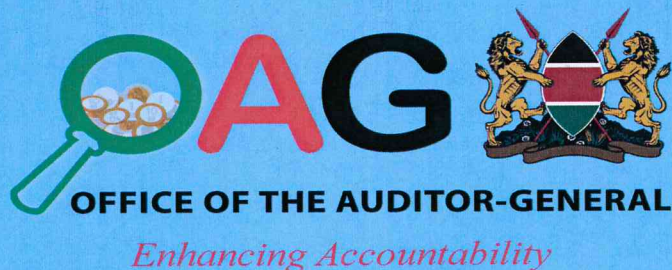


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**KIRINYAGA WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**



KIRINYAGA WATER & SANITATION COMPANY (KIRIWASCO)

P.O BOX 360-10300, KERUGOYA

Official Tel: 0746555368/ Customer care line: 0715413591

Email – managingdirector@kiriwasco.co.ke/info@kiriwasco.co.ke

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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



Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

(Leave this page blank)

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

| Table Of Contents | Page |
|---|-------------|
| I. Key Entity Information | iv |
| II. The Board of Directors..... | vii |
| III. Management Team..... | ix |
| IV. Chairman's Statement | xi |
| V. Report Of the Managing Director | xii |
| VI. Statement Of Performance Against Predetermined Objectives for FY 2021/2022 | xvi |
| VII. Corporate Governance Statement..... | xxiv |
| VIII. Management Discussion and Analysis..... | xxvi |
| IX. Environmental And Sustainability Reporting | xxvii |
| X. Report Of the Directors | xxx |
| XI. Statement Of Directors' Responsibilities..... | xxxii |
| XII. Report Of the Independent Auditors | xxxiii |
| XIII. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022. | |
| 1 | |
| XIV. Statement Of Financial Position As at 30 June 2022 | 2 |
| XV. Statement Of Changes In Equity For The Year Ended 30 June 2022..... | 3 |
| XVI. Statement Of Cash Flows for The Year Ended 30 June 2022..... | 4 |
| XVII. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2022. | 5 |
| XVIII. Notes To the Financial Statements..... | 6 |
| XIX. Appendices | 29 |

I. Key Entity Information

Background information

The enactment of Water Act 2002, led to the creation of Water Services Regulatory Board (WASREB), Water Services Board and Water Services Providers to spearhead the water sector reform program. Kirinyaga Water and Sanitation Company is a Water Service Provider Company Limited by guarantee and incorporated under the Companies Act Cap 486 of the laws of Kenya.

KIRIWASCO has been mandated through a Service Provision Agreement (SPA) to carry out water and sewerage services in both urban and rural areas of Kirinyaga County. The Company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water and sewerage services in the target community. KIRIWASCO is jointly owned by the Government of Kenya, County Government of Kirinyaga and the Local Community.

Principal Activities

The principal activity of KIRIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Kirinyaga County and parts of Mbeere.

Main Business Operating Objectives

The Company's main business operating objectives include, but not limited to, the following:

- (a) Increase stake holder's awareness on water sector reforms
- (b) Improve access to sustainable and safe water
- (c) Increase the demand for available safe water
- (d) Increase the access to improved sanitation
- (e) Achieve operational financial sustainability

Vision

To be a reputable water and sanitation service provider.

Mission

To provide sustainable, safe and affordable water and sanitation services to our customers through expertise, technology and innovation.

Strategic Objectives

- 1. Increased water coverage
- 2. Increased sewerage coverage
- 3. Reduced NRW levels
- 4. Grow the company's financial position and commercial position
- 5. Strengthen institutional capacity
- 6. Enhance customer service and stakeholder engagement
- 7. Research and Development

SLOGAN: *Tap it; Get it; its life*

Directors

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

1. Mr. James Kihia-----Chairman-----Appointed on-----23rd March,2018
2. Mr.Jakan Gutu-----Member-----Appointed on-----7th May,2019
3. Mr. Jared Migwi-----Member-----Appointed on-----17th Dec,2018
4. Mr. Robert Githinji Njagi-----Member----Appointed on-----23rd March,2018
5. Mr. Peter Muriithi Gichirah -----Member----Appointed on-----23rd March, 2018
6. Ms. Lilian Wanja Kagama---Member-----Re-appointed on-----5th November 2021
7. Ms. Purity Njeri Githinji-----Member-----Appointed on-----23rd March 2018
8. Mr. Erastus Waihura-----Member-----Appointed on-----5th November 2021

Company Secretary

Gikuhi Kiana & company
P.O Box 10100

NYERI

Registered Office/Headquarters

Kirinyaga Water and Sanitation Company
P O Box 360-10300
Kerugoya. opposite Kerugoya Stadium

Corporate Contacts

Telephone:(254) 0746555368/0715413591
Website: www.kiriwasco.co.ke
Email: info@kiriwasco.co.ke
Bankers (List as appropriate)

Corporate Bankers

Co-operative Bank of Kenya

Kerugoya Branch
P O Box 635-10300
Kerugoya

Equity Bank

Kerugoya Branch
P.O Box 1056-10300
Kerugoya

Sidian Bank

Kerugoya Branch
P.O Box 1041-10300
Kerugoya 1020-10300

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

Post Bank

Kerugoya Branch

P.O Box

Kerugoya

Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P O Box 30084-00100

Nairobi

Principal Legal Advisers

The Attorney General

State Law Office

Harambee Avenue City Square 00200

P.O Box 40112

Nairobi, Kenya





Magua & Mbatha Advocates

P.O Box 2159-10100







Nyeri

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

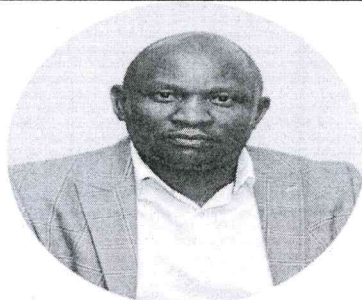



II. The Board of Directors

| | NAMES AND ADDRESS | REPRESENTING INTEREST | REMARKS | Y.O.B | QUALIFICATION & EXPERIENCE | PASSPORT |
|---|----------------------------------|--|--|--------------|--|---|
| 1 | Mr. James Kihia | Business Community- Commercial Consumer | Chairman, Full Board | 1970 | O level, Diploma in Business Administration Experience in business Administration |  |
| 2 | Hon. Dr Jakan Gutu | County Representative | Member | 1956 | Doctorate in Business Administration Many years experience in management. CECM member Ministry of water Kirinyaga County |  |
| 3 | Mr. Jared Migwi | County Representative | Member | 1973 | Bachelor of Commerce Associate Kenya Institute of Bankers Experience in banking and finance; Chief Officer, Ministry of Water |  |
| 4 | Mr. Robert Githinji Njagi | Business Community- Commercial Consumer | Chairman, Finance, HR & Administrati on Committee | 1981 | MBA-Kenyatta University 15 years experience in marketing ,accounting and strategic management |  |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

| NO | NAMES AND ADDRESS | REPRESENTING INTEREST | REMARKS | Y.O.B | QUALIFICATION & EXPERIENCE | PASSPORT |
|-----|------------------------------------|-------------------------|-------------------------------|-------|--|---|
| 5 | Mr. Peter Muriithi Gichirah | Farmer's Organization- | Chairman, Technical Committee | 1978 | Diploma in Business Administration 8 years working experience |  |
| 6 | Mr. Erustus Waihura | Religious Organizations | Member | 1965 | Masters of Education in Educational Administration |  |
| 7 | Ms Lilian Wanja Kagema | Professional bodies | Member | 1968 | MBA (Aviation), Higher Diploma in Electrical Engineering 18 years' experience in engineering |  |
| 8 | Ms. Purity Njeri Githinji | Women's Organization | Chairperson , Audit Committee | 1975 | ECD Certificate Experience in teaching and community development |  |
| 9. | Eng. Ephantus Maina | Managing Director | Managing Director | 1979 | Bachelor of Civil & Water Engineering 14 years working experience in Engineering and water sector |  |
| 10. | Mr. Richard Gikuihi Kiana | ICPSK No.285 | Company Secretary | 1952 | Certified Public Secretary CPS(K) |  |

III. Management Team

| Designation | Name | Y.O.B | Qualifications & Experience | Passport |
|--|--------------------------|-------|--|---|
| Managing Director | Mr. Ephantus Maina | 1979 | Bachelor of Civil & Water Engineering 14 years working experience in Engineering and water sector |  |
| Company Secretary | Mr. Richard Gikuhi Kiana | 1952 | Certified Public Secretary CPS(K) |  |
| Technical Manager | Mr. Paul Ndegwa | 1990 | BSC Water Resource engineering 6 years' experience |  |
| Finance & Resource Mobilization Manager | Mr. George Mureithi | 1987 | Bachelor of Business Management (Finance & Banking), 11 years' experience. ICPAK No. 17805 |  |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

| Designation | Name | Y.O.B | Qualifications & Experience | Passport |
|--|-----------------------------------|--------------|---|---|
| Distribution & Sales Manager | Mr. Anthony Ndung'u Murigi | 1986 | Bachelors of Science (Bio-Systems Engineering) 11 years' experience EBK No. B16119 |  |
| Human Resource & Administration Manager | Ms. Susan Wacuka Ngatia | 1989 | Bachelor of Arts in International Relations, Diploma in Human Resource Management. 9 years' experience |  |
| Internal Auditor | Mr. Joseph Mwangi, CPA-K | 1986 | MBA (Finance), Bachelor of commerce accounting option, CPA (K), CIFA section 5, CISA. 8 years experience |  |
| Ag. Procurement Manager | Ms. Lilian Wanjohi | 1992 | Bachelor of Business Management (Supplies and Procurement management option) |  |

IV. Chairman's Statement

I am gratified to present the financial statement of Kirinyaga Water and Sanitation Company for the year ended 30th June 2022. The statement gives details of the company's performance for the last one year. This forms the basis for evaluating the company's status and determination of the company's direction in the subsequent year. During the year the company developed its Strategic Plan 2021-2026 which will guide the company's development direction for the next five years. The aim is to improve and increase water coverage from 56% to 75% and sewerage coverage from 0% to 11% by the year 2026.

