OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NAKURU RURAL WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2021

NAKURU RURAL WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021

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

OFFICE OF THE AUDITOR GENERAL
SOUTH RIFT HUB
10 JUN 2022
RECEIVED
P.O. Box 1050-20100, NAKURU

I. KEY ENTITY INFORMATION

Background information

Nakuru Rural Water and Sanitation Company (NARUWASCO) was incorporated under Companies Act, Cap 486 of the Laws of Kenya and is fully owned by the County Government of Nakuru responsible for provision of water and sanitation services within the rural parts of Nakuru County covering an approximate service area of 7,000 km². The Company began operations in April 2007 and its core mandate is derived from section 78, 83 & 94 of the Water Act 2016.

NARUWASCO provides water and sewerage services to its customers and intends to provide advisory and technical assistance services in future. The Company has 27,000 registered customers, including households, water kiosks, institutions, markets, and the construction industry.

The region covered by the Company is categorized into areas that are "well served", "underserved", "not served" and "community served". Water services provided by the Company are a mix of pumping (~30%) and gravity (~70%).

NARUWASCO is governed by its Board of Directors (BOD) through various committees and supported by a skilled Core Management Team (CMT), who oversee the day-to-day operations.

Principal Activities

Vision

"To be the leading water service provider in the country."

Mission

"To provide adequate quality water and sanitation services in a commercially and environmentally sustainable manner to the delight of our esteemed customers."

Core Values

- Integrity
- Good corporate governance
- Customer satisfaction
- Professionalism
- Continuous improvement
- Innovation and creativity
- Teamwork
- Commitment to environmental conservation

Core business/mandate

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- Continuous improvement
- Innovation and creativity
- Teamwork
- Commitment to environmental conservation

Core business/mandate

The Company's core mandate is derived from section 78, 83 & 94 of the Water Act 2016. addition, the Company's objectives (as provided for in the Memorandum and Articles Association) define the extent of the Company's core business.

Thus, NARUWASCO's core mandate is as follows:

i. Provide water services within the area specified in the licence
ii. Develop county assets for water service provision
iii. Hold the county or national public water services assets on behalf of the public
iv. Develop investment plans for rural water service provision

Directors

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

Mr. Charles Njuru	- In-coming Chairman – appointed 17th June 2020
Ms. Mary Mburu	- In-coming Vice-Chairperson – appointed 17th June 2020
Mr. Muriithi Kiogora	- Member - appointed
Mr. Kennedy Ombati	- Member - appointed
Mr. Kipng'etich Cherono	- Member - appointed
CPA Virginia Kimani	- Member – appointed 14th April 2020
Mr. Kenneth Mbaria	- Member – appointed 14th April 2020
Mr. Gabriel Chepkwony	- Member – appointed 14th April 2020
Mr. Benson Nguyo	- Member – appointed 14th April 2020
FCPA. Reuben K Korir	- Managing Director – appointed 1st October 2020

Corporate Secretary

CS Gikuhi Kiana

Registered Office

NARUWASCO Plaza

P O Box 386 – 20100,
Stanley Mathenge Road, off Nakuru - Eldoret Highway
NAKURU, KENYA

Corporate headquarters

NARUWASCO Plaza

Stanley Mathenge Road off Nakuru - Eldoret Highway
NAKURU, KENYA

Corporate Contacts:

P O Box 386-20100,

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

Independent Auditors
Auditor General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

Principal Legal Advisers
The County Attorney,
County Government of Nakuru
NAKURU, KENYA

II. THE BOARD OF DIRECTORS

Ref	Directors	Details
1.	Charles Njuru	DOB: 1958 Charles Njuru has a wealth of experience in teaching a management having been a head teacher in various schools. H is an educationist. 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.
2.	Mary Mburu	DOB: 1969 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
3.	Kenneth Mbaria	DOB: 1987 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.
4.	Kipng'etich Cherono	DOB: 1962 Mr. Kipngetich Cherono has a wealth of experience in senior management. He works in Egerton University as an administrator. He currently serves the Board as the chair of the Finance and General-purpose committee. He represents Rongai Sub- County at the Board.
5.	Gabriel Chepkwony	DOB: 1956 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.

6.	Benson Nguyo	DOB: 1989 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.
7.	Muriithi Kiogora	DOB: Mureithi Kiogora 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.
8.	Kennedy Momanyi	DOB: 1984 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.
9.	CPA Virginia Kimani	DOB: 1977 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.
10.	FCPA Reuben K Korir	DOB: 1969. FCPA 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. He is currently the MD/CEO.
11.	Entity Secretary	Indicate whether the secretary is a member of ICS as required under the Mwongozo code in addition to their other details.

III. MANAGEMENT TEAM

Ref	Management	Details
1.	FCPA Reuben K Korir	Chief Executive Officer
2.	Edward Mwangi	Technical Services Manager
3.	CPA Benjamin Maundu	Commercial Services Manager
4.	Linda Korir	Human Resource and Administration Manager
5.	CPA Teresia Ng'ang'a	Finance Manager
6.	CPA Joseph Mundia	Internal Auditor

IV. 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 2021. During the year, the company has continued to play its key role in providing water services within its area

of jurisdiction as defined and mandated by the Water Act 2016 and the license from Water Services Regulatory Board (WASREB).

The new constitution recognizes access to water as a basic human right to all citizens. In this regard, the Board has put in place measures to ensure that the goal of increasing access to water and sanitation is attained. Accordingly, the company, has continued to partner with WSTF, WASREB, Vitens Evides International (VEI), Nakuru County Government, in implementing various programs/projects within its service area aimed at increasing access to water.

During the year under review, our revenue performance increased by **13.5%** to **Ksh 303,636,473.00** against **Ksh 267,166,072.00** for the previous year 2019/2020. This was majorly achieved through enhanced billing and revenue activities and focused NRW management/investments. In addition, the company managed for the first time to close the financial year with a **positive** capital reserve/working capital of **Ksh 11,125,464.00** compared to **a negative** reserve of **Kshs 51,610,043.00** the previous financial year.

Mr. Charles Njuru

Chairman

Date: 10/6/2022

The financial year ended 30th June 2021 was the fourteenth year of the company's existence s its establishment in April 2007. During the year under review, below are the company finar highlights:

Income:

i. Total income for the financial year 2020/2021 amounted to **Ksh 303,636,473.95** again **Ksh 267,166,072.25** for the previous year 2019/2020. This shows an increase of **Ksh 36,470,401.70 (14%).**

The increment resulted from:

- intense inspections thus unearthing many illegal connections that were surcharged accordingly.
- Implementation of disconnection through the system where a customer is automatically penalized upon disconnection.
- Increase billing and revenue monitoring activities.

ii. Budgeted income for the year was **Ksh 306,800,000** hence the company achieved **96%** of the budget.

Expenditure:

i. Total expenditure for the financial year was **Kshs 284,748,584.72** against **Ksh 235,128,802.17** in the previous year, an increment of **Kshs 49,619,782.55 (21%).**

ii. Budgeted expenditure was **Kshs 279,842,064.61**. The difference was brought by depreciation cost of Ksh 34 million which increased due to investments done from WSTF grant and a bill from NSSF of Kshs 8 million.

Surplus/(deficit):

The company realized a deficit of **Kshs 19,870,893.00** during the year compared to **Kshs 13,669,180.00** the previous year, an increase of **Kshs 6,201,718.00**.

The increase in deficit was brought about by depreciation cost of **Ksh 34 million** and amortization costs of **Ksh 5 million** which increased due to investments done from WSTF grant and a bill from NSSF of **Kshs 8 million**.

Assets

The company non-current assets grew by **Kshs 60,375,545.00** net of depreciation. This was realized majorly through internal financing, grants from WSTF (CLSG) and Water Worx.

Trade receivables

The company for the first time realized reduction in trade receivables of **Kshs 1,697,196.00** compared to the previous financial year. This was realized due intense revenue collection efforts made during the year.

Capital Reserves.

