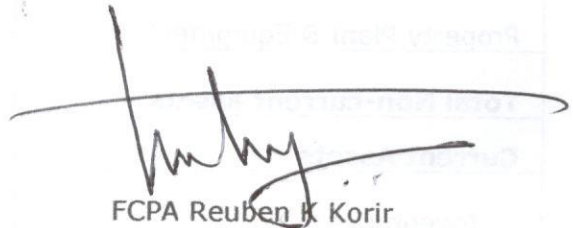
Signed:



Mr. Charles Njuru

Chairman

Date: 8/2/2021



FCPA Reuben K Korir

Managing Director

Date: 8/2/2021

CPA Teresia M Ng'ang'a

Senior Accountant

Date: 8/2/2021

Nakuru Rural Water and Sanitation Company Limited

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

	Share	Capital	Reserve	WSTF Grant
	Capital	Reserve	Reserve	
As at 1 July 2019	500,000.00	228,709,738.00	(359,551,171.00)	68,210,001.00
Surplus (Deficit) for the year			(13,669,180.92)	
Grants -Water works (VEI)				24,190,569.75
As at 30th June 2020	500,000.00	228,709,738.00	(373,220,351.92)	92,400,570.75

Nakuru Rural Water and Sanitation Company Limited

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17. STATEMENT OF CASH FLOW FOR THE PERIOD 30 JUNE 2020

OPERATING ACTIVITIES	Notes	2019-2020	2018-2019
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/ (used in) operations	44	24,698,409.18	43,647,579.00
Net cash generated from/ (used in) operating activities		24,698,409.18	43,647,579.00
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed assets acquired	13	(25,525,753.57)	(57,029,236.00)
NET CASH GENERATED FROM INVESTING ACTIVITIES		(25,525,753.57)	(57,029,236.00)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repayment	22	(633,719.00)	(1,293,552.00)
Receipts from SNV		1,256,535.30	17,152,483.00
Loan Interest	40	(22,257.05)	(177,645.00)
NET CASH GENERATED FROM FINANCING ACTIVITIES		600,559.25	15,681,286.00
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(226,785.14)	2,299,630.00
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,321,843.36	4,619,890.00
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		6,491,768.45	6,321,843.36

Nakuru Rural Water and Sanitation Company Limited

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

Item Description	Original budget 2019-2020 Kshs	Adjustments 2019-2020 Kshs	Final budget 2019-2020 Kshs	Actual on comparable basis 2019-2020 Kshs	Performance difference 2019-2020 Kshs	% Change
Income:						
Water sale	319,000,000.00	(9,000,000.00)	310,000,000.00	248,145,646.00	(61,854,354.00)	(19.95)
Other incomes:	10,000,000.00	6,600,000.00	16,600,000.00	19,020,426.25	2,420,426.25	14.58
Adjustments				(7,124,054.00)		
Total Income	329,000,000.00		326,600,000	260,042,018.25	(66,557,981.75)	(20.38)
Expenditure:						
Administration costs	165,625,600.00	9,355,000.00	174,890,600.00	163,363,942.06	11,616,657.94	6.64
Audit Fees	424,000.00	-	424,000.00	348,000.00	76,000.00	17.92
Communication		-			-	
Training	4,000,000.00	-	4,000,000.00	2,654,640.00	1,345,360.00	33.63
Contracted Professional Services	7,000,000.00	-	7,000,000.00	5,865,277.80	1,134,722.20	16.21
Bank Charges	350,000.00	(100,000.00)	250,000.00	224,409.91	25,590.09	10.24
Hire of Transport & other Misc	800,000.00	(200,000.00)	600,000.00	388,112.00	211,888.00	35.31