Within the year the company in its quest to improve water and sanitation service delivery was able to achieve the following;

- a) Increased its annual revenue to KShs. 155,980,612 up from KShs. 150,495,127 the previous year.
- b) Increase water coverage by extending Water supply to unserved areas worth KShs.4.2Mn through internally generated funds.
- c) Rehabilitation of Water supply infrastructure to improve efficiency and reduce water wastage at a cost of KShs. 11.7Mn from the internally generated funds.
- d) Procured 25 new motorcycles to improve the mobility of our staff on service delivery to our customers.
- e) Worked with KenHA in relocation and reinstatement of 45km of pipelines from Makutano to Kibirigwi due to dualling of Kenol Sagana Marwa highway.
- f) Secured KShs. 3.2Mn grant from WSTF for construction of improved sanitation facilities for Thiba special school.
- g) Through KShs.26Mn Conditional Liquidity Support grant by WSTF for recovery from Covid-19 pandemic the company was able to extend water services and improved sanitation to cushion Kirinyaga resident from the effect of pandemic.
- h) Worked with TWWDA to fast tracked the Construction of Kerugoya and Kutus Water and sanitation infrastructure projects, with a production capacity of 30,000m³/day for water and 5,000m³/day for sewerage, the projects are expected to be operation by December 2022.

To ensure improved service delivery, the company continue to improve on it corporate governance, management and staff capacity. In addition, the company continues to work and collaborate with National Government, Kirinyaga County Government, development partners and all other stakeholders to ensure realization of company's mandate.

I take this opportunity to thanks all our stakeholders and in particular company's management and staff, customers, Kirinyaga county government for their continued support to the company.

Thank you,

James Kihia

FULL BOARD CHAIRMAN

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

V. Report Of the Managing Director

Introduction

Kirinyaga Water and Sanitation Company Limited (KIRIWASCO) is a water and sanitation services provider established under the company's Act 2015 of the law of Kenya. The company is mandated to supply water and sanitation services with Kirinyaga Central, Kirinyaga West, Mwea West and Mwea East sub counties within Kirinyaga County and Parts of Mbeere South in Embu County.

Performance during the Year

During the year the company was able to grow its revenue from KShs. 150,495,127 previous year to KShs 155,980,612 this year. Additionally, the company registered growth on water connection from 29,784 in the previous year to 31,048 this year. More details of company performance as per table below;

Summary of the company performance

| No. | ITEM | 2020/2021 | 2021/2022 |
|-----|------------------------------------|-------------------------|-------------------------|
| 1. | Revenue (Ksh) | 150,495,127 | 155,980,612 |
| 2. | Billing (Ksh) | 150,874,825 | 160,688,478 |
| 3. | Water production (m ³) | 6,722,945m ³ | 6,341,902m ³ |
| 4. | Non- Revenue Water | 58% | 58% |
| 5. | Number of active connections | 29,784 | 31,048 |
| 6. | Creditors (Ksh) | 96,911,065 | 88,726,401 |
| 7. | Debtors (Ksh) | 142,731,801 | 153,609,231 |

Though the company faced several challenges during the year, such as delay in completion of Kerugoya and Kutus water and sanitation project, drought, high cost of material, high water demand against low water supply among others. Generally, there is good prospect and the company is expected to register more improved performance next year.

Development Projects

Through the company internally generated funds and support from Kirinyaga County Government, Water Sector Trust Funds and Tana Water Works Development Agency. The company had been able to carry out various water development project water within Kirinyaga. These are as per tables below;

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

Recent completed development projects

| No | PROJECT | DESCRIPTION | COST (KSH) | FINANCIER | PROJECT IMPACT |
|----|---|---|------------|---|--|
| 1 | Operation equipment | Procurement of 25nr motorcycles and 1nr 100KVA standby generator | 4.6m | KIRIWASCO | Improve efficiency |
| 2 | Water Supply extension projects Makutano | Water extension project to the following areas; a) Kiandegwa b) Ngang'a bore hole and line c) Ihara gatiku pipeline d) Mibucasa | 30m | KIRIWASCO/ Water Sector Trust Fund (CLSG) | Increase water coverage |
| 3 | Water supply infrastructure rehabilitation | Rehabilitation of the following infrastructure; a) Wanguru T/works b) Sagana scheme office c) Sagana T/works d) water networks and tanks | 40m | KIRIWASCO | Increase system efficient |
| 4 | Construction of Thiba Primary School Sanitation project | Construction of 18 doors toilet blocks for Thiba special school. | 3.2m | WSTF | Improved Sanitation in low income areas |
| 3 | Reinstatement of Water supply infrastructure affected by road works | Reinstatement of water supply lines; a) Makutano sagana Kibirigwi line – KeNHA. b) Kagio rwangondu line– KeRRA c) Ngurubani primary school line-KURA | 150m | KeNHA/ KURA/KeRRA/ KIRIWASCO | To restore water supply to affected areas. |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

Ongoing development projects

| NO | PROJECT | DESCRIPTION | COST (KSH) | FINANCIER | PROJECT IMPACT |
|----|--|--|------------|--------------------------------|---|
| 1 | Keruguya and Kutus Water infrastructure projects | Construction of 30,000m ³ /day water supply system for Kerugoya, Kutus, Kagio and Sagana towns. The project is at 60% complete. | 1.17b | A.D.B thru. TWWDA | To improve water quantity and quality |
| 3 | Construction of Kerugoya/Kutus sewerage infrastructure project | Construction of 5,000m ³ /day sewerage system for Kerugoya and Kutus town. The project is at 85% complete. | 500m | A.D.B thru. TWWDA | To improve sanitation level for Kerugoya and Kutus towns. |
| 4 | Smart metering project | Change from manual consumer meters to smart meters/ pre-paid-pilot project | 4m | KIRIWASCO | Increase efficiency |
| 5 | Rehabilitation of infrastructure | Rehabilitation of; pipeline network, intakes, t/works, offices and equipment | 56m | KIRIWASCO | Improve operation efficiency |
| 6 | Water bottling plant | Construction and equipping of KIRIWASCO water bottling plant at Sagana | 4.5m | KIRIWASCO / CG | Diversify of revenue generation |
| 7 | Water system reinstatement works | Reinstatement of water systems affected by the current road work improvement projects. This includes: Makutano Sagana Kibirigwi – KeNHA, Sagana Kagio Kutus KeNHA, Kutus Kiarie road KURA. | 100m | KeNHA, KURA, KeRRA & Kiriwasco | To restore water supply to affected areas |

The company as guided by its Strategic Plan 2021-2026 will continue working toward improving and increasing coverage for both water and sanitation services. In addition, the management will ensure

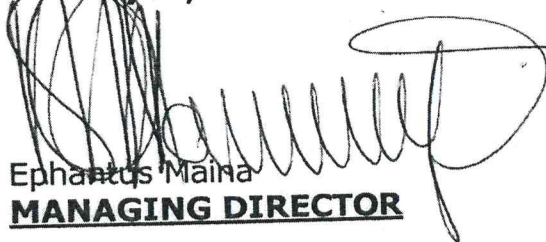
sound company management to ensure company's resources are utilised prudently to improve its services.

License and Tariff

The company applied for renewal of its license on 17th December 2020. WASREB conducted public participation on license renewal on 17th March 2022. By the end of this year, the company had not received an operation license from WASREB. In addition, during the year the company continued to use the old tariff awaiting WASREB to Gazette the new tariff.

I wish to appreciate, the Board of Directors for proper guidance, management, and staff for their dedication to service delivery, the County Government of Kirinyaga for enabling a good operating environment, customers for trusting in us, and all other stakeholders for their continued support to the company.