The company has been getting a recurrent audit query on going concern due to a negative capital reserve/working capital, however, this has been gradually improving in the last three years. During the current financial year, we achieved a positive capital reserve of **Ksh 11,125,464.00** compared to a negative reserve of **Kshs 51,610,043.00** the previous financial year.

STAFF MATTERS

Capacity building of Staff - trainings

To build capacity of our staff and be able to face new technological advances in the water sector, we continued training and development of all staff through sponsorship to attend various courses related to their lines of duty. The total expenditure for the financial year was Kshs 2,654,640.

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.

CBA Negotiation/Implementation:

The company negotiated and signed a two-year CBA with the staff union during the year. Accordingly, all related arrears were paid in full at the close of the financial year. Among the highlights areas in the CBA are:

i. Basic salary increased by 7.5% in the first year and 8% in the second year,
ii. Increase of House allowances by 500/=
iii. Increase of commuter allowance by 500/=
iv. Payment of service reward at ¼ of one-month basic salary for each year worked,

WATER SERVICES REGULATORY BOARD (WASREB) IMPACT 13

WASREB released its Impact 13 report for the period 2019/2020. There was a nota improvement by the company in all the Key Performance Indicators (KPIs). Overall, the compa climbed from the previous position of **42** to position **25 out of 88** water companies in Kenya.

Indicator	Progress on KPIs[1]			
	2014/2015	2017/2018	2018/2019	2019/2020
Water Coverage (%)	23	59	62	71
Drinking Water Quality (%)	84	93	95	99
Hours of Supply (hrs./day)	11	11	12	19
Non- Revenue Water (%)	65	58	58	55
Metering Ratio (%)	31	33	60	71
Staff Productivity (Staff per 1000 Connections) 8/1000	16	11	10	8
Personnel expenditure as % of O+M Costs (%)	34	40	40	52
Revenue Collection Efficiency (%)	94	89	99	98
O+M Cost Coverage (%)	84	99	102	108
Sanitation (%)	N/A	N/A	N/A	1
Governance (%) 9/75	N/A	N/A	60	73
Overall WASREB Ranking (Out of 88)	79	67	42	25

We were ranked **9 out of 75** on Governance Indicator. Among the parameters considered for Governance assessment are:

i. Utility oversight/supervision
ii. Information and control systems
iii. Financial management
iv. Service standards
v. Human resources
vi. User consultation

[1] Source: WASREB Impact Reports

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iii. Financial management
iv. Service standards
v. Human resources
vi. User consultation

[1] Source: WASREB Impact Reports

We recorded improvement in all the parameters. On human resource, we scored 100% of the available marks.

CORPORATE AFFAIRS:

i. **Stakeholders Conference/Meeting:**

As a sector requirement, we held a successful stakeholder conference involving key stakeholders among them, County Executives, MCAs, and national government agency (CRVWWDA). The stakeholders pledged to continue supporting the company as it endeavours to provide and expand services to unreached areas and customers.

ii. **Annual General Meeting:**

During the period under review and pursuant to the provisions of the Company Act, we managed to hold our **6th Annual General Meeting on 9th June 2021 at Grand Winston Hotel, Kiamunyi.**

BENCHMARKING:

Following our sustained improvement in performance, the company is becoming a bench-marking destination for other WSPs. During the period, we received/hosted five WSPs on benchmarking.

i.	Eldoret Water	- Uasingishu County
ii.	Imetha Water	- Meru County
iii.	Nithi Water	- Tharaka Nithi County
iv.	Iten Water	- Elgeyo Marakwet County
v.	Nolturesh Water	- Kajiado County

PROJECTS IMPLEMENTATION STATUS

Project	Status
Kiamunyi Water Project	o Pipelaying of main trunk pipeline 95% complete, o Request for review of KRC wayleave terms done, o Last-mile connectivity works set to start in September 2021, - 14km o CRVWWDA has promised two additional boreholes to serve Kiamunyi,
Rongai – Kampi Ya Moto Water Project	o the project implementation is now at more than 90% complete as of June 2021, o the company to continue expanding network beyond project area,
WorldBank/WSTF/WASREB CLSG project	o Several works undertaken under the program now complete and operational,

KeNHA Relocation of Pipelines Project	○ The project is on-going well.

Covid – 19 Pandemic Challenge

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

Donors/Partners – WaterWorX Project

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: 15/6/2022

VI. STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Strategic Pillar/Theme/Issues	Strategic Objective	Key Performance Indicators	Activities	Achievements
Social Equity	Increase access to water and sanitation services	Number of dormant accounts	Increase active accounts	
		Number of funded proposals	Lobby and solicit for funding from governments and other partners	
Economic Efficiency	Continuously implement financial management controls	Working capital ratio	Adhere to budget and cost controls	
		Liquidity ratio		
		Acid test ratio		
		Cash ratio		
		Debt ratio		
		Asset to Equity ratio		
		Cost volume profit analysis	Rationalize expenditure	
	Ensure financial sustainability	Amount collected	Improve on billing and collection	
		Amount billed		
		Total arrears	Reduce arrears	
Economic Efficiency	Ensure efficient utility management, economic utilization of available water resources	Metering ratio	Increase the Number of consumer meters installed	
		Number of inspections carried out per month	Undertake monthly and quarterly audit and	

			inspections in all regions	
		Random checks on account connections in all areas	Reduce of Non-revenue water	
		Unearthed illegal connections		
		DMAs created		
		Water balance – real losses		
		Water balance – commercial losses		
		Infrastructure rehabilitated		
		Metering – Production meters		
		Metering - DMA meters		
		Data clean up (CIS)		
		Certificates issued (For Inspections on Quality of pipes and fittings)		
		Response time to leaks and bursts (Hours)		
		Number of pressure zones		
		Serviced and calibrated meters		

Good Governance	Strengthen institutional capacity	Staff computer/device ratio	Improve staff productivity	
		Number of staff with basic IT proficiency		
		Capacity of users to utilize ERP System		
		Systems Up time	Maintain efficiency in service delivery	
Economic Efficiency	Leverage on ICTs and other technologies	Number of Automated production meters	Expand automation of operations and services	
		Number of Automated water kiosks	Enhance customer service experience	
		Number of Customer self-service channels (Apps, USSD, Portal)		
		Improved ERP modules	Upgrade existing systems	
		IP phones installed in regions and Head Quarters.	Adopt new relevant technologies	
Trained/Motivated Staff	Ensure adequate and competent human resources	Number of skills appraisals for staff and BOD	Identify skills gaps for Staff and BODs	
		Roles: Shadow employees		

		Training efficiency index	Implement training and development programmes	
		Training hours/employee		
	Promote high levels of employee performance	% Of staff meeting or above target	Implement effective performance management monitoring	
		Staff Productivity (Number of staff per 1000 connections)		
		%ge of employees rewarded	Develop and implement an employee reward system.	
	Enhance employee commitment	Employee Satisfaction Rating	Develop a strong employer brand	
		Number of policies reviewed or implemented	Provide a conducive and safe working environment	

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 the best practices and International Standards. The essence of good corporate governance practice is to promote and protect stakeholders' interests, among them are Nakuru County Government, CRVWWDA, WASREB, WRA, 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. All the board of directors have been trained on corporate governance and have signed the code of conduct as prescribed by the regulator (WASREB).

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 Board Committees in place.

i. Finance and General Purposes Committee,
ii. Technical Committee,
iii. Audit and Risk Management Committee.

To ensure that the board expenses are within the approved budget for 2020/2021 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	✓ Mr. Kipngetich Cherono - Chairperson ✓ Mr. Benson Nguyo ✓ Mr. Muriithi Kiogora
Audit & Risk Management	6	✓ CPA Virginia Kimani - Chairperson ✓ Mr. Kennedy Momanyi ✓ Mr. Gabriel Chepkwony
Technical Services	5	✓ Ms. Mary Mburu - Chairperson ✓ Mr. Muriithi Kiogora ✓ Mr. Kenneth Mbaria

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: 10/6/2022

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 water 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 provided for by the Water Act 2016 sections 78, 83 & 94 thus:

i. provision of water services within the area specified in the license,
ii. development of county assets for water service provision, and
iii. to hold the County or National public water services assets on behalf of the public,
iv. Support the county government in planning and developing measures for the provision of water services to rural areas which are considered not commercially viable for the provision of water services.