Nakuru Rural Water and Sanitation Company Limited

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Chemicals	20,700,000.00	3,000,000.00	23,700,000.00	21,672,860.00	2,027,140.00	8.55
Repairs and maintenance	20,000,000.00	500,000.00	20,500,000.00	5,694,560.32	14,805,439.68	72.22
Electricity Production	29,000,000.00	-	29,000,000.00	16,909,537.00	12,090,463.00	41.69
License operation fee wasreb	245,708.62	-245708.622	-	-	-	-
WASREB Regulatory fee 4%	12,880,000.00	-	12,880,000.00	10,401,680.73	2,478,319.27	19.24
WARMA production fees	4,500,000.00	-	4,500,000.00	3,956,595.50	543,404.50	12.08
Honoraria	660,000.00	-	660,000.00	660,000.00	-	-
Board Expenses:	6,560,000.00	-	6,560,000.00	4,581,000.00	1,979,000.00	30.17
Constructions and Minor alterations	13,000,000.00	(10,700,000.00)	2,300,000.00	1,367,654.69	932,345.31	40.54
AFDB Loan	7,085,934.00	-	7,085,934.00	7,085,934.00	-	-
Depreciation	-	-	-	28,514,738.11	-	-
Loan interest	22,500.00	-	22,500.00	22,257.05	242.95	-
Total Expenditure	292,853,742.62	1,609,291.38	294,373,034.00	273,711,199.17		
Surplus/ Deficit	36,146,257.38		32,226,966.00	(13,669,180.92)		

Notes to variances.

During the financial year, there was an overall reduction in actual revenue and expenditure due to reduced operations caused by COVID pandemic.

Nakuru Rural Water and Sanitation Company Limited

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19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

NARUWASCO is established by and derives its authority and accountability from the PFM Act. NARUWASCO is wholly owned by the County Government of Nakuru and is domiciled in Kenya. Its principal activity is provision of water and sanitation services. 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 NARUWASCO accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of NARUWASCO.

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 2019

IFRS 16: Leases

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

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Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment, right of use assets of Kshs xxx, lease liabilities of Ksh xxx and a deferred tax asset of Kshs ... have been recognised with a corresponding decrease of the net amount in retained earnings in these financial statements.

IFRIC 23: Uncertainty Over income tax treatments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 17 Insurance Contracts (Issued 18 May 2017)

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

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

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*.

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

Conceptual Framework.

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

iii) Early adoption of standards

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

Conclusion:

Nakuru Rural Water and Sanitation Company Limited have not implemented the above amendments since they have no impact on the company statements.

4. 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 NARUWASCO 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 NARUWASCO activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of NARUWASCO activities as described below.

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

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Grants from WSTF, SNV, VEI, WFL are recognised in the year in which NARUWASCO 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.

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.

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 | 4% |
| ii. Plant and machinery | 12.5 % |
| iii. Motor vehicles, including motor cycles | 25% years |
| iv. Office equipment, furniture and fittings | 12.5 % |
| 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

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

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

Deferred tax

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

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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 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.

Borrowings

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

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 NARUWASCO or not, less any payments made to the suppliers.

Retirement benefit obligations

NARUWASCO 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

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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. At provision is made for the estimated liability for annual leave at the reporting date

Budget information

The original budget for FY 2019 - 2020 was approved by the Board of Directors on June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. NARUWASCO 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.

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.

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5. 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. NARUWASCO 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 NARUWASCO. 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:

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

6. Revenue		2019-2020	2018-2019
		Kshs	Kshs
Revenue (Water Sales)		248,145,646.00	261,205,642.00

7. Cost of Sales			
(a). Electricity for Production			
Rongai south T/works	15119920	230,927.00	145,226.00
Njoro T/works	15076621	49,958.00	37,297.00