Thank you,



Ephraim Maina
MANAGING DIRECTOR

VI. Statement Of Performance Against Predetermined Objectives for FY 2021/2022

(Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

Kirinyaga Water and Sanitation Company has seven strategic pillars and objectives within the current Strategic Plan for FY 2021/2022 - FY 2025/2026. These strategic pillars/ themes/ issues are as follows:

1. Increased water coverage
2. Increased sewerage coverage
3. Reduced NRW levels
4. Grow the company's financial position and commercial position
5. Strengthen institutional capacity
6. Enhance customer service and stakeholder engagement
7. Research and Development

Kirinyaga Water and Sanitation Company develops its annual work plans based on the above seven pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2021/2022 period for its seven strategic pillars, as indicated in the diagram below:

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Achievements |
|-----------------------------|--|--|---|---|
| 1. Increased Water Coverage | To increase the population accessing clean and safe drinking water supply through an increase in water coverage from 56% to 75.4% to serve 52,696 people by 2026 | Increase the number of customer connections. | <p>Construction of Kerugoya - Kutus water supply last mile connectivity</p> <p>Activate 9,553 dormant connections translating to a population of 38,212</p> <p>450 households to be connected along Kianjege Kiaga pipeline (8.5km of Kianjege Kiaga pipeline to be extended).</p> <p>311 households to be connected along Ngaru Gatuto pipeline (9.32km of Ngaru Gatuto pipeline to be extended).</p> <p>200 households to be connected along Kandongu-Mutithi pipeline (8.6km of Kandongu Mutithi pipeline to be extended).</p> <p>810 households to be connected along Kimicha-Kangai pipeline (13.6km of Kimicha Kangai pipeline to be extended).</p> | <p>-Construction of Ngaru Gatuto pipeline is at 85% to completion.</p> <p>- Construction of kerugoya kutus water supply project is at 60% to completion.</p> <p>- Design works for extension of Kianjege Kiaga pipeline is in progress.</p> |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Achievements |
|--------------------------------|---|--|--|---|
| 1. Increased sewerage coverage | Increase sewerage coverage from 0.09% to 11% to serve a population of 38,020 people | Increase the number of sewer connections and extension of sewerage and sanitation infrastructure with the involvement and support of our infrastructure development partners | <p>i. Develop proposals for project funding to partner development institutions- The County Government Water Sector Trust Fund and other agencies.</p> <p>ii. Tana Water Works Development Agency has developed a proposal for Wang'uru Town Sewerage Project,</p> <p>iii. Construction of Kerugoya Kutus sewerage project last mile connectivity. (The designed households to be connected to sewer by year 2040 is 4,040 households) 89 institutional connections to be connected to sewer system. 1,189 individual connections to be connected to sewer pipeline.</p> <p>iv. Construction of Kagio-Sagana sewerage project. Detailed design and proposal to be developed for sourcing of funds.</p> <p>iv. Develop proposal for construction of 300No. toilets for Sagana households</p> | The company has developed proposals to TTWDA for last mile connectivity for kerugoya kutus sewerage project |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Achievements |
|-----------------------|--|--|---|--|
| 1. Reduced NRW levels | Enhance efficiency and effectiveness in operations | Procure leak detection equipment and install master meter, rehabilitate and replace old water supplies | i. Develop and implement an NRW Management Policy ii. Develop funding proposals for NRW management iii. Procure one of leak detection equipment iv. Launch an RRI wave – 100 days to earth illegal connections and legalise the same v. Installation of 11 electromagnetic master meters and 23 zonal meters vi. Installation one-meter testing bench vii. Replacement of 7,500 faulty consumer viii. Rehabilitation of old water supply system. They include: 3km asbestos Githioro - Kerugoya pipeline 1.5km asbestos Ndiriti-Mukangu pipeline 9km Kerugoya town distribution network 7km Kagio town distribution network 4km of Wang'uru town distribution network ix. Procurement of one clamp on ultrasonic flow meter x. Procurement of one pipe locator. | - The company, through TWWDA has acquired 2nr. Ultrasonic flow meters. This will assist in carrying out bulk meter calibrations - the company has further acquired and installed 11nr master meters for all of company' production units. - the company has continuously replaced the faulty meters, with a total of 1534 meters having been replaced in FY 2021/2022. |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Achievements |
|---|---|--|---|--|
| 1. Grow the company's financial and commercial position | Enhance efficiency and innovativeness in revenue generation and collection and ensure prudent management of funds | <p>Obtain License from regulator</p> <p>Upgrading of billing system</p> <p>Increase number of connections hence increase in revenue</p> <p>Increase collection efficiency</p> <p>Reduction of cost of production</p> | <p>I. Review water tariffs after every three years</p> <p>II. Implement our business continuity plan</p> <p>III. Upgrade the current billing system</p> <p>IV. Develop and implement cost reduction measures in all functional areas</p> <p>V. Capacity build our ICT staff in the integration of the current software with compatible systems in the company</p> <p>VI. Undertake timely billing and Improve revenue collection efficiency from 93% to 100%</p> <p>VII. Improve metering ratio from 99% to 100%</p> <p>VIII. Increase the water connections to match projected demand every year</p> <p>IX. Engage in new product development that can generate revenues</p> <p>X. Seek the support of development partners through actively writing proposals for project development</p> <p>XI. Ensuring the company complies with good accounting practices</p> <p>XII. Expand the company's revenue base through networks and other services</p> <p>XIII. Implement debt management policy</p> | <p>-The company applied for license and issued with a 2yrs interim license for up to May 2024.</p> <p>-the company has intergrated between billing system and meter reading application</p> <p>- the company has reduced the cost of production since billing anomalies are not printed.</p> |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Achievements |
|--------------------------------------|---|--|--|---|
| 1. Strengthen institutional capacity | Improve the organisational structures, processes and capacity building to enhance operational efficiency, and organizational sustainability | <p>Review of organisation structure</p> <p>Increase in number of trainings and capacity building</p> <p>Integration of the systems</p> <p>Obtain asset ownership documents</p> | <p>i. Develop and review 15No. Policies to suit the strategic intent of better communication, resource mobilization, ICT, pro-poor, metering, NRW, procurement, CSR, water safety, stakeholder engagement and finance;</p> <p>ii. Review the organisational structure to ensure that it fits the strategic intent;</p> <p>iii. Develop and implement career guidelines,</p> <p>iv. Undertake Job evaluation and analysis</p> <p>v. Initiate the process of certification towards ISO 9001-2015 QMS in order to streamline procedures so as to allow efficiency.</p> <p>vi. Development a performance management system to ensure activity implementation and monitoring</p> <p>vii. Implement annual staff training plans</p> <p>viii. Train the Board of Directors on corporate governance annually</p> <p>ix. Conduct training on change management to staffs annually</p> <p>x. Retain and source for talented Human Resource</p> | <p>-The company has reviewed the organizational structure.</p> <p>-The company, through TWWDA has initiated the process of asset ownership documents.</p> |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)

Annual Report and Financial Statements for the year ended June 30, 2022

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Achievements |
|--|--|---|---|--|
| 1. Enhance customer service and stakeholder engagement | Offer timely, quality and reliable services and engage stakeholders where legally required and in instances where their participation is necessary | <p>Develop stakeholder engagement framework</p> <p>Undertake satisfaction survey</p> <p>Undertake CSR activities</p> <p>Development of communication strategy</p> | <p>i. Develop and implement a communication strategy</p> <p>ii. Develop stakeholder engagement framework</p> <p>iii. Develop innovative ways of enhancing service delivery and engaging customers</p> <p>iv. Undertake CSR activities annually</p> <p>v. Mapping of our stakeholders</p> <p>vi. Undertake a customer satisfaction survey every two years</p> <p>vii. Develop and implement a customer recognition program</p> | -The company has collaborated with stakeholders in CSR activities in children homes and tree planting. |

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Achievements |
|-----------------------------|--|---|--|--|
| 1. Research and development | Gather, store and analyse adequate data and information for planning for growth. | Development of information data base Increase number of benchmarking activities in water sector activities with other WSPs | i. Undertake a water situation analysis ii. Gather, store and use reliable data and information for planning for growth iii. Establish a knowledge management system iv. Proactively participate in water sector activities to benchmark and compete with other water service providers. v. Develop a monitoring and evaluation tool for results vi. Improve on regulatory compliance | The company has carried out benchmarking activities in Naivasha, Embu, Thika and Nyeri water companies to learn on operations. |

VII. Corporate Governance Statement

KIRIWASCO is committed to operate under a clear governance framework and strongly adheres to sound management and control practices.

KIRIWASCO is committed in ensuring compliance with the provisions of Water Act 2016 among other regulatory and supervisory corporate governance requirements. Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision making process, assessment and improvement of conformances.

The structure of the Board is as per the corporate governance guidelines issued by the Water Services Regulatory Board (WASREB)

The Board of Directors comprises of 9 members nominated by respective stakeholder institutions where 2 are from the county government executive.

The directors are appointed for terms of up to three years and are eligible for re-appointment.

Composition of Board of Directors

The structure of KIRIWASCO starts with the Board members representing various stakeholders' interests. The Board members exercise leadership, enterprise, integrity and judgment in directing KIRIWASCO. The Board of Directors are expected to determine the purpose and values of KIRIWASCO, determine the strategy to achieve that purpose and implement its values in order to ensure the Company survives and thrives.

The Board members are expected to enhance the corporate governance practices in running of KIRIWASCO to bring the level of governance in the Company in line with international standards. The essence of corporate governance is to protect stakeholder's interest including the government, consumers and the community.

In ensuring that corporate governance is enhanced and that the power of KIRIWASCO is exercised in the stewardship of the Company's total portfolio of assets and resources with the objective of maintaining stakeholder's values, the board of directors had constituted the following committees:

1) Human Resources & Administration, Finance and Procurement

The committee comprises of 3 board members whose duty is to ensure that KIRIWASCO has the right staff at the right place and doing the right thing. More so, the committee ensures that the staff welfare is guaranteed.

The Committee oversees the financial reporting process, Company's internal controls and efficient allocation and utilization of resources.

1) Technical Committee

The Technical committee comprises of 3 board members who ensure that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water and sewer infrastructure. The committee also proposes investment and funding programs for the organization.