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/sub-county 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.

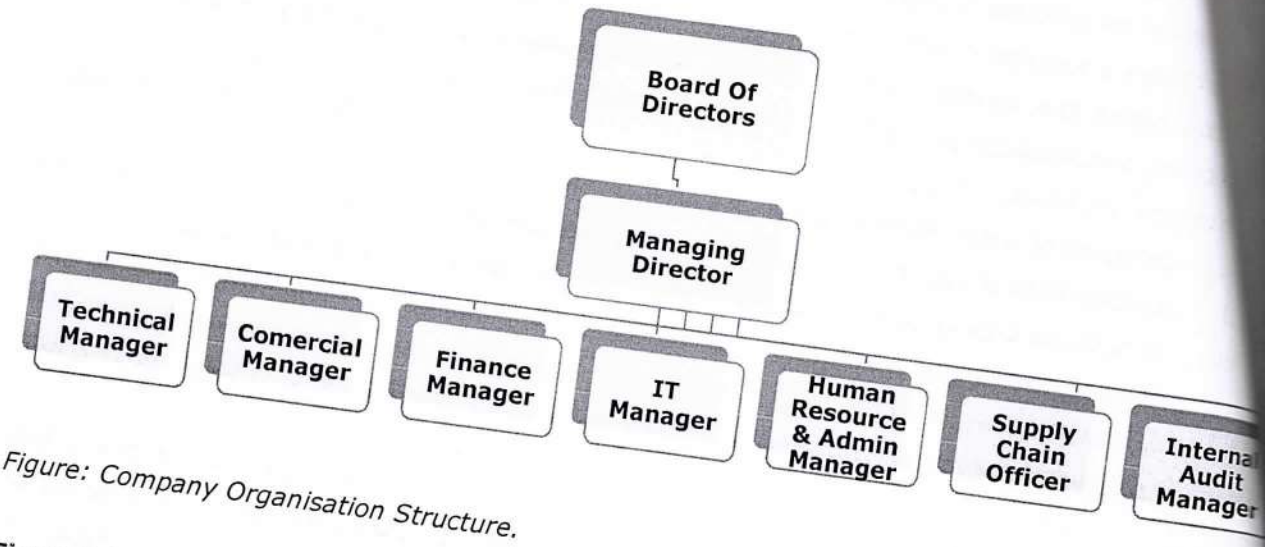

Figure: Company Organisation Structure.

Financial strategy

Our financial strategy is to be able to generate sufficient revenues to meet company operational and developmental requirements. Partnership with donors to enable the company to solicit for grants/finances 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 entity

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 and risk management 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 Water Project

This project meant to supply Kiamunyi with water is at 90% completion. The scope of the project was drilling of borehole, 13 km pipeline to Mercy Njeri tank, and last mile connectivity network.

Rongai Kampi Ya Moto Water Project

The project is more than 95% complete. Its jointly financed by VEI/WFL and NARUWASCO. It is targeted to connect 1000 households with water within Visoi and parts of Soin wards.

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. The company successful applied and got phase two (WWXII) of the project approved. WWX II is set to start in January 2022.

IX. ENVIRNOMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile -

The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

iii) Employee welfare

Give account of the policies guiding the hiring process and whether they consider the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal, and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

iv) Market place practices-

NARUWASCO does not have any governance issue among the board of directors or the corporate management team.

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This project meant to supply Kiamunyi with water is at 90% completion. The scope of the project was drilling of borehole, 13 km pipeline to Mercy Njeri tank, and last mile connectivity network.

Rongai Kampi Ya Moto Water Project

The project is more than 95% complete. Its jointly financed by VEI/WFL and NARUWASCO. It is targeted to connect 1000 households with water within Visoi and parts of Soin wards.

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. The company successful applied and got phase two (WWXII) of the project approved. WWX II is set to start in January 2022.

IX. ENVIRNOMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile -

The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

iii) Employee welfare

Give account of the policies guiding the hiring process and whether they consider the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal, and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

iv) Market place practices-

The organisation should outline its efforts to:

a) **Responsible competition practice.**

Explain how the organisation ensures responsible competition practices with iss
like anti-corruption, responsible political involvement, fair competition and resp
for competitors

b) **Responsible Supply chain and supplier relations**

Explain how the organisation maintains good business practices, treats its ow
suppliers responsibly by honouring contracts and respecting payment practices.

c) **Responsible marketing and advertisement**

Outline efforts to maintain ethical marketing practices.

d) **Product stewardship**

outline efforts to safeguard consumer rights and interests.

X. CORPORATE SOCIAL RESPONSIBILITY / COMMUNITY ENGAGEMENTS

During the year under review, the company engaged in several CSR activities to impact positively to the society. Among the activities are:

i. Donated sanitary pads to Naivasha primary school,

ii. Donated several tanks for hand wash at bus stages and market centres in the fight against Covid 19 pandemic.

Donating Cheque for sanitary pads to WIWAS

ended June 30, 2021, which show the state of the *entity's* affairs.

Principal activities

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

Results

During the year under review, the company realised total income of **Ksh 303,636,474.00** against **Ksh 267,166,072.00** for the previous year 2019/2020. This shows an increase of **Ksh 36,470,401.70 (14%)**.

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.

By Order of the Board

Name: FCPA Reuben K Korir **Signature** **Date** 15/6/2021

Corporate Secretary/Secretary to the Board

XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i)Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;(ii)maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)Safeguarding the assets of the *entity*; (v)selecting and applying appropriate accounting policies; and (vi)Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act).

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The Directors are of the opinion that the *entity's* financial statements give a true and fair vie the state of *entity's* transactions during the financial year ended June 30, 2021, and of the ent financial position as at that date. The Directors further confirm the completeness of the account records maintained for the *entity*, which have been relied upon in the preparation of the enti financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *entity's* financial statements were approved by the Board on **Friday 10th September 2021** and signed on its behalf by:

Signature: _____

Name: Charles Njuru

Chairperson of the Board

Signature: _____

Name: FCPA Reuben K Korir

Accounting officer

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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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, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

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 3 to 45, which comprise the statement of

statement of changes in equity, statement of cash flow
statement of comparison of budget and actual amounts for the year then ended, a
summary of significant accounting policies and other explanatory informatio
accordance with the provisions of Article 229 of the Constitution of Kenya and Sectio
of the Public Audit Act, 2015. I have obtained all the information and explanations wh
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 Qualifie
Opinion section of my report, the financial statements present fairly, in all materia
respects, the financial position of Nakuru Rural Water and Sanitation Company Limited
as at 30 June, 2021 and of its financial performance and its cash flows for the year
then ended, in accordance with International Financial Reporting Standards and comply
with the Companies Act,2015, the Public Finance Management Act, 2012, and Water
Act, 2016.

Basis for Qualified Opinion

1. Errors and Omissions in the Financial Statements

The financial statements reflect the following errors and omissions:

i. The statement of performance against predetermined objectives does not reflect the achievements made by the Company in the year under review.

ii. The statement of Director's responsibilities cites Section 81 of the Public Finance Management Act, 2021 which, however, is intended for National Government entities.

iii. The statement of changes in equity does not have a column for aggregating the balances reflected in the statement.

In view of these errors and omissions, the financial statements do not comply with professional standards and the reporting requirements prescribed by Public Sector Accounting Standards Board.

2. Unconfirmed Balances

Several balances reflected in the financial statements were not supported with sufficient appropriate records, as explained in the following paragraphs:

2.1 Cost of Sales

The statement of profit or loss and other comprehensive income reflects cost of sales totalling Kshs.30,176,408 comprised of electricity for production and supplies for production (chemicals) costs totalling Kshs.15,146,056 and Kshs.15,030,352 respectively, as disclosed in Note 7 to the financial statements. However, the costs have

neither been analyzed nor supported with records and as a result, the occurrence, accuracy and propriety of the payments could not be confirmed.