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Elburgon T/W	15136682	1,385.00	174.00
Prison Road Booster	15332414	9,427.00	2,860.00
Njoro isolated	24875288	1,909,079.00	1,879,991.00
Marishoni B/H	15136110	-	2,946,184.00
block 4/119	24508996	494,460.00	767,478.00
Turasha T/W	15070444	423,880.00	460,677.00
NKU ELD RD	15108558	2,310,434.00	2,383,613.00
Elburgon B/H AM/Office	15136567	746,774.00	1,655,330.00
kirobon water project	15127349	296,776.00	388,263.00
Njoro B/h 11	15074925	1,058,701.00	1,633,045.00
Nguso Water Project	15332380	3,551,331.00	2,870,540.00
Menengai Booster	15096421	876.00	10,945.00
Twin B/holes molo town	15099403	514,701.00	357,525.00
Kerma B/h	33065913	-	4,064.00
Majangwa B/h	32425993	1,770,388.00	2,075,283.00
Elburgon ADB B/h	32426015	499,660.00	323,089.00
Molo hospital Rd B/H	20190567	7,328.00	10,820.00
Molo ADB B/h no.1	32426066	58,007.00	1,943,011.00
Njuguini borehole	37532132	437,298.00	414,956.00
Piave water Project	15077643	467,704.00	892,715.00
Milimani molo	3221248	19,610.00	74,598.00
Ngurika borehole	29871108	105,175.00	174,387.00
Ndeffo borehole	33051095	17,609.00	58,652.00
njoro road ngata	15127349	-	197,911.00
karunga water project	73734644	183,369.00	287,754.00
Gichoro Project	15079890	397,595.00	5,423.00
Pakawa water project	107555567	36,457.00	-
Silibwet supply cost (mau summit)		1,310,628.00	-
Sub-Total		16,909,537.00	21,996,388.00
(b). Supply for Production (Chemicals)			
Alluminium		16,550,600.00	13,080,900.00

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Chlorine		5,122,260.00	4,455,064.00
Others		-	82,909.00
Sub-Total		21,672,860.00	17,618,873.00
Grand Total		38,582,397.00	39,615,261.00

8. (a) Other incomes:			
Molo Sewer charges		534,476.25	405,088.50
Penalties, reconnection & other charges		14,577,796.00	3,771,000.00
Connections		3,549,750.00	2,956,034.50
Water Sale by Tanker		358,404.00	983,500.00
Total		19,020,426.25	8,115,623.00
(b) Adjustments		(7,124,054.00)	

9. Grants:			
SNV		-	1,524,572.10
Total		-	1,524,572.10

10. Donations in Kind			
Rift Valley Water Services Board			100,000.00
Ukulima Co-Operative and Credit Society Limited			300,000.00
Kcb			10,000.00
Post Bank			27,000.00
Kel Chemicals			12,000.00
Nairobi Iron Mongers			20,000.00
Diamond Chemicals			50,000.00
Nakuru Super Hardware			10,000.00
Raj			10,000.00
Total			539,000.00

12.(a) Administration costs			
Staff costs (note 12b)		124,386,762.45	108,578,260.97

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Official Entertainment		970,414.80	2,046,867.00
Electricity for office		311,241.00	338,347.00
Water conservancy		750,638.00	1,174,598.00
Telephone expenses		1,979,031.45	2,273,746.48
Internet/Data		1,386,024.61	936,164.00
Postal and Courier Services		67,816.60	113,033.00
Travelling and operation		18,900,281.50	21,038,279.70
Publishing and Printing Services		288,890.00	578,779.76
Subscriptions		309,656.35	558,912.65
Advertisement and Publicity		718,576.60	2,569,746.00
Rent and Rates		423,711.00	509,112.00
Staff welfare		2,530,363.00	2,186,221.00
Insurance - motor		866,285.29	610,118.00
Supply of Uniforms		795,821.00	762,236.00
General Office Supplies		1,239,661.00	2,133,780.00
Transport and Operating expenses		6,812,553.51	6,075,412.71
Corporate Social Responsibility	-	626,213.90	210,000.00
Total	-	163,363,942.06	152,693,614.27

12.(b) Staff costs			
Salaries and Allowances		105,664,638.61	96,005,726.69
Wages -Temporary Employees		8,223,318.79	2,816,819.28
Gratuity Provisions		2,070,800.00	1,869,300.00
Pension and Nssf contribution		6,170,967.00	5,728,636.00
Leave pay		1,479,737.50	1,314,927.00
Medical Expenses		686,650.55	842,852.00
NITA		90,650.00	
Total	-	124,386,762.45	108,578,260.97