2) Audit Committee

It's the duty of this committee to ensure that the internal audit department performs its function of an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

VIII. Management Discussion and Analysis

Introduction

Kirinyaga Water and Sanitation Company Limited (KIRIWASCO) is a water and sanitation services provider registered under the company's Act 2015 of the law of Kenya. The company is an agent of the County Government of Kirinyaga (CGK) as per the amended (2019) Memorandum and Articles of Association. This is in line with the requirement by the Constitution of Kenya (GoK) 2010 and the Water Act 2016. The company is regulated by Water Services Regulatory Board (WASREB) and operates under Interim License WASREB/LE/LIC/02 for provision of water and sanitation services. The company is mandated to supply water with Kirinyaga Central, Kirinyaga West, Mwea West and Mwea East sub counties within Kirinyaga County and Parts of Mbeere South in Embu County

Financial Performance

During the Financial year 2021/2022, the Company performed fairly well despite the effects of inflation and just concluded general elections

A comparative analysis of the Company performance for the last 6 years is tabulated below;

| Financial Year | Revenue |
|-----------------------|----------------|
| 2016/2017 | 137,082,560.00 |
| 2017/2018 | 152,894,275.00 |
| 2018/2019 | 169,850,748.00 |
| 2019/2020 | 159,433,044.00 |
| 2020/2021 | 177,343,545.00 |
| 2021/2022 | 214,050,273.00 |

IX. Environmental And Sustainability Reporting

Kirinyaga Water and Sanitation Company exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

The top management especially the accounting officer should make reference 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

KIRIWASCO operates under a Human Resource and Procedures manual that is guided by WASREB on key areas. This guides in the hiring process of employees taking into account the 1/3 ratio on gender. Positions that fall vacant in the company are officially advertised through the newspaper.

KIRIWASCO undertakes Training Needs Assessment to determine staffs that require more skills as well as allowing staffs in improving their career skills by allowing them to get back to school. Appraisals are carried out on quarterly basis and best performing units are awarded tokens at the end of the year.

Kiriwasco has a Workplace Environmental Policy and continues to implement environmental awareness programmes among staff and stakeholders, customers, employees, the community.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

KIRIWASCO operates in a way that safeguards it against unfair business practices. We believe that a responsible approach in developing relationships between company and the communities we serve is a vital part of delivering business success. When carrying out our business, in consultation with our customers, we determine the environmental, social and economic issues and continually review our policies and business practices to encourage engagement with customers and key stakeholders.

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

b) Responsible Supply chain and supplier relations

The company follows all the rightful procedures in procurement of Goods, Works and Services as per the Public Procurement and Asset Disposal Act 2015 (PPDA) and Public Procurement and Asset disposal regulations 2020 (PPAD).

The Accounting officer ensures that the company complies with the Act in the performance and responsibility under sub section 1 of the Asset and disposal Act. The accounting officer also has established systems and procedures to facilitate decision making for procurement and asset disposal.

This is by ensuring that the tendering process is done in accordance with the Asset and disposal Act. The Company reserves a prescribed percentage of its procurement budget which is not less than 30% to the disadvantaged groups.

The company treats its own suppliers responsibly by honoring contracts and maintains clear and consistent communication with the suppliers to build a stronger supplier relationship. The suppliers are given orders in good and appropriate time frame to deliver goods, works and services in the company. The company ensures that all the suppliers are paid in good time as per the credit period indicated in their tender documents.

c) Responsible marketing and advertisement

KIRIWASCO has continued to make efforts on attracting consumers who want to make a positive difference by having safe and clean water. This has been done through holding customer care Barazas and also using social media and web site platform to promote and sensitize customers on company procedures and benefits of using safe and clean water

d) Product stewardship

KIRIWASCO through partnership with the environmental organisations has continued to promote and safeguard water catchment areas and also promote good environmental practices on waste disposal among employees, stakeholders and customers. This is through planting trees and also by ensuring that available water is properly utilized. Kiriwasco ensures that it complies with the given regulations on waste disposal management to safeguard the environment.

The company also ensures that customer rights are not infringed by having an affordable water tariff for the product.

v) Corporate Social Responsibility / Community Engagements

KIRIWASCO has a CRS policy whose purpose is to make clear to all stakeholders what we mean by CSR and how we propose to work towards achieving it. The CSR policy applies throughout all our policies and processes and governs our approach to all our activities. In implementing this policy, we aim to be responsible; and be an exemplar of good practice.

KIRIWASCO participates in various activities such as tree planting to increase forest cover in efforts to conserve water and Participating in National events such as the World Water Day. We recognize that good CSR embraces all aspects of sustainable development and the way we affect people through our business operations.

During the World Water day celebrations of 2022, the company participated in a tree planting exercise in Mwea and also through partnership with the environmental organisation has planted trees in Mount Kenya forest to increase forest coverage.

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

X. Report Of the Directors

The Board members present their report and audited accounts for the year ended 30 June 2022 which shows the state of the entity's affairs.

i) Principal activities

The principal activity of KIRIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Kirinyaga District and parts of Mbeere District.

The Company's main business operating objectives include, but not limited to, the following:

- a) Increased water coverage
- b) Increased sewerage coverage
- c) Reduced NRW levels
- d) Grow the company's financial position and commercial position
- e) Strengthen institutional capacity
- f) Enhance customer service and stakeholder engagement
- (a) Research and Development

ii) Results

The entity's results for the year ended 30th June 2022 are set out on page 1. Below is a summary of the profit or loss made during the year.

iii) Directors

The members of the Board of Directors who served during the year are shown on page vii - viii in accordance with Regulations of the company's Articles of Association.

iv) Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the constitution of Kenya and the public Audit Act 2015.

By Order of the Board

Name: Gikuhi Kiana
Corporate Secretary
Nyeri

Signature  Date30th Sep 2022.....

XI.Statement Of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015- (*entities should quote the applicable legislation under which they are regulated*)) require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2022. 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 Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company 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, water act 2016 and companies Act 2015) – Company *should quote applicable legislation as indicated under which they are regulated*).

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022,

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

Statement Of Directors' Responsibilities (Continued)

and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company 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 Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Company financial statements were approved by the Board on 30th September 2022 and signed on its behalf by:

Signature: 

Name: James Kihia

Chairperson of the Board

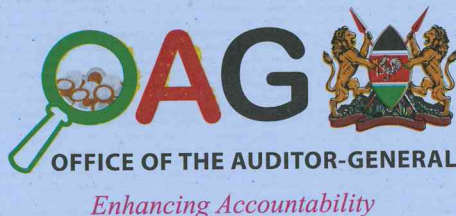
Signature: 

Name: Ephraim Maina

Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KIRINYAGA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

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 the 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 Kirinyaga Water and Sanitation Company Limited set out on pages 1 to 31, which comprise the statement of financial position as at 30 June, 2022, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended,

and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kirinyaga Water and Sanitation Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Long Outstanding Receivables

As reported in the previous year, the statement of financial position and as disclosed in Note 8 to the financial statements reflects Kshs.146,013,737 in respect of trade receivables which includes Kshs.1,127,805 in respect of salary advances and Kshs.170,114 for staff loans to four (4) former officers to purchase laptops. However, supporting documentation including approvals and evidence that the Management has initiated recovery of the salary advances and staff loans were not provided.

In the circumstances, the accuracy and completeness of salary advances and staff loans totalling to Kshs.1,297,919 could not be confirmed.

2.0 Unsupported Property, Plant and Equipment

The statement of financial position reflects Kshs.105,822,107 in respect of property, plant, and equipment. However, the Company Management had not acquired title deed or ownership documents for parcels of land both at the Company's headquarters offices in Kerugoya and the regional office in Baricho Sub-location of Ndia Location. Further, the Company had in possession several parcels of land, buildings, various water installations, machines, water treatment plant, water tanks, equipment and motorcycles and other assets spread across Kirinyaga County whose details and documentation in regard to ownership status were not provided.

In the circumstances, the accuracy, completeness and ownership status of the property, plant, and equipment balance of Kshs.105,822,107 could not be confirmed.

3.0 Unsupported Short-Term Loan

As reported in the previous year, the statement of financial position and as disclosed in Note 13(c) to the financial statements reflects Kshs.147,518 in respect of short-term loan. However, details on the lending institution, interest charged, period of repayment, principal payments, Board approval and other terms and conditions for the loan were not provided.

In the circumstances, the validity, accuracy and completeness of the short-term loan balance of Kshs.147,518 could not be confirmed.

4.0 Long Outstanding Trade Creditors

The statement of financial position and as disclosed in Note 13(a) to the financial statements reflects Kshs. 88,726,401 in respect of creditors and accruals as at 30 June, 2022, which includes trade creditors balance of Kshs.63,965,605 out of which, Kshs.16,743,785, Kshs.12,194,690 and Kshs.8,251,860 are for Tana Water Works Development Agency levies, WASREB levies and WARMA levies respectively, that have been outstanding since 2017. No plausible reason was provided for non-settlement.

In the circumstances, the Company risks incurring additional costs in terms of litigations, interest and penalties due to failure to settle outstanding obligations.

5.0 Unsupported Expenditure

The statement of profit or loss and other comprehensive income and as disclosed in Note 18 (b) to the financial statements reflects total administration and staff training expenses of Kshs.40,947,120. Included in this amount is Kshs.5,489,764 in respect of strategic and business plan expenses and Kshs.3,763,424 for travelling and accommodation all totalling to Kshs.9,253,188. However, review of payment vouchers revealed that payments amounting to Kshs.3,357,907 were not supported by relevant documents such as motor vehicles work tickets, meeting minutes, workshop reports, attendance registers and signed payment schedules.