2.2 Insurance Costs

The statement of profit or loss and other comprehensive income reflects administrative costs totalling Kshs.184,542,572 which in turn include motor vehicle insurance expenditure totalling Kshs.284,600, as further disclosed in Note 9(a) to the financial statements. However, the balance differs with the amount of Kshs.800,934 reflected in respect to the motor vehicle insurance costs in the trial balance. No explanation was provided for the variance of Kshs.516,334 between the two sets of records.

In the circumstance, the accuracy and validity of the insurance costs totalling Kshs.284,600 included in the administrative costs balance totalling Kshs.184,542,572 reflected in the statement of profit or loss and other comprehensive income could not be confirmed.

2.3 Cash and Cash Equivalents

The cash and cash equivalents balance totalling Kshs.20,096,666 reflected in the cash flow statement contains the following discrepancies:

(i) The balance differs with the cash balance totalling Kshs.20,116, 570 reflected in the statement of financial position resulting to an unexplained variance of Kshs.19,904.

(ii) The cash flow statement reflects increase (decrease) in cash and cash equivalents balance of Kshs.13,604,897 but the items included therein amount to Kshs.14,141,136 resulting to an unexplained variance of Kshs.536,239.

(iii) The cash flow statement also reflects fixed assets acquired totalling Kshs.67,921,745 whereas and Note 10 to the financial statements reflects acquisitions totalling Kshs.34,496,964 in respect to the account resulting to a variance of Kshs.33,424,781 which has not been explained.

(iv) The statement further reflects receipts from the Water Services Trust Fund (WSTF) totalling Kshs.61,442,242 which amount, however, differs with the sum of Kshs.83,122,739 reflected in respect to the account in the statement of changes in equity. No explanation was provided for the variance amounting to Kshs.21,680,497.

In the circumstances, the accuracy and completeness of the statement of cash and cash equivalents balance reflected in the statement of cash flow could not be confirmed.

2.4 Revenue

The statement of profit or loss and other comprehensive income reflects revenue totalling Kshs.270,068,821 which includes Kshs.3,756,546 and Kshs.11,652,490 billed to

accounts was done contrary to Section 53 of Issue No.13/2021 of the Impact Performance Report of the Kenya's Water Services Sector-2019/2020.

In the circumstances, the revenue balance totalling Kshs.270,068,821 for the year under review is not fairly stated.

Further, the statement of profit or loss and other comprehensive income reflects billing adjustments totalling Kshs.8,582,379 indicated as having arisen from erroneous water sales billings. However, the adjustments were not supported with records such as an adjustment register and the list of accounts that were adjusted. In the circumstances, the validity and accuracy of adjustments totalling Kshs.8,582,379 for the year ended 30 June, 2021 could not be confirmed. As a result, the accuracy and validity of the total revenue balance totalling Kshs.270,068,821 could not be confirmed.

2.5 Staff Costs

The statement of profit or loss and other comprehensive income reflects administrative costs totalling Kshs.184,542,572 which include staff costs totalling Kshs.139,530,822 ,as disclosed in Note 9(a) to the financial statements. The amount however, differs with the staff costs balance totalling Kshs.130,841,007 reflected in the payroll resulting in an unexplained variance of Kshs.8,689,815 between the two sets of records. In addition, the expenditure on staff costs totalling Kshs.139,530,822 exceeds the budgeted expenditure of Kshs.130,398,131 by Kshs.9,132,691. No record was provided to confirm that the excess expenditure was authorized.

Further, review of staff biodata presented for audit indicated that some employees shared National Identification Numbers. Employees with personal numbers 62 and 83 shared identification number 13067706 and so did employees with personal numbers 83, and 193 who shared identification number 12836929.

In view of these anomalies, the accuracy, propriety and validity and accuracy of the staff costs expenditure totalling Kshs.139,530,822 could not be confirmed.

2.6 AfDB Loan

The statement of profit or loss and other comprehensive income reflects African Development Bank (AfDB) loan repayment amounting to Kshs.7,085,934. Records provided for audit indicated that the loan amounted to Kshs.178,529,739 and was disbursed to the Rift Valley Water Services Board by the African Development Bank (AfDB) to fund development of various infrastructure projects. However, none of the infrastructure assets were handed over to the Company and the proportion of the loan it was to pay was, therefore, not certain.

In the circumstance, the accuracy and validity of the loan repayments totalling Kshs.7,085,934 for the year ended 30 June, 2021 could not be confirmed.

2.7 Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment net book balance totalling Kshs.189,536,954, as further disclosed in Note 10 to the financial statements. However, the following anomalies were noted in relation to the balance:

(i) Note 10(b) to the financial statements reflects the cost of property, plant and equipment totalling Kshs.258,844,704 which, however, varies with the sum of Kshs.280,525,201 reflected in Note 10(a) to the financial statements resulting to an unexplained variance of Kshs.21,680,497.

(ii) The property, plant and equipment balance reflected in the statement of financial position does not include the value of land on which the company offices are located. Further, ownership documents for the land were not provided for audit verification.

(iii) Water Meters installed in Salgaa area at a cost of Kshs.3,670,960 were not included in the assets register.

(iv) Additions to buildings totalling Kshs.2,887,342 reflected in Note 10(a) to the financial statements were not supported with an Inspection and Acceptance Committee report and a works completion certificate.

In the circumstances, the accuracy, valuation and ownership of the reported property plant and equipment valued at Kshs.189,536,953 as at 30 June, 2021 could not be confirmed.

2.8 Trade Payables

The statement of financial position reflects trade payables totalling Kshs.357,994,321 as further disclosed in Note 19(a). However, the balance was not supported with an aging analysis and does not include penalties related late remittance of NSSF deductions totalling Kshs.6,889,452.

Further, included in the trade payables balance totalling Kshs.357,994,231 is Kshs.214,025,320 owed to Rift Valley Water Services Board (RVWSB) in respect of water billing levies. However, the balance was not supported by invoices or demand notices.

In the circumstances, the accuracy and validity of trade payables balance totalling Kshs.357,994,321 could not be confirmed.

2.9 Consumer Deposits

The statement of financial position reflects consumer deposits totalling Kshs.31,866,642 as further disclosed in Note 19(b) to the financial statements. However, the bank account for the deposits reflected a balance of Kshs.149,662 as at 30 June, 2021 resulting to an unexplained shortage of Kshs.31,716,980.

As a result, the accuracy and existence of the consumer deposit balance of Kshs.31,866,642 as at 30 June, 2021 could not be confirmed.

2.10 Trade Receivables

The statement of financial position reflects trade receivables totalling Kshs.180,894,919, as further disclosed in Note 13 to the financial statements. However, debtors totalling Kshs.177,124,266 or 98% of the balance had been outstanding for over 30 days as at 30 June, 2021. No provisions for doubtful debts were made in respect to the balance.

In view of the large proportion of old debtors, the recoverability of the trade receivables balance totalling Kshs.180,894,918 as at 30 June, 2021 could not be confirmed.

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.

3. Material Uncertainty Relating to Going Concern

The statement of profit and loss and other comprehensive income for the year ended 30 June, 2021 reflects an operating loss of Kshs.19,870,898 (2019/2020 - Kshs.13,669,181) which raised the Company's accumulated losses to Kshs.393,091,249 (2019/2020 -Kshs.373,220,351) as at 30 June, 2021. Further the statement of financial position reflects current assets balance totalling Kshs.209,809,737 (2019/2020 - Kshs.195,520,032) and current liabilities balance totalling Kshs.402,382,774 (2019/2020 - Kshs.390,453,030), resulting to a negative working capital of Kshs.192,573,035 and low liquidity. The Company's unfavorable performance and weak financial position denotes the existence of a material uncertainly on its ability to meet its financial obligations as they fall due and operate as a going concern.

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

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 are no key audit matters to communicate in my report.

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted receipts totalling Kshs.306,800,000 whereas the approved budget presented for audit reflects budgeted receipts totalling Kshs.398,242,242 resulting to an unexplained variance of Kshs.91,442,242.