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13.(a) FIXED ASSETS MOVEMENT		SCHEDULE						
	FURNITURE & FITTINGS	METER PLANT & EQUIPMENT	BUILDING	MOTORCYCLES	OFFICE EQUIPMENT	SOFTWARE	WIP	TOTAL
	12.5% KES	12.5% KES	4% KES	25% KES	30%	20%		
At 1 July 2019	1,409,325	75,619,487	1,194,494	9,601,218	3,914,905	8,407,253	52,574,380	152,721,062
During the year	40,600	16,950,835	-	398,000	1,358,183	6,778,135	3,670,960	29,196,714
At 30th June 2020		24,190,569						24,190,569
Projects		52,574,380						52,574,380
Cost	1,449,925	169,335,272	1,194,494	9,999,218	5,273,088	15,185,388	3,670,960	206,108,346
DEPRECIATION						(52,574,380)		(52,574,380)
At 1 July 2019	1,068,299	20,279,677	143,332	7,436,462	2,085,853	3,257,031	-	34,270,654
During the year	181,240	21,166,909	47,779	2,499,804	1,581,926	3,037,077	-	28,514,738
At 30th June 2020	1,249,539	41,446,586	191,111	9,936,266	3,667,779	6,294,108	-	62,785,392
	200,385	127,888,686	1,003,382	62,951	1,605,308	8,891,279	3,670,960	143,322,954

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13. (b). WORK IN PROGRESS			
		2019-2020	2018-2019
		Kshs	Kshs
BALANCE B/F		50,990,056.50	50,987,436.00
HOUSEHOLD SANITATION			2,620.50
Salgaa water project		3,670,960.80	
Property plant and equipment		(50,990,056.50)	
Total		3,670,960.80	50,990,056.50

14. INVENTORIES			
<u>CHEMICALS</u>			
ALLUMINIUM		206,910.00	838,013.00
CHLORINE		502,740.00	131,625.00
SODA ASH		24,750.00	24,750.00
Total		734,400.00	994,388.00

15. Trade Receivables			
(a) Trade Receivables			
DOD		11,906,469.65	18,114,635.00
NAWASCO		5,200,600.00	5,439,633.00
Other Trade receivables		165,419,454.10	148,292,866.68
Staff receivables		65,591.66	49,000.00
Total		182,592,115.41	171,896,134.68

16. Deposits			
Bal b/f		1,049,000.00	
Deposits for the year		47,000.00	1,049,000.00
Total		1,096,000.00	1,049,000.00

18. KRA VAT Refund			
		4,605,749.00	4,605,749.00
Total		4,605,749.00	4,605,749.00

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19. Bank and Cash balance			
Cash in hand		0	0
KCB Deposit account		4,185,676.10	2,698,368.40
KCB Revenue		2,445.43	49,275.00
KCB Expenditure		508,963.0	559,722.47
KCB Contingency account		5,045.55	244,898.75
		2019/2020	2018/2019
Family Bank		33,502.37	216,033.74
Kenya Post Office Saving Bank		1,653,996.00	2,099,141.00
Mpesa		99,910.00	451,244.00
Posta		2,230.00	3,160.00
Total		6,491,768.45	6,321,843.36

20.(a) Share Capital			
Authorised:			
5,000 Ordinary shares of Kshs. 100 each		500,000.00	500,000.00
Issued and Fully Paid:			
5,000 ordinary shares of Kshs. 100 each		500,000.00	500,000.00
(b) Capital Reserve		228,709,738.00	228,709,738.00
		228,709,738.00	228,709,738.00
(c) Revenue Reserve			
This item is made up of the following:			
Balance b/f		(359,551,171.00)	(348,493,895.00)
Profit (Loss)		(13,669,180.92)	(11,057,276.00)
Total		(373,220,351.92)	(359,551,171.00)