In the circumstances, the validity, accuracy, and completeness of payments totalling to Kshs.3,357,907 in respect to strategic and business plan, and travelling and accommodation could not be confirmed.

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

Key Audit Matters

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

Other Matter

Progress on Follow-up of Prior Year Audit Matters

The progress on follow up on auditors' recommendations section of the financial statements does not list all the prior year audit issues. It also excludes key columns for identifying focal point person to resolve the issue, status on whether the issue is resolved or not and the time frame within which the issue(s) will be addressed as required by The National Treasury circular referenced AG.4/16/2 Vol.3 (72) dated 7 July, 2022.

In the circumstances, Management did not comply with the guidelines issued by the Public Sector Accounting Standards Board for the preparation of annual financial statements.

Other Information

The Directors are responsible for the other information, which comprises Chairman's Statement, Report of the Managing Director, Corporate Governance Statement, Management Discussions and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Excessive Non-Revenue Water

During the year under review, the Company produced 6,341,902 cubic meters (m³) of water and out of this volume only 2,614,686 m³ was billed to customers. The balance of 3,727,216 m³ or approximately 59% of the total volume of water produced represents Non-Revenue Water (NRW) which is 34% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines.

In the circumstances, the significant level of Non-Revenue Water is an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

2.0 Non-Approved Water Tariffs

The Company has been operating without an approved water tariff structure from the Water Services Regulatory Board (WASREB) with effect from 2019/2020 financial year upon expiry of the previous tariff structure and which had not been renewed as at 30 June, 2022.

In the circumstances, failure to update the water tariffs results to low revenue which may not be adequate to cover operational costs.

3.0 Flat Rate Billing

The statement of profit or loss and other comprehensive income and as disclosed in Note 14 (a) to the financial statements reflects an amount of Kshs.160,688,478 in respect of water sales. However, analysis of the customers records indicates that the

Company had a total of 31,048 active connections as at 30 June, 2022, out of which 30,892 metered customers were each charged a flat rate of Kshs.500 per month irrespective of actual consumption and 156 active connections were not metered. The basis of the flat rate charge was not provided.

In the circumstances, the basis of the Company's customers billings during the year under review could not be confirmed.

4.0 High Wage Bill Above Allowed Threshold

The statement of profit or loss and other comprehensive income and as disclosed in Note 16 to the financial statements reflects an amount of Kshs.97,978,679 in respect of personnel expenses out of the total expenditure of Kshs.215,330,296 which translate to approximately 46% of total expenditure. However, this is higher than the recommended ratio of 35% prescribed by the Water Services Regulatory Board (WASREB) Corporate Governance Guidelines for the Water Services Sector, 2018 Part 3.9(10) which states that, when fixing remuneration of the staff the total expenditure for each financial year must not exceed the benchmarks set for the services sector nationally, so that personnel cost as share of operations and maintenance cost shall be contained within the 35% ratio.

In the circumstances, the excess personnel costs may negatively impact on the Company's profitability, effectiveness and sustainability of services if measures are not put in place to contain the cost within the acceptable level. Additionally, Management was in breach of the law.

5.0 Staff Ethnic Diversity

The Company had 153 employees as at 30 June, 2022. However, 146 members of staff or 95% were from the dominant ethnic Community. This is contrary to Section 7 (1) & (2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law.

6.0 Non-Payment of Corporation Tax

As reported in the previous year, the statement of financial position and as disclosed in Note 13(d) reflects Kshs.186,386 in respect of taxation relating to tax payable for the 2018/2019 financial year which has not been remitted to the Kenya Revenue Authority. Further, the Company had not filed tax returns since incorporation in 2006. This is contrary to Section 92(A) of the Income Tax Act, 2012 which states that where any person is required to furnish a return under Section 52B, the tax chargeable thereunder shall be due and payable on the last day of the fourth month following the end of the year of income or accounting period.

In the circumstances, the Company was in breach of the law and is exposed to fines and penalties.

7.0 Non-Remittance of Statutory Deductions

The statement of financial position and as disclosed in Note 13(a) to the financial statements reflects Kshs.88,726,401 in respect of creditors and accruals as at

30 June, 2022, which includes Kshs.23,421,510, out of which Kshs.14,625,219 is in respect of unremitted Lap Trust pension deductions for deductions from employees' salaries for the financial years 2017/2018, 2018/2019, 2019/2020 and 2021/2022. No plausible explanation was provided for failure to remit the statutory deductions.

In the circumstances, the Company is exposed to nugatory costs in terms of litigations, interest and penalties. In addition, Management was in breach of the law.

8.0 Excessive Directors Costs

The statement of profit or loss and other comprehensive income and as disclosed in Note 17 to the financial statements reflects Directors costs of Kshs.11,751,989 for the year ended 30 June, 2022. However, the expenditure is higher than the recommended annual limit of Kshs.7,000,000 by Kshs.4,751,989 or 68% contrary to Paragraph 3.4.6 of the WASREB's Corporate Governance Guidelines for the Water Services Sector, 2018 on board remuneration which provides that "to provide efficiency and act as an incentive to improve performance at oversight level, the limits for sitting allowances and other expenditures of the board and its committees for companies with annual turnover of up to Kshs.500,000,000 is capped at the higher of 2% of the turnover and Kshs.7 million per annum".

In the circumstances, the excessive directors' costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable level. Further, Management was in breach of the guidelines.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and Board of Directors

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 control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are

inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 March, 2023

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)

Annual Report and Financial Statements for the year ended June 30, 2022

XIII.Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022.

| REVENUES | NOTES | | 2021/2022 | 2020/2021 |
|---|--------------|--|--------------------|--------------------|
| Water sales | 14 a | | 160,688,478 | 150,874,825 |
| Reconnection fee | 14 b | | 2,305,400 | 728,600 |
| | | | | 1,213,593 |
| GOK Grants | 14 c | | 758,775 | |
| Other Incomes | 14 d | | 47,120,120 | 20,412,927 |
| Tender fees, sale of jericans, firewood and capital works | 15 | | 3,177,500 | 4,113,600 |
| | | | 214,050,273 | 177,343,545 |
| | | | | |
| EXPENDITURE | | | | |
| Personnel Costs | 16 | | 97,978,679 | 92,664,607 |
| | | | | |
| Directors Costs | 17 | | 11,751,989 | 6,949,856 |
| | | | | |
| Administration Costs | 18 | | 40,947,120 | 23,145,056 |
| | | | | |
| Operation & Maintenance Costs | 19 | | 55,878,425 | 41,907,027 |
| Provision for depreciation | 20 | | 5,706,266 | 4,225,271 |
| | | | | |
| Amortization of intangible assets | 21 | | 1,127,220 | 142,232 |
| | | | | |
| Water Regulatory Board Levies | 22 | | 1,606,947 | 6,944,606 |
| | | | | |
| Finance Costs | 23 | | 333,650 | 235,941 |
| | | | | |
| TOTAL | | | 215,330,296 | 176,214,596 |
| | | | | |
| (DEFICIT)/SURPLUS BEFORE TAX | | | -1,280,024 | 1,128,948 |
| | | | | |
| Tax | 24 | | | |
| | | | | |
| (DEFICIT)/SURPLUS AFTER TAX | | | -1,280,024 | 1,128,948 |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

XIV. Statement Of Financial Position As at 30 June 2022

| | Notes | 2021/2022 | 2020/2021 |
|---------------------------------|--------|--------------------|--------------------|
| | | Kshs | Kshs |
| ASSETS | | | |
| Non Current Assets | | | |
| Properties, Plant and Equipment | 5 | 105,822,107 | 98,644,815 |
| Intangible Asset | 6 | 2,257,825 | 2,619,840 |
| | | 108,079,932 | 101,264,655 |
| Current Assets | | | |
| Cash & Cash Equivalents | 10 | 19,096,010 | 31,564,770 |
| Inventories | 9 | 11,013,934 | 11,659,661 |
| Receivables | 8 | 146,013,737 | 136,965,069 |
| | | 176,123,681 | 180,189,500 |
| Total Assets | | 284,203,613 | 281,454,155 |
| LIABILITIES AND EQUITY | | | |
| Non Current Liabilities | | | |
| Current Liabilities | | | |
| Short term Loan | 13 (c) | 147,518 | 147,518 |
| Customer Deposits | 11 | 39,726,970 | 37,012,470 |
| Prepayments | 12 | 4,238,582 | 3,112,562 |
| Creditors & Accruals | 13 (a) | 88,726,401 | 96,911,065 |
| Deferred income | 13 (b) | 7,263,595 | 17,331,317 |
| Taxation | 13 (d) | 186,386 | 186,386 |
| Post Bank | 13 (e) | 291,623 | |
| TOTAL LIABILITIES | | 140,581,076 | 154,701,318 |
| EQUITY | | | |
| Capital Reserves | 25 | 43,587,914 | 43,587,914 |
| Capital Grants | 26 | 77,431,596 | 78,878,407 |
| Revenue Reserves | 27 | 22,603,029 | 4,286,515 |
| Total Equity | | 143,622,539 | 126,752,836 |
| TOTAL | | 284,203,614 | 281,454,154 |

The financial statements were approved by the Board on 20th September 2022 and signed on its behalf by:

Managing Director

Head of Finance

Chairman of the Board

Name: Ephantus Maina

Name: George Mureithi
ICPAK M.No. 17805

Name: James Kihia

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

XV. Statement Of Changes In Equity For The Year Ended 30 June 2022

| | Capital reserves | Revenue reserves | Capital Grants | Total |
|-----------------------------------|-----------------------------|-----------------------------|---------------------------|--------------|
| | KShs | KShs | KShs | KShs |
| Balance as at 1 July 2020 | 43,587,914 | 3,028,567 | 62,559,688 | 109,176,169 |
| | | | | - |
| Profit / (Loss) for the year | | 1,128,948 | | 1,128,948 |
| | | | | |
| Capital Grants | | | 16,627,294 | 16,627,294 |
| | | | | |
| Amortization of capital grant | | | -308,575 | -308,575 |
| | | | | |
| Prior year adjustments | | 129,000 | | 129,000 |
| | | | | |
| Balance as at 30 June 2021 | 43,587,914 | 4,286,515 | 78,878,407 | 126,752,836 |
| | | | | |
| Balance as at 1 July 2021 | 43,587,914 | 4,286,515 | 78,878,407 | 126,752,836 |
| | | | | - |
| Profit / (Loss) for the year | | -1,280,024 | | -1,280,024 |
| | | | | |
| Capital Grants | | | | 0 |
| | | | | |
| Amortization of capital grant | | | -1,446,811 | -1,446,811 |
| | | | | |
| Prior year adjustments | | 19,596,537 | | 19,596,537 |
| | | | | |
| Balance as at 30 June 2022 | 43,587,914 | 22,603,029 | 77,431,596 | 143,622,539 |

XVI. Statement Of Cash Flows for The Year Ended 30 June 2022

| | | 2021/2022 | 2020/2021 |
|---|--------|--------------------|--------------------|
| | Notes | Kshs | Kshs |
| Cashflow from Operating Activities | | | |
| Net (Deficit) / surplus before tax | | -1,280,024 | 1,128,948 |
| Adjustments for: | | | |
| Provision for Depreciation | 5 | 5,706,266 | 4,225,271 |
| Amortization of intangible Assets | 6 | 1,127,220 | 142,232 |
| Provisions for Bad Debts | 8 | 1,087,742 | 770,621 |
| Amortization of capital Grants | 26 | -1,446,811 | -308,575 |
| Prior year adjustment | 28 | 19,596,537 | 129,000 |
| | | 24,790,930 | 6,087,498 |
| Adjustments for working capital changes: | | | |
| (Increase)/Decrease in Receivables | 8 | -10,136,410 | -4,443,133 |
| (Increase)/Decrease in WIP | 5 | -2,050,797 | -12,528,518 |
| (Increase)/Decrease in Inventories | 9 | 645,727 | -1,758,020 |
| Increase/(Decrease) in Customers Deposits | 11 | 2,714,500 | 3,686,850 |
| Increase/(Decrease) in Prepayments(i.e prepaid debtors) | 12 | 1,126,020 | 989,351 |
| Increase/(Decrease) in Creditors & Accruals | 13 (a) | -8,184,664 | -7,980,694 |
| Increase/(Decrease) in deferred income | 13 (b) | -10,067,722 | 10,067,722 |
| Increase/(Decrease) in Current acct. Co-op Bank/Taxation | | - | - |
| Increase/(Decrease) in Taxation | | - | - |
| Increase/(Decrease) in Short term Loan | | - | - |
| Increase/(Decrease) in Post bank | | 291,623 | |
| Changes in working capital | | -25,661,722 | -11,966,442 |
| | | | |
| Cash generated from operations | | -870,792 | -5,878,944 |
| Cashflow from Investing Activities | | | |
| Purchase of property, plant & equipment | 5 | -10,832,762 | -2,713,198 |
| Purchase of intangible asset | | -765,205 | - |
| Interest Income(Net) | | - | - |
| Net Cash generated from/(used in) investing Activities | | -11,597,967 | -2,713,198 |
| Cashflow from Financing Activities | | | |
| Grants | 26 | 0 | 16,627,294 |
| Net Increase/(decrease) in Cash and Cash Equivalents | | -12,468,759 | 8,035,152 |
| Cash and Cash Equivalents at Year End | | | |
| Balance at the start of the year | | 31,564,770 | 23,529,618 |
| Balance at the end of the year | | | |
| | | | |
| Balance as at 30 June 2022 | 10 | 19,096,011 | 31,564,770 |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

XVII. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2022

| | | Original Budget | Actual on comparable basis | Performance Difference | Percentage Difference |
|--|-----|------------------------|-----------------------------------|-------------------------------|------------------------------|
| | | 2021-2022 | 2021-2022 | 2021-2022 | 2021-2022 |
| Revenue | | | | | |
| Water Charges | 14a | 178,000,000 | 160,688,478 | -17,311,522 | -10% |
| Reconnection fees | 14b | 2,000,000 | 2,305,400 | 305,400 | 15% |
| Surcharges/ Illegal connections | 14c | 1,000,000 | 758,775 | -241,225 | -24% |
| Other income | 14d | 45,192,455 | 50,297,620 | 5,105,165 | 11% |
| Total Income | | 226,192,455 | 214,050,273 | -12,142,182 | |
| Expenses | | | | | |
| Personnel expenditure | 16 | 102,392,800 | 97,978,679 | 4,414,121 | 4% |
| Directors Cost | 17 | 6,992,108 | 11,751,989 | -4,759,881 | -68% |
| Administration Expenditure | 18 | 42,097,694 | 40,947,120 | 1,150,574 | 3% |
| Operations & Maintenance | 19 | 51,100,347 | 55,878,425 | -4,778,078 | -9% |
| Provision for depreciation | 20 | 4,500,000 | 5,706,266 | -1,206,266 | -27% |
| Amortization of intangible assets | 21 | 300,000 | 1,127,220 | -827,220 | -276% |
| Water Regulatory Board Levies | 22 | 5,949,248 | 1,606,947 | 4,342,301 | 73% |
| Finance Costs | 23 | 200,000 | 333,650 | -133,650 | -67% |
| Total expenditure | | 213,532,197 | 215,330,296 | -1,798,099 | |
| Surplus(Deficit) for the period | | | -1,280,024 | | |
| Minor Investments | | 12,660,258 | 11,492,532 | 1,167,726 | 9% |

NOTES:

1. Reconnection fee charges surpassed the budget since after covid 19 the customers who were reluctant were disconnected due to huge bills
2. Surcharges/ Illegal connections was not achieved since the company has over and over sensitized the customers' on working together with the company to ensure quality service delivery.
3. Other income increased due to Conditional liquidity grant from WSTF
4. Directors cost variance was due to many activities that the company carried out during the year eg the strategic and business plan ,renewal of tariff and license
5. Provision for depreciation was as a result of inflation during purchase of assets
6. Amortization of intangible assets increased because the accounting software was implemented and tested and now falls under intangible assets
7. Water regulatory Board Levies since the budget was done with 4% but billed using 1%
8. Finance Cost was caused by extra charges incurred due to the online viewing of company bank account status and the additional bank accounts in the year

XVIII. Notes To the Financial Statements

1. General Information

Kirinyaga Water and Sanitation Company is a Water Service Provider Company Limited by guarantee and incorporated under the Companies Act Cap 486 of the laws of Kenya.

KIRIWASCO has been mandated through a Service Provision Agreement (SPA) to carry out water and sewerage services in both urban and rural areas of Kirinyaga County. The Company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water and sewerage services in the target community. KIRIWASCO is wholly owned by the County Government of Kirinyaga.

The principal activity of KIRIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Kirinyaga County and parts Mbeere.

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 in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

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

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.

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazettted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non- Commercial entities, the pronouncements made by the board have no significant impact on the entity's financial statement as Kirinyaga Water and Sanitation Company has been preparing its financial statements in accordance to IFRS.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the entity has adopted the pronouncements made by the IPSAS board in preparation of its current year financial statements.

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022*

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2022, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognized in respect of most operating leases where the Company is the lessee.

IFRIC 23: Uncertainty Over income tax treatments

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

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

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

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure pre payable financial assets with negative compensation at amortized cost or fair value through other comprehensive income if a specified condition is met.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

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

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

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

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

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

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognized when a liability to pay a dividend is recognized, and that these income tax consequences should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions to which they are linked.

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

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an entity to use updated actuarial assumptions to determine current service cost and net

interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

IFRS 17 Insurance Contracts (Issued 18 May 2017)

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

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company's delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method. **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- iv) Rental income** is recognized in the income statement as it accrues using the effective lease agreements.
- v) Other income** is recognised as it accrues.
- vi) Deferred income**

These relates to part of income that was paid as compensation by KeRRA to re-route pipeline to pave way for roads being constructed.

IAS 20-(Disclosure for Government Grant and Government Assistance) requires that government grants be recognized in the profit or loss on a systematic basis over the periods

NOTES TO THE FINANCIAL STATEMENTS (Continued)

in which the entity recognizes expenses for the related costs for which the grants are intended to compensate.

According to the revenue recognition principle, the deferred income has been recorded as a liability in the balance sheet.

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Items of property, plant and equipment are stated at historical costs less accumulated depreciation.

Depreciation is charged on a reducing balance basis over the estimated useful lives of the asset. The annual rates of the depreciation used are as follows:

| | |
|---|-------|
| • Motor Vehicles/Cycles | 25.0% |
| • Computer Equipment/Mobile phones | 33.3% |
| • Furniture, Fittings and Office Equipment, Plant | 12.5% |
| • Water Meters | 20.0% |
| • Dozers | 12.5% |
| • Bicycles, Water Kiosk | 12.5% |
| • Office building | 2.00% |

e) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software.

Intangible assets relate to software applications and are amortized at the rate of 33.3%

f) Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

g) 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. The provision for doubtful debts is at 10% and is applied to water sales customer debtors only.

h) Taxation

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

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

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

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.

i) 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 various Commercial Banks at the end of the reporting period.

j) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2011. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1080/= per employee per month.

l) Provision for staff leave pay

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

m) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

n) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

Summary of Significant Accounting Policies

o) Comparative figures

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

p) 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, 2022.

(q) Risk Management

This section provides details of the Company's exposure to risks and describes the method used by the management to control risks. The most important type of financial risk to which the company is exposed are:-

(i) Credit risk

To manage the level of credit risk, the company focuses on customer satisfaction as a key performance indicator. It also maintains a short credit period.

Due to the nature of the company's activities credit risks concentrations are high and as such close monitoring of credit relationships is carried out.

(ii) Liquidity risk

Liquidity risk arises in the general funding of the company's activities and in the management of positions.

The company continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall company strategy.

(iii) Market risk

The company had no any interest bearing financial instrument or obligation as at the end of financial year and there was no significant currency risk as no foreign transaction ensued during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

Summary of Significant Accounting Policies

(r) Incorporation

The Company is incorporated in Kenya under the Companies Act.

(s) Currency

The Financial Statements have been prepared using Kenya Shillings (KShs.)

(t) Related parties

The company is a limited company by guarantee established under the companies Act Cap 486 and licensed by Water Sector Regulatory Board through a Service Provision Agreement (SPA).

The company is headed by the Board of directors and corporate management team.

Key Management Compensation

IAS 24 requires an entity to disclose key management personnel compensation in total and by Category as defined in the standard.

| | 2020/2021 | 2021/2022 |
|---------------------|------------|------------|
| Management Salaries | 12,170,000 | 9,343,610 |
| Gratuity | 2,976,000 | 2,277,710 |
| Board Expenditure | 6,949,856 | 11,751,989 |

Other Related Party Disclosures

| | 2020/2021 | 2021/2022 |
|-------------------|------------|------------|
| WASREB | 6,944,606 | 1,606,947 |
| WASPA | 103,000 | 210,000 |
| WARMA | 5,448,522 | 3,637,122 |
| WSTF- Funding | 44,024,660 | 27,964,024 |
| Government Salary | 0 | 0 |

(u) Reserves

I. Capital reserves

Capital reserves represent net assets capitalized at the formation of the company and represent the book values of those assets.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

Summary of Significant Accounting Policies

II. Revenue reserves

Revenue reserves represent the excess of the income over recurrent expenditure. This is as a result accumulation of surplus and deficits over the years.

III. Capital grants

G.O.K capital grants relates to Motor bikes and water meters donated by Tana Water Services Board and also an amount of subsidy on a loan given to the organization under the "Maji ni Maisha" World Bank funded project and also funds from Water Sector Trust Fund(WSTF) for various projects. Amortization on these grants is calculated on reducing balance basis on cost over the life of the asset.

4. Significant Judgments and Sources of Estimation Uncertainty

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

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:

NOTES TO THE FINANCIAL STATEMENTS (Continues)

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset
- 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 4

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.

The Company has estimated provision for bad debts at 10% of the closing receivables.

The estimated provision for bad debts based on historical growth for the last 6 years in the amount of debtors.

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continues)

5. Property, plant & equipment schedule

| | Computers & Mobile Phones | Work in progress | furniture , plant & equipment | Motor Vehicle/ cycles | Water Meters | Office Building | Total |
|-------------------------------------|---------------------------------|---------------------|-------------------------------------|-----------------------------|-----------------|--------------------|-------------|
| COST | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| AT 1 July 2020 | 7,622,179 | 58,202,849 | 4,605,060 | 7,823,645 | 43,481,732 | 17,889,477 | 139,624,942 |
| Additions | 871,000 | 12,528,518 | 0 | 0 | 1,842,198 | 0 | 15,241,716 |
| Transfer to Intangible asset-WIP | | 1,399,122 | | | | | 1,399,122 |
| At 30 June 2021 | 8,493,179 | 69,332,245 | 4,605,060 | 7,823,645 | 45,323,930 | 17,889,477 | 153,467,536 |
| | | | | | | | |
| COST | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| AT 1 July 2021 | 8,493,179 | 69,332,245 | 4,605,060 | 7,823,645 | 45,323,930 | 17,889,477 | 153,467,536 |
| Additions | 659,770 | 2,050,797 | 841,000 | 3,792,850 | 5,539,142 | 0 | 12,883,559 |
| Transfer to Intangible asset-WIP | | | | | | | 0 |
| At 30 June 2022 | 9,152,949 | 71,383,042 | 5,446,060 | 11,616,495 | 50,863,072 | 17,889,477 | 166,351,095 |
| | | | | | | | |
| ACCUMULATED DEPRECIATION | Kshs | | Kshs | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2020 | 5,937,372 | - | 3,464,312 | 7,210,234 | 31,470,130 | 2,515,402 | 50,597,450 |
| Charge for the yr | 851,084 | | 142,594 | 153,353 | 2,770,760 | 307,482 | 4,225,271 |
| At 30 June 2021 | 6,788,456 | 0 | 3,606,906 | 7,363,587 | 34,240,890 | 2,822,884 | 54,822,721 |
| ACCUMULATED DEPRECIATION | Kshs | | Kshs | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2021 | 6,788,456 | 0 | 3,606,906 | 7,363,587 | 34,240,890 | 2,822,884 | 54,822,721 |
| Charge for the yr | 787,376 | | 229,894 | 1,063,227 | 3,324,436 | 301,332 | 5,706,266 |
| At 30 June 2022 | 7,575,832 | 0 | 3,836,800 | 8,426,814 | 37,565,326 | 3,124,215 | 60,528,987 |
| | | | | | | | |
| NET BOOK VALUE | | | | | | | |
| At 30 June 2022 | 1,577,117 | 71,383,042 | 1,609,260 | 3,189,681 | 13,297,745 | 14,765,262 | 105,822,107 |
| | | | | | | | |
| At 30 June 2021 | 1,704,723 | 69,332,245 | 998,155 | 460,058 | 11,083,040 | 15,066,594 | 98,644,815 |

6. Intangible assets

| COST | Intangible assets | Work In progress | Total |
|---|--------------------------|-------------------------|------------------|
| AT 1 July 2020 | 3,607,279 | 935,826 | 4,543,105 |
| Additions | | | 0 |
| Transfer from PPE -WIP | | 1,399,122 | 1,399,122 |
| At 30 June 2021 | 3,607,279 | 2,334,948 | 5,942,227 |
| COST | <u>Kshs</u> | <u>Kshs</u> | <u>Kshs</u> |
| AT 1 July 2021 | 3,607,279 | 2,334,948 | 5,942,227 |
| Additions | | 765,205 | 765,205 |
| Transfer from PPE -WIP | 3,100,153 | (3,100,153) | 0 |
| At 30 June 2022 | 6,707,432 | 0 | 6,707,432 |
| Amortization for intangible assets | <u>Kshs</u> | <u>Kshs</u> | <u>Kshs</u> |
| At 1 July 2020 | 3,180,155 | | 3,180,155 |
| Charge for the yr | 142,232 | | 142,232 |
| At 30 June 2021 | 3,322,387 | 0 | 3,322,387 |
| Amortization for intangible assets | <u>Kshs</u> | <u>Kshs</u> | <u>Kshs</u> |
| At 1 July 2021 | 3,322,387 | 0 | 3,322,387 |
| Charge for the yr | 1,127,220 | | 1,127,220 |
| At 30 June 2022 | 4,449,607 | 0 | 4,449,607 |
| NET BOOK VALUE | | | |
| At 30 June 2022 | 2,257,825 | 0 | 2,257,825 |
| | | | |
| At 30 June 2021 | 284,892 | 2,334,948 | 2,619,840 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Work in progress

Work in progress relates to an ongoing construction of Wang'uru Decentralized Treatment Facility not yet commissioned the UBSAP project.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | | <u>2021/2022</u> | <u>2020/2021</u> |
|------------------|--|-------------------------|-------------------------|
| | | KShs | KShs |
| <u>8</u> | Receivables | | |
| | Trade receivables | 153,609,231 | 142,731,801 |
| | Less provisions for bad debts 10% of closing receivables | -15,360,923 | -14,273,180 |
| | | 138,248,308 | 128,458,621 |
| | Staff Debtors | 3,776,376 | 4,359,727 |
| | BOD debtors | 118,000 | 213,000 |
| | Salary Advances | 1,127,805 | 1,134,473 |
| | Staff loans | 170,114 | 170,114 |
| | Rental prepaid | 0 | 56,000 |
| | Co-op Bank(water supply)-Collateral for SPA | 2,165,000 | 2,165,000 |
| | Minimum tax | 408,132 | 408,132 |
| | Inventory Take on | 2.04 | 2 |
| | | 146,013,737 | 136,965,069 |
| <u>9</u> | Inventories | | |
| | Telephone | 1,596 | 0 |
| | Chemicals | 395,793 | 898,925 |
| | Motor Vehicle/Cycles Spares | 142,620 | 207,365 |
| | Meter Maintenance/Scrap | 4,872,969 | 3,784,452 |
| | Water Supply Rehabilitation | 4,042,486 | 5,869,162 |
| | Buildings Repair & Renovation | 1,115,045 | 438,728 |
| | Stationery | 757,785 | 431,049 |
| | Other inventories | -260,440 | 0 |
| | Cleaning materials | -53,920 | 29,980 |
| | | 11,013,934 | 11,659,661 |
| <u>10</u> | Cash & Cash Equivalent | | |
| | Savings Account (Cooperative Bank) | 12,128,919 | 14,636,777 |
| | Current Account (Cooperative Bank) | 1,398,622 | 1,533,566 |
| | Current Account (Equity Bank) | 215,603 | 737,741 |
| | CLSG Account (Equity bank) | 45 | 10067722 |
| | DTF (Cooperative Bank) | 2,554,187 | 2,711,343 |
| | Current Account (Equity Bank-KERRA) | 59,499 | 1,107,409 |
| | Thiba WSTF (Cooperative Bank) | 1,458,308 | |
| | Post bank | 322,798 | 235,424 |
| | K-Rep bank-Current | 25,531 | 19,807 |
| | Mpesa | 735,509 | 469,221 |
| | Cash in hand | 196,990 | 45,760 |
| | | 19,096,010 | 31,564,770 |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | | <u>2021/2022</u> | <u>2020/2021</u> |
|---------------|---|-------------------------|-------------------------|
| | | KShs | KShs |
| 11 | Customers Deposits | | |
| | These relates to refundable deposits paid upon application of | 39,726,970 | 37,012,470 |
| | water provision by water sales customers | | |
| | | | |
| 12 | Prepayments | | |
| | Prepayments relates to debtors (water sales customers) with | 4,238,582 | 3,112,562 |
| | credit balances (overpayments) | | |
| | | | |
| | | | |
| 13 (a) | Creditors and Accruals | | |
| | Trade Creditors | 63,965,605 | 75,577,334 |
| | Payroll deductions | 23,421,510 | 20,897,812 |
| | Gratuity | 1,167,975 | 312,018 |
| | Purchases accrual | 170,444 | 111,142 |
| | 2% withholding | 863 | 4755 |
| | Supplier taken on | 4 | 8004 |
| | | 88,726,401 | 96,911,065 |
| | | | |
| 13 (b) | Deferred income | 7,263,595 | 17,331,317 |
| | | | |
| 13 (c) | Short term loan | 147,518 | 147,518 |
| | | | |
| 13 (d) | Taxation This refers to a provision made in 2018/2019 for corporation Tax | 186,386 | 186,386 |
| | | | |
| 13 (e) | Post Bank | 291,623 | 0 |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | | 2021/2022 | 2020/2021 |
|-------------|--|--------------------|--------------------|
| | | KShs | KShs |
| | Income(Gross Turnover/Sales) | | |
| 14 a | Water Sales | 160,688,478 | 150,874,825 |
| 14 b | Reconnection fee | 2,305,400 | 728,600 |
| 14 c | GOK Grants | | - |
| | Miscellaneous Income | | |
| | Surcharges/Illegal connections | 758,775 | 1,213,593 |
| 14 d | Other Income | | |
| | Amortization of capital grants | 1,446,811 | 308,575 |
| | Sidian commission | -18,791 | -26,592 |
| | Post bank commission | -87,930 | -78,000 |
| | Exhauster services | 674,500 | 82,000 |
| | RFB Project | 4,041,010 | 2,797,300 |
| | Conditional Liquidity Grant | 36,111,746 | 17,329,644 |
| | WSTF Thiba Primary School | 1,920,000 | |
| | Compensation from Insurance | 3,032,773 | |
| | | 47,120,120 | 20,412,927 |
| 15 | Tender Fee, Sale of jericans, sale of firewood and capital works | | |
| | Sanitation Block fee charged | | 6,000 |
| | Sale of firewood, old newspapers | | 600 |
| | Capital works | 3,177,500 | 4,107,000 |
| | | | |
| | Total income | 214,050,273 | 177,343,544 |
| | | | |
| | Expenditure | | |
| 16 | Personnel costs | | |
| | Regular Salary | 94,398,137 | 88,353,526 |
| | Casual Wages | 353,802 | 118,940 |
| | Gratuity | 2,277,710 | 2,976,000 |
| | Staff bonus | 857,680 | 881,000 |
| | National industrial Training | 91,350 | 93,900 |
| | Mileage Allowance | | 241,241 |
| | Total personnel costs | 97,978,679 | 92,664,607 |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | | <u>2021/2022</u> | <u>2020/2021</u> |
|-------------|---|-------------------------|-------------------------|
| | | KShs | KShs |
| 17 | <u>Directors costs</u> | | |
| | Board meetings & conferences | 7,801,955 | 5,693,617 |
| | Board Tour & Training | 2,802,064 | 166,400 |
| | Other board Expenses | 455,862 | 354,949 |
| | Board insurance cover | 692,108 | 734,890 |
| | Total directors costs | 11,751,989 | 6,949,856 |
| 18.a | <u>Training expenses</u> | | |
| | Training Allowances(Capacity Building) | 1,548,550 | 792,825 |
| | Subscription fees | 62,100 | 44,400 |
| | Total training expenses | 1,610,650 | 837,225 |
| 18.b | <u>Administration costs & staffs training</u> | | |
| | Rental/leases | 308,000 | 276,000 |
| | Email & Internet Expenses | 1,110,389 | 777,087 |
| | Postage & Telegram Expenses | 1,139,650 | 617,495 |
| | Library expenses | 143,460 | 127,380 |
| | Telephone Expenses | 1,244,155 | 1,358,098 |
| | Insurance of Motor Vehicles & Other assets | 383,165 | 440,781 |
| | Insurance Claim | 3,032,773 | |
| | Staff Medical Cover | 6,978,578 | 6,237,779 |
| | AGM expenses | 1,120,343 | - |
| | Stationery | 1,221,314 | 970,861 |
| | Public Relations | 401,393 | 198,013 |
| | Renewal of water tariff & License | 1,211,756 | |
| | Strategic Plan/Business plan | 5,489,764 | |
| | Staff Welfare | 1,954,777 | 750,980 |
| | Staff Meetings | 617,274 | - |
| | Advertising and publicity | 912,290 | 8,000 |
| | Baseline survey | | 26,000 |
| | Travelling & Accommodation | 3,763,424 | 3,232,514 |
| | WSTF administration cost | 137,110 | 165,255 |
| | legal charges | 2,315,255 | 626,203 |
| | Debt collection | 108,500 | 145,950 |
| | Security Expenses | 4,634,000 | 3,883,435 |
| | Provision for Audit fees | — 464,000 | 464,000 |
| | Donation | 645,100 | 200,200 |
| | Total administrative costs | 39,336,470 | 22,307,831 |
| | Total administrative & training expenses costs | 40,947,120 | 23,145,056 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | | 2021/2022 | 2020/2021 |
|--------------|--|-------------------|-------------------|
| | | KShs | KShs |
| 19. a | Operation Costs | | |
| | Computer Expenses | 547,471 | 375,671 |
| | Computer software maintenance | 1,382,272 | 943,425 |
| | Upgrading of LAN and maintenance of Website | 18,500 | 18,500 |
| | Uniforms & Other PPES | 1,526,339 | 35,488 |
| | Sports & games | 3,552,286 | 162,600 |
| | Electricity for productions | 350,994 | 23,623 |
| | Electricity for Lighting | 1,344,259 | 530,870 |
| | Water bill | | 1200 |
| | Maintenance of furniture and fittings | | 32,230 |
| | Chemicals | 4,525,467 | 2,890,687 |
| | Transport fuels and diesel | 6,529,035 | 4,375,880 |
| | Subscription to Water Services Providers Association (WASPA)/NEMA/WRUA | 210,000 | 103,000 |
| | Water Permits and subscriptions (WARMA Levy) | 3,637,122 | 5,448,522 |
| | Total Operation Costs | 23,623,745 | 14,941,696 |
| 19. b | Maintenance Costs | | |
| | Transport operating expenses | 1,972,126 | 1,419,102 |
| | Transport hire and machinery | 33,900 | 58,600 |
| | Office Repairs, Painting & Renovation | 535,730 | 240,283 |
| | Maintenance of plant equipment | 11,680 | 8,000 |
| | Cleaning Materials | 552,564 | 1,428,786 |
| | Water supplies rehabilitation augmentation & maintenance works | 20,548,923 | 11,747,190 |
| | Project extension-CLSG | 2,193,154 | |
| | Rerouting of pipeline network | 89,840 | 358,259 |
| | Rerouting of pipeline network(KERRA) | 3,095,730 | 4,052,248 |
| | Rerouting of pipeline network(Mwea makima) | 0 | 22,500 |
| | Rerouting of pipeline network(KENHA) | 1,605,000 | 490,000 |
| | WSTF - Thiba primary school | 528,290 | |
| | Increase/(Decrease) in Provision for