The statement further reflects an approved total revenue budget of Kshs.306,800,000 against an expenditure budget of Kshs.285,292,064 resulting to a budget surplus of Kshs.21,507,935. The variances were contrary to Section 31(C) of the Public Finance Management (County Government) Regulations, 2015 which requires appropriations of revenue and expenditure to be balanced.

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis totalling to Kshs.306,800,000 and Kshs.295,054,095 respectively, resulting to a shortfall of revenue totalling Kshs.11,745,905 (or 4%) of the budget.

2. Previous Year Issues

The report for the year ended 30 June, 2020 raised several issues relating to balances reflected in financial statements, lawfulness and effectiveness in use of resources and effectiveness of internal control and risk management. The progress made by Management in resolving the issues will be confirmed after the matters are deliberated upon by the County Assembly of Nakuru.

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.

RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

Water production records indicated the Company produced 8,242,189 cubic meters (m3) of water during the year under review, out of which only 3,823,112 (m3) were billed to customers. The balance totalling 4,419,077 cubic meters (m3) or approximately 54% of total production was not billed but was instead denoted as Non-Revenue Water. The NRW was 29 (twenty-nine) percentage points more than the allowable water loss ratio of 25% set in guidelines issued by the Water Services Regulatory Board.

Had the 4,419,077 cubic meters of NRW been billed, the Company would have realized additional revenue totalling Kshs.305,358,220 at its average billing rate of Kshs.69.10 per cubic meter applied in the year under review.

In the circumstance, the NRW was a significant contributor to the Company's unsatisfactory financial performance evidenced by operating losses totalling Kshs.19,870,898 in the year under review and unfavorable financial position that has put it to doubt its going concern status. Management has not indicated the actions taken or plans made to control NRW.

2. Failure to Remit Statutory Deductions

Examination of records on statutory deductions revealed unremitted statutory and other deductions liabilities totalling Kshs.68,724,606 as at 30 June, 2021. Management did not provide a satisfactory explanation for the failure to remit the deductions to the respective entities.

Failure to remit the deductions may result in liabilities for fines and penalties.

3. Unauthorized Expenditure

Examination of expenditure records indicated that Kshs.2,378,393 was spent on general office supplies against approved budget of Kshs.1,500,000 resulting to unauthorized expenditure of Kshs.878,393 or 59% of the budget. Similarly, professional services expenditure totalling Kshs.12,264,603 was incurred against a budget of Kshs.10,670,000

resulting to over-expenditure of Kshs.1,594,603. The over-expenditure was not ratified in the supplementary budget and was therefore irregular.

4. Irregular Procurement of Supplies

Examination of procurement records indicated that expenditure totalling Kshs.4,077,480 was incurred on purchase of aluminum sulphate and calcium hydrochloride used in water purification. However, the respective tender was awarded to a supplier who did not submit a business permit required of bidders to the contract.

In the circumstances, the regularity of the supply for production (chemicals) expenditure totalling Kshs.4,077,480 for the year ended 30 June, 2021 could not be confirmed.

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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Risk Management Policy

Review of the risk management processes indicated that the company did not have 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 that include fraud prevention mechanisms.

Consequently, the resources of the Company are at risk of loss.

2. 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 the Committee.

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 controls, 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 Kenyan 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 Nakuru Rural Water and Sanitation Company Limited, so far as appears from the examination of those records; and,

iii. The Company's financial statements agree with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance

with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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

02 September, 2022

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

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

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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

02 September, 2022

XIV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021.

INCOME			
	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue	6	270,068,821.00	248,145,646.00
Cost of Sales	7	30,176,408.27	38,582,397.00
Gross revenue		239,892,412.73	209,563,249.00
Other incomes:	8(a)	33,567,652.95	19,020,426.25
Total revenue		273,460,065.68	228,583,675.25
Billing adjustments	8 (b)	(8,582,379.00)	(7,124,054.00)
Net revenue		264,877,686.68	221,459,621.25
OPERATING EXPENSES			
Administrative costs	9	184,542,572.45	163,363,942.06
Bank Charges	20	231,025.18	224,409.91
Contracted professional services	21	12,264,602.93	5,865,277.80
Hire of Transport, Plant & Machinery	22	812,560.00	388,112.00
Training Expenses	23	2,866,233.00	2,654,640.00
Regulatory fee	24	11,798,771.54	10,401,680.73
Water Users/Permit fees	25	4,121,094.50	3,956,595.50
Honoraria	26	660,000.00	660,000.00
Repairs & Maintenance	27	6,930,036.28	5,694,560.32
Board Expenses	28	4,337,800.00	4,581,000.00
Depreciation	29	34,496,963.63	28,514,738.11
Amortisation	30	5,113,913.60	
Audit fees	31	348,000.00	348,000.00
Minor, Alterations works	32	182,788.00	1,367,654.69
Loan interest	33	-	22,257.05
AFDB LOAN	34	7,085,933.61	7,085,934.00
NSSF 2006/2007	35	8,956,290.00	-
TOTAL EXPENDITURE		284,748,584.72	235,128,802.17
SURPLUS(DEFICIT)		(19,870,898.04)	(13,669,180.92)

ASSETS	Notes	2020-2021	2019-2020
		Kshs	Kshs
Non-Current assets			
Property Plant & Equipment	10. a	189,536,953.52	143,322,954.69
Intangible assets	11	14,161,546.40	
Total Non-current assets		**203,698,499.92**	**143,322,954.69**
Current Assets			
Inventories	12	696,500.00	734,400.00
Receivables	13	180,894,918.90	182,592,115.41
Deposits (Electricity)	14	1,196,000.00	1,096,000.00
Prepayments		2,300,000.00	
Kra Vat Refunds	15	4,605,749.00	4,605,749.00
Bank and Cash balances	16	20,116,569.57	6,491,768.45
Current assets		**209,809,737.47**	**195,520,032.86**
TOTAL ASSETS		**413,508,237.39**	**338,842,987.55**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	17(a)	500,000.00	500,000.00
Capital Reserve	17(b)	228,709,738.00	228,709,738.00
Revenue Reserve	17(c)	(393,091,249.96)	(373,220,351.92)
WSTF Grants	18	175,523,309.49	92,400,570.75
Capital & Reserves		**11,125,463.53**	**(51,610,043.17)**
Current Liabilities			
Trade Payables	19(a)	357,994,321.28	351,423,533.64
Consumer Deposits	19(b)	31,866,642.00	26,785,142.00
Prepayment income	19©	8,778,290.58	8,848,835.08
Accruals (provision for Audit fees)	19(d)	3,743,520.00	3,395,520.00
Total Current Liabilities		**402,382,773.86**	**390,453,030.72**
TOTAL EQUITY AND LIABILITIES		**413,508,237.39**	**338,842,987.55**

The financial statements were approved by the Board on Friday 10th September 2021 and signed on its behalf by:

CEO/MD
Name: FCPA Reuben K Korir
ICPAK M/NO: 6129

Head of Finance
Name: CPA Terry M Ng'ang'a
ICPAK M/NO:

Chairman of the Board
Charles Njuru

	Capital	Reserve		
As at 1 July 2020	**500,000.00**	**228,709,738.00**	**(373,220,351.92)**	**92,400,570.75**
Surplus (Deficit) for the year			(19,870,898.04)	
Grants -Water Worx/WSTF				83,122,738.74
As at 30th June 2021	**500,000.00**	**228,709,738.00**	**(393,091,249.97)**	**175,523,309.49**

XVII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

OPERATING ACTIVITIES	Notes	2020-2021	2019-2020
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	37	31,004,818.84	24,698,409.18
Net cash generated from/(used in) operating activities		**31,004,818.84**	**24,698,409.18**
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed assets acquired	10	(67,921,745.12)	(25,525,753.57)
Intangible asset acquired	11	(10,384,180.00)	
NET CASH GENERATED FROM INVESTING ACTIVITIES		**(78,305,925.12)**	**(25,525,753.57)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repayment		-	(633,719.00)
Receipts from WSTF		61,442,242.00	1,256,535.30
Loan Interest		-	(22,257.05)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**61,442,242.00**	**600,559.25**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		13,604,897.12	(226,785.14)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,491,768.45	6,321,843.36
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**20,096,665.57**	**6,491,768.45**

PERIOD ENDED 30 JUNE 2021

Item Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Income:					
Water sale	288,000,000.00		288,000,000.00	270,068,821.00	(17,931,179.00)
Other incomes:	18,800,000.00		18,800,000.00	33,567,652.95	14,767,652.95
Adjustments				(8,582,379.00)	(8,582,379.00)
Total Income	**306,800,000**		**306,800,000**	**295,054,095**	**(11,745,905.05)**
Expenditure:					
Elect for production	20,000,000.00		20,000,000.00	15,146,056.27	4,853,943.73
Chemicals	26,000,000.00		26,000,000.00	15,030,352.00	10,969,648.00
Administrative costs	161,198,131.00	21,730,000.00	182,928,131.00	184,542,572.45	(1,614,441.45)
Bank Charges	250,000.00		250,000.00	231,025.18	18,974.82
Contracted professional services	6,240,000.00	4,680,000.00	10,920,000.00	12,264,602.93	(1,344,602.93)
Hire of Transport, Plant & Machinery	200,000.00	200,000.00	400,000.00	812,560.00	(412,560.00)
Training Expenses	2,000,000.00	1,000,000.00	3,000,000.00	2,866,233.00	133,767.00
Regulatory fee	12,000,000.00		12,000,000.00	11,798,771.54	201,228.46
Water Users/Permit fees	4,000,000.00	200,000.00	4,200,000.00	4,121,094.50	78,905.50
Honoraria	660,000.00		660,000.00	660,000.00	-
Repairs & Maintainance	11,000,000.00		11,000,000.00	6,930,036.28	4,069,963.72
Board Expenses	6,000,000.00		6,000,000.00	4,337,800.00	1,662,200.00
Depreciation	-		-	34,496,963.63	(34,496,963.63)
Amortisation	-		-	5,113,913.60	(5,113,913.60)
Audit fees	348,000.00		348,000.00	348,000.00	-
Minor, Alterations works	500,000.00		500,000.00	182,788.00	317,212.00
AFDB LOAN	7,085,933.61		7,085,933.61	7,085,933.61	(0.00)
NSSF 2006/2007	-		-	8,956,290.00	(8,956,290.00)

Total Expenditure	257,482,064.61	27,810,000.00	285,292,064.61	314,924,992.99	
Surplus/ Deficit	49,317,935.39	(27,810,000.00)	21,507,935.39	(19,870,898.04)	

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. It's 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.

1. Application of New and Revised International Financial Reporting Standards (IFRS)

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Title	Description	Effective Date
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

	"Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Application of New and Revised International Financial Reporting Standards (IFRS)

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

	subject to a 'probable profits' test.	
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 1 — First-time Adoption of International	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the	The amendments are effective for annual periods

Title	Description	Effective Date
Financial Reporting Standards	procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	beginning on or after January 1, 2022. Early application is permitted.
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9

	the entity's financial position, financial performance and cash flows.	(Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021

Conclusion:

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

3. 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.

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.

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

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 handing charges, and is determined on the moving average price method.

Trade and other receivables

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

Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where 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.

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

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 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 2020 - 2021 was approved by the Board of Directors on June 2020. 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.

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

2. Summary of Significant Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Grants from National Government** are recognised in the year in which the *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.

v) **Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.

vi) **Other income** is recognised as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

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

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

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

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives . The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are 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.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m)Trade and other receivables

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

Summary of Significant Accounting Policies

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

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

a) Service concession arrangements

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

b) Comparative figures

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

c) 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, 2021.

3. 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

the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

4. Revenue

6. Revenue		**2020-2021**	**2019-2020**
		Kshs	**Kshs**
Revenue		270,068,821.00	248,145,646.00
7. Cost of Sales			
(a). Electricity for Production			
Rongai south T/works	15119920		230,927.00
Njoro T/works	15076621		49,958.00
Elburgon T/W	15136682		1,385.00
Prison Road Booster	15332414		9,427.00
Njoro isoleted	24875288		1,909,079.00
Marishoni B/H	15136110		-
block 4/119	24508996		494,460.00
Turasha T/W	15070444		423,880.00
NKU ELD RD	15108558		2,310,434.00
Elburgon B/H AM/Office	15136567		746,774.00
kirobon water project	15127349		296,776.00
Njoro B/h 11	15074925		1,058,701.00
Nguso Water Project	15332380		3,551,331.00
Menengai Booster	15096421		876.00
Twin B/holes molo town	15099403		514,701.00
Kerma B/h	33065913		-
Majangwa B/h	32425993		1,770,388.00
Elburgon ADB B/h	32426015		499,660.00
Molo hospital Rd B/H	20190567		7,328.00
Molo ADB B/h no.1	32426066		58,007.00
njuguini borehole	37532132		437,298.00
Piave water Project	15077643		467,704.00
Milimani molo	3221248		19,610.00
Ngurika borehole	29871108		105,175.00
Ndeffo borehole	33051095		17,609.00
njoro road ngata	15127349		-
karunga water project	73734644		183,369.00
Gichoro Project	15079890		397,595.00
Pakawa water project	107555567		36,457.00
Silibwet supply cost (mau summit)			1,310,628.00
Sub-Total		**15,146,056.27**	**16,909,537.00**
(b). Supply for Production (Chemicals)			
		2020-2021	**2019-2020**
		Kshs	**Kshs**

Sub-Total		15,656,552.00	**22,574,356.00**
Grand Total		**30,176,408.27**	**38,582,397.00**
8. (a) Other incomes:			
Molo Sewer charges		945,377.05	534,476.25
Penalties, reconnection &other charges		24,651,105.40	14,577,796.00
Connections		4,001,422.50	3,549,750.00
Water Sale By Tanker		840,300.00	358,404.00
Donated chemicals		3,129,448.00	
Total		**33,567,652.95**	**19,020,426.25**
(b) Adjustments		**(8,582,379.00)**	**(7,124,054.00)**
Bill adjustment			
9.(a) Administration costs			
Staff costs (note 12b)		139,530,822.36	124,386,762.45
Official Entertainment		1,693,007.00	970,414.80
Electricity for office		356,187.00	311,241.00
Water conservancy		3,296,888.49	750,638.00
Telephone expenses		2,517,475.00	1,979,031.45
Internet/Data		1,210,272.26	1,386,024.61
Postal and Courior Services		105,448.39	67,816.60
Travelling and operation		19,935,000.50	18,900,281.50
Publishing and Printing Services		313,150.00	288,890.00
Subscriptions		532,091.20	309,656.35
Advertisement and Publicity		313,150.00	718,576.60
Rent and Rates		447,000.00	423,711.00
Staff welfare		3,614,327.00	2,530,363.00
Insurance - motor		284,600.00	866,285.29
Supply of Uniforms		284,600.00	795,821.00
General Office Supplies		2,378,393.00	1,239,661.00
Transport and Operating expenses		7,720,160.25	6,812,553.51
Corporate Social Responsibility		10,000.00	626,213.90
Total		**184,542,572.45**	**163,363,942.06**
9(b) Staff costs			
Salaries and Allowances		118,076,791.50	105,664,638.61
Wages -Temporary Employees		9,623,663.63	8,223,318.79
Gratuity Provisions		2,327,325.00	2,070,800.00
Pension and Nssf contribution		6,316,586.00	6,170,967.00
Leave pay		1,615,697.00	1,479,737.50
Medical Expenses		1,388,859.23	686,650.55
NITA		86,900.00	90,650.00

Total		**139,530,822.36**	**124,386,762.45**

ASSETS MOVEMENT SCHEDULE							
	FURNITURE	METER PLANT	BUILDING	MOTORCYCELES	OFFICE EQUIPMENT	WIP	TOTAL
	& FITTINGS	& EQUIPMENT					
	12.5%	12.5%	4%	25%	30%		
	KES	KES	KES	KES			
COST							
As at 1 July 2020	1,449,925.00	169,335,272.31	1,194,494.00	9,999,218.39	5,273,088.30	3,670,960.80	206,108,346.80
During the year	204,400.00	62,932,152.35	2,887,341.76	329,700.01	1,568,151.00	21,680,496.74	89,602,241.86
Salgaa Water project		3,670,960.80				(3,670,960.80)	
Total cost	1,654,325.00	235,938,385.46	4,081,835.76	10,328,918.40	6,841,239.30	21,680,496.74	280,525,200.66
LESS DEPRECIATION							-
As at 1 July 2020	1,249,539.63	41,446,586.04	191,111.76	9,936,266.60	3,667,779.49	-	62,785,392.11
During the year	206,790.63	29,492,298.18	163,273.43	2,582,229.60	2,052,371.79	-	34,496,963.63
Total depreciation	1,456,330.25	70,938,884.22	354,385.19	12,518,496.20	5,720,151.28	-	90,988,247.14
NBV AS AT 30TH JUNE 2021	197,994.75	164,999,501.24	3,727,450.57	(2,189,577.80)	1,121,088.02	21,680,496.74	189,536,953.52

10. b	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	-	-	0
Buildings	4,081,835.76	354,385.19	3,727,450.57
Plant and machinery	235,938,385.46	70,938,884.22	164,999,501.24
Motor vehicles, including motorcycles	10,328,918.40	12,518,496.20	(2,189,577.80)
Computers and related equipment	6,841,239.30	5,720,151.28	1,121,088.02
Office equipment, furniture, and fittings	1,654,325.00	1,456,330.25	197,994.75
	258,844,703.92	**90,988,247.14**	167,856,456.78
11. Intangible Assets			
COST			
At July 1	15,185,388.00	8,407,253.00	
Additions	10,384,180.00	6,778,135.00	
Disposals	-	-	
At June 30	**25,569,568.00**	**15,185,388.00**	
AMORTISATION			
At July 1	6,294,108.00	3,257,031.00	
Charge for the year	5,113,913.60	3,037,077.00	
Disposals	-	-	
Impairment loss	-	-	
At June 30	11,408,021.60	6,294,108.00	
NET BOOK VALUE			
At June 30	**14,161,546.40**	**3,670,960.00**	
12.INVENTORIES		**2020-2021**	**2019-2020**
CHEMICALS			

ALLUMINIUM		201,500.00	206,910.00
CHLORINE		495,000.00	502,740.00
SODA ASH		-	24,750.00
Total		**696,500.00**	**734,400.00**
12 a) Reconciliation of Impairment Allowance for Inventories			
Description			
At the beginning of the year		0	0
Additional provisions during the year		0	0
Recovered during the year		0	0
Written off during the year		**0**	**0**
At the end of the year		-	-
13.Trade and Other Receivables			
Trade Receivables			
DOD			11,906,469.65
NAWASCO			5,200,600.00
Other Trade receivables			165,419,454.10
Total trade receivables (note 15 a)		**180,894,918.90**	**182,526,523.75**
Staff receivables (note 15 c)			65,591.66
			182,592,115.41
Deposits and prepayments		1,196,000.00	
Prepayments		2,300,000.00	
VAT refunds		4,605,749.00	
Gross trade and other receivables		**188,996,667.90**	
Provision for bad and doubtful debts		**-**	
Net trade and other receivables		**188,996,667.90**	
13. a		**2020/2021**	**2019/2020**
		Kshs	**Kshs**
Gross trade receivables		180,894,918.90	182,526,523.75

Provision for doubtful receivables		0	0
Net trade receivables		**180,894,918.90**	**182,526,523.75**
At June 30, the ageing analysis of the gross trade receivables was as follows:			
Less than 30 days		**3,770,653.25**	23,906,368.11
Between 30 and 60 days		**6,765,566.75**	9,572,967.49
Between 61 and 90 days		**2,768,081.12**	7,451,058.00
Between 91 and 120 days		-408096.32	7,087,332.25
Over 120 days		167,998,714.20	134,508,797.90
Total		**180,894,919.00**	**182,526,523.75**
13. (b) Reconciliation of Impairment Allowance for Trade Receivables			
Description			
At the beginning of the year		0	0
Additional provisions during the year		0	0
Recovered during the year		0	0
Written off during the year		0	0
At the end of the year		**0**	**0**
13 (c) Staff Receivables			
Gross staff loans and advances		0	65,591.66
Provision for impairment loss		0	0
Net staff loans		**0**	**0**
Less: Amounts due within one year		0	65,591.66
Amounts due after one year		0	0
14. Deposits			
Bal b/f		**1,096,000.00**	**1,049,000.00**
Deposits for the year		100,000.00	47,000.00
		1,196,000.00	**1,096,000.00**
Total			
15. KRA VAT Refund			
		4,605,749.00	4,605,749.00
Total		**4,605,749.00**	**4,605,749.00**
16. Bank and Cash balance			

		Kshs	Kshs
Cash in hand		9,581,931.10	4,185,676.10
KCB Deposit account		812,618.73	2,445.43
KCB Revenue		19,964.00	508,963.00
KCB Expenditure		52,367.55	5,045.55
KCB Contigency account		339,769.19	33,502.37
Family Bank		1,158,806.00	1,653,996.00
Kenya Post Office Saving Bank		313,255.00	99,910.00
Mpesa		7,837,858.00	
WSTF		-	2,230.00
Posta		**20,116,569.57**	**6,491,768.45**
Total			

Detailed analysis of the cash and cash equivalents

		2020/2021	2019/2020
Financial institution	**Account number**	**KShs**	**KShs**
a) **Current account**			
Other Commercial banks		20,116,569.57	6,491,768.45
Sub- total		**20,116,569.57**	**6,491,768.45**
b) On - call deposits			
Other Commercial banks		0	0
Sub- total		**0**	**0**
c) Fixed deposits account		0	0
Other Commercial banks		0	0
Sub- total		0	0
d) Staff car loan/ mortgage		0	0
Other Commercial banks		0	0
Sub- total		0	0
e) Others(specify)		0	0
Cash in transit		0	0
cash in hand		0	0
Mobile money account		0	0
Sub- total		0	0
Grand total		0	0
17.(a) Share Capital		**2020/2021**	**2019-2020**

	Kshs	Kshs
Authorised:		
5,000 Ordinary shares of Kshs. 100 each	500,000.00	500,000.00
Isuued and Fully Paid:		
5,000 ordinary shares of Kshs. 100 each	500,000.00	**500,000.00**
	2019-2020	**2019-2020**
	Kshs	**Kshs**
(b) Capital Reserve	228,709,738.00	228,709,738.00
	228,709,738.00	**228,709,738.00**
(c) Revenue Reserve		
	2019-2020	**2019-2020**
	Kshs	**Kshs**
This item is made up of the following:		
Balance b/f	(373,220,351.92)	**(359,551,171.00)**
Profit(Loss)	(19,870,898.04)	(13,669,180.92)
Total	**(393,091,249.96)**	**(373,220,351.92)**
18.Grants		
	2019-2020	**2019-2020**
	Kshs	**Kshs**
Balance brought forward	**92,400,570.75**	**68,210,001.00**
WSTF	61,442,242.00	-
Water worx	21,680,496.74	24,190,569.75
Total	**175,523,309.49**	**92,400,570.75**
19. Trade and Other Payables		
	2020-2021	**2019-2020**
	Kshs	**Kshs**
Trade Payables		9,605,378.97
Statutory deductions and other deductions		75,851,826.60
Kenya power and Lighting CO. Ltd.		1,416,481.48
Water Resources Authority		14,874,853.50
Wasreb		14,391,871.09

AFDB Loan		214,025,320.00
Rift Valley Water Services Board		
19 (a). Total trade payables	**357,994,321.28**	**351,423,533.64**
(b) .Consumer deposits		
Opening balance		22,572,142.00
Deposits for the year		4,213,000.00
Consumer deposits	**31,866,642.00**	**26,785,142.00**
(c) Prepayment income	**8,778,290.58**	**8,848,835.08**
(d) Accrued audit fees	**3,743,520.00**	**3,395,520.00**
Total trade and other receivables	**402,382,773.86**	**390,453,030.72**

20. Bank charges	**2020-2021**	**2019-2020**
	Kshs	**Kshs**
Kcb Revenue account	85,365.00	59,507.67
Kcb Expenditure Account	103,006.00	106,579.05
Kcb Contigency Account	8,673.00	19,237.20
Kcb Deposit Account	7,245.00	11,188.30
Family Bank	26,736.18	27,897.69
WSTF	2,416.00	
Total	**231,025.18**	**224,409.91**

21.Contracted professional services	**2020-2021**	**2019-2020**
	Kshs	**Kshs**
Security	3,846,009.00	3,520,745.00
Sanitation	44,888.58	41,341.20
Legal services	1,456,676.00	774,136.00
Computer Services	4,155,000.00	1,081,000.00
Consultancy service	2,762,029.35	448,055.60
Total	**12,264,602.93**	**5,865,277.80**

22.Hire of transport and machinery	**2020-2021**	**2019-2020**
	Kshs	**Kshs**
	812,560.00	388,112.00
Total	**812,560.00**	**388,112.00**

23.Training	**2020-2021**	**2019-2020**
	Kshs	**Kshs**
	2,866,233.00	2,695,640.00
Total	**2,866,233.00**	**2,695,640.00**

24. Regulatory fee		
	2020-2021	**2019-2020**
	Kshs	**Kshs**
Regulatory fee	11,798,771.54	10,401,680.73
Total	**11,798,771.54**	**10,401,680.73**

25. Water Users/Permit fees	**2020-2021**	**2019-2020**
	Kshs	**Kshs**
Water use fee	4,121,094.50	3,956,595.50
Total	**4,121,094.50**	**3,956,595.50**

26. Honoraria and airtime	**2020-2021**	**2019-2020**
	Kshs	**Kshs**
	660,000.00	660,000.00
Total	**660,000.00**	**660,000.00**

27. Repairs and Maintenance	**2020-2021**	**2019-2020**
	Kshs	**Kshs**
Maintenance of water supply	2,885,275.10	1,784,560.73
maintenance of building and station	724,187.96	417,892.00
Maintenance of plant &equipment	3,320,573.22	3,492,107.59
Total	**6,930,036.28**	**5,694,560.32**

28. Board expenses	**2020-2021**	**2019-2020**
	Kshs	**Kshs**
Sitting Allowance	2,498,000.00	2,422,000.00
Travel and accommodation	1,115,000.00	1,373,000.00
Lunch and Transport	724,800.00	786,000.00
Total	**4,337,800.00**	**4,581,000.00**

29.Depreciation	**2020-2021**	**2019-2020**
	Kshs	**Kshs**
Furniture	206,790.63	181,240.63
Meters, plant, and Equipment	29,492,298.18	21,166,909.04
Motorcycles	2,582,229.60	2,499,804.60
Computer's office equipment	2,052,371.79	1,581,926.49
Building	163,273.43	47,779.76
Software		3,037,077.60

30. Amortisation		**11,408,021.60**	
31.Audit (Provision of Audit fees)		**2020-2021**	**2019-2020**
		Kshs	**Kshs**
Audit fees for 2017-2018		348,000.00	348,000.00
Total		**348,000.00**	**348,000.00**
		2020-2021	**2019-2020**
		Kshs	**Kshs**
32.Minor Alteration Works:		182,788.00	1,367,654.69
Total		**182,788.00**	**1,367,654.69**
33.Loan interest			
		2020-2021	**2019-2020**
		Kshs	**Kshs**
KCB loan interest		-	22,257.05
Total		**-**	**22,257.05**
34. ADB Loan:			
		2020-2021	**2019-2020**
		Kshs	**Kshs**
		7,085,933.61	7,085,934.00
Total		**7,085,933.61**	**7,085,934.00**
35. NSSF 2006/2007		**8,956,290.00**	
36. Prepaid expenses		**2,300,000.00**	-
37. Reconciliation of operating profit /loss			
to cash generated from operations			
		2020-2021	**2019-2020**
		Kshs	**Kshs**
Operating profit/(loss)		(19,870,898.04)	(13,669,180.92)
Depreciation	28	34,496,963.63	28,514,738.11
Amortisation	29	5,113,913.60	
Operating profit/(loss) before working capital changes		**19,739,979.18**	**14,845,557.19**

(Increase)/decrease in inventories		37,900.00	259,988.00
(Increase)/decrease in trade and other receivables		1,697,196.51	(10,695,980.73)
Increase/(decrease) in trade and other payables		6,570,787.64	15,924,794.64
Increase/(decrease) in prepayments		(2,300,000.00)	-
Increase/(decrease) in electricity deposits		(100,000.00)	(47,000.00)
Increase/(decrease) in consumer deposits		5,081,500.00	4,213,000.00
Increase/(decrease) in prepayment income		(70,544.50)	(149,949.92)
Increase/(decrease) in accruals		348,000.00	348,000.00
Cash generated from/(used in) operations		**31,004,818.84**	**24,698,409.18**

5. Related Party Disclosures

Government of Kenya

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

Other related parties include:

i) The Parent Ministry
ii) County Government of xxx
iii) Xxx;
iv) Xxx;
v) Key management
vi) Board of directors

Transactions with related parties

	2020-2021	2019-2020
	Kshs	Kshs
a) Sales to related parties		
Sales of electricity to Govt agencies	XXX	XXX
Rent Income from govt. agencies	XXX	XXX
Water sales to Govt. agencies	XXX	XXX
Interest income from Govt Commercial Banks	XXX	XXX

	2021	
	Kshs	Kshs
Interest income from Tbills and Bonds	XXX	XXX
Others (Specify)	XXX	XXX
Total	XXX	XXX
b) Purchases from related parties		
Purchases of electricity from KPLC	XXX	XXX
Purchase of water from govt service providers	XXX	XXX
Rent expenses paid to govt agencies	XXX	XXX
Training and conference fees paid to govt. agencies	XXX	XXX
Bank charges paid to Govt Commercial banks	XXX	XXX
Interest expense to investments by other govt. entities	XXX	XXX
Others (specify)	XXX	XXX
Total	**XXX**	**XXX**
b) Grants from the Government		
Grants from National Govt	XXX	XXX
Grants from County Government	XXX	XXX
Donations in kind	XXX	XXX
Total	**XXX**	**XXX**
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	XXX	XXX
Payments for goods and services for xxx	XXX	XXX
Total	**XXX**	**XXX**
d) Key management compensation		
Directors' emoluments	XXX	XXX
Compensation to key management	XXX	XXX
Total	XXX	XXX

6. Financial Risk Management

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

(i) Credit risk

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

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

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

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

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

ii) Liquidity risk management

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The

within 12 months equal their carrying balances, as the impact of discounting is not significant.

(iii) Market risk

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

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

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

7. Incorporation

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

8. Events After The Reporting Period

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

9. Currency

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report.

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.

(iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Accounting Officer

Name : FCPA Reuben K Korir

Chief Executive Officer

Signature

Date.....15/6/2022.....

Projects

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Rongai Kambi ya moto water project.	1	Water worx	14 months	21,680,496.74	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
QTR 1	Rongai Kambi ya moto water project	24 Million	5,547,416.74	23%	24 million	5,547,416.74	Water worx
QTR 3	Rongai Kambi ya moto water project	24 Million	21,680,496.74	88%	24 million	21,680,496.74	Water worx

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	WATER SECTOR TRUST FUND		
	Break down of Transfers from WSTF			
	FY 2020/21			
a.	**Recurrent Grants**	**Bank Statement Date**	**Amount (Kshs)**	**Indicate the FY to which the amounts relate**
		30/06/2021	36,592,242	2020/2021
		Total	36,592,242	
b.	**Development Grants**	**Bank Statement Date**	**Amount (Kshs)**	**Indicate the FY to which the amounts relate**
		30/06/2021	24,850,000	2020/2021
		Total	24,850,000	

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager
Accounting Unit
NARUWASCO

Head of
WSTF