21.Grants			
Balance brought forward		68,210,001.00	51,057,518.00
Njuguini		-	17,152,483.00
Total Mau summit		24,190,569.75	
Total		92,400,570.75	68,210,001.00

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22.Loan			
Kenya Commercial Bank		-	633,719.40
Total		-	633,719.40

23. Trade Payables			
Trade Payables		9,605,378.97	10,575,029.75
Statutory deductions and other deductions		75,851,826.60	74,114,888.48
Kenya power and Lighting CO. Ltd.		1,416,481.48	3,709,926.36
Water Resources Authority		14,874,853.50	13,987,841.50
WASREB		14,391,871.09	7,408,156.01
AFDB Loan		21,257,802.00	14,171,868.00
Rift Valley Water Services Board		214,025,320.00	214,025,320.00
Total		351,423,533.64	337,993,030

24. Consumer deposits			
Opening balance		22,572,142.00	
Deposits for the year		4,213,000.00	22,572,142.00
Total		26,785,142.00	22,572,142.00

25.Prepayment income			
		8,848,835.08	8,998,785.00
Total		8,848,835.08	8,998,785.00

26.Audit (Audit fees Accruals)			
2007/2008 (83,520-72000)		11,520.00	11,520.00
2010/2011		300,000.00	300,000.00
2011/2012		300,000.00	300,000.00
2012/2013		348,000.00	348,000.00
2013/2014		348,000.00	348,000.00
2014/2015		348,000.00	348,000.00
2015/2016		348,000.00	348,000.00
2016/2017		348,000.00	348,000.00
2017/2018		348,000.00	348,000.00

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2018/2019		348,000.00	348,000.00
2019-2020		348,000.00	
Total		3,395,520.00	3,047,520.00

28. Bank charges			
KCB Revenue account		59,507.67	96,633.00
KCB Expenditure Account		106,579.05	113,863.45
KCB Contingency Account		19,237.20	12,935.00
KCB Deposit Account		11,188.30	4,954.10
Family Bank		27,897.69	37,400.42
Total		224,409.91	265,785.97

29. Contracted professional services			
Security		3,520,745.00	3,395,001.11
Sanitation		41,341.20	41,343.60
Legal services		774,136.00	154,328.00
Computer Services		1,081,000.00	616,963.00
Consultancy service		448,055.60	290,600.00
Total		5,865,277.80	4,498,235.71

30. Hire of transport and machinery		388,112.00	948,024.00
Total		388,112.00	948,024.00

31. Training		2,695,640.00	3,618,237.00
Total		2,695,640.00	3,618,237.00

32. Regulatory fee		10,401,680.73	7,917,155.51
Total		10,401,680.73	7,917,155.51

33. Water Users/Permit fees		3,956,595.50	4,258,451.50
Total		3,956,595.50	4,258,451.50

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34. Honoraria and airtime		660,000.00	660,000.00
Total		660,000.00	660,000.00

35. Repairs and Maintenance			
Maintenance of water supply		1,784,560.73	9,105,013.12
maintenance of building and station		417,892.00	2,565,347.22
Maintenance of plant & equipment		3,492,107.59	1,416,969.00
Total		5,694,560.32	13,087,329.34

36. Board expenses			
Sitting Allowance		2,422,000.00	2,215,200.00
Travel and accommodation		1,373,000.00	988,200.00
Lunch and Transport		786,000.00	721,500.00
Total		4,581,000.00	3,924,900.00

37. Depreciation			
Furniture		181,240.63	176,165.63
Meters, plant and Equipment		21,166,909.04	9,452,435.88
Motorcycles		2,499,804.60	2,372,165.00
Computers office equipment		1,581,926.49	1,174,471.00
Building		47,779.76	47,780.00
Software		3,037,077.60	1,681,450.60
Total		28,514,738.11	14,904,468.10

38. Audit (Provision of Audit fees)		2019-2020	2018-2019
Audit fees for 2017-2018		348,000.00	348,000.00
Total		348,000.00	348,000.00

39. Minor Alteration Works:		1,367,654.69	2,221,990.00
Total		1,367,654.69	2,221,990.00

40. Loan interest			
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KCB loan interest		22,257.05	177,644.90
Total		22,257.05	177,644.90

41. ADB Loan:		7,085,934.00	7,085,934.00
Total		7,085,934.00	7,085,934.00

42.RWSB – Agency Fees:		-	27,801,167.33
Total		-	27,801,167.33

43.Creditor written off.			
Cornerstone		-	1,604,082.00
Total			1,604,082.00

44. Reconciliation of operating profit /loss			
to cash generated from operations			
Operating profit/(loss)		(13,669,180.92)	(16,359,225.06)
Depreciation	37	28,514,738.11	14,904,468.00
Operating profit/(loss) before working capital changes		14,845,557.19	(1,454,756.96)
(Increase)/decrease in inventories		259,988.00	340,723.00
(Increase)/decrease in trade and other receivables		(10,695,980.73)	(304,816.68)
Increase/(decrease) in trade and other payables		15,924,794.64	40,209,231.00
Increase/(decrease) in prepayments		-	62,964.00
Increase/(decrease) in electricity deposits		(47,000.00)	-
Increase/(decrease) in consumer deposits		4,213,000.00	3,620,542.00
Increase/(decrease) in customer suspense		-	(6,933,806.00)
Increase/(decrease) in prepayment income		(149,949.92)	7,759,499.00

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Increase/(decrease) in accruals		348,000.00	348,000.00
Cash generated from/(used in) operations		24,698,409.18	43,647,579.00

45. RELATED PARTIES DISCLOSURES

County Government of Nakuru

The County Government of Nakuru is the principal shareholder of Nakuru Rural Water and Sanitation Company Limited, holding 100% of the its shares.

Other related parties include:

- i. Water Services Regulatory Board
- ii. Rift Valley Water Works Development Agency
- iii. Water Resources Authority
- iv. Key management
- v. Board of directors

Transactions with related parties

a. Expenditure accrued to related party.

	2019/2020	2018/2019
	Kshs	Kshs
• WARMA production charges	3,656,585	4,258,451
• WASREB regulatory fees	10,401,680	7,917,155

b. Key management compensation

	2019/2020	2018/2019
	Kshs	Kshs
Directors' emoluments	4,581,000	3,924,900
Compensation to key management	10,093,334	
8,265,000		
Honoraria	660,000	
660,000		
Total	15,334,334	12,849,900

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. 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. NARUWASCO 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

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 judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or

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where assumptions and estimates are significant to the financial statements, are disclosed.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of NARUWASCO.

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.

47. INCORPORATION

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

48. EVENTS AFTER THE REPORTING PERIOD

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

49. CURRENCY

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

50. CAPITAL COMMITMENTS

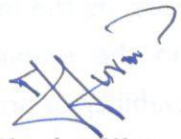
There were no capital commitments at the end of the financial year

51. CONTINGENT LIABILITIES

There were no contingent liabilities at the end of the year.


FCPA Reuben K. Korir
Managing Director

Date: 8/2/2021


Mr. Charles Njuru
Chairman of the Board

Date: 8/2/2021

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Appendix I: No follow up on auditor's recommendations since the company has not yet received the Auditors report for financial year 2018/2019.

Appendix II: Projects implemented by NARUWASCOA Funded by WATERWORX.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in the financial statement (Yes/No)
Salgaa NRW project	1	Waterworx	6 Months	3,670,960	Yes	Yes
Total Mau summit water project	2	Waterworx	14 Month	24,190,569.75	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Salgaa NRW project	3,670,960	3,670,960	100	3,670,960	3,670,960	Waterworx
2	Total Mau summit water project	27,341,103	24,190,569.75	95	27,341,103	24,190,569.75	Waterworx

Appendix III: NARUWASCO did not carry out inter entity transfers during the financial year.

Appendix IV: NARUWASCO did not have transfers from other government entities during the financial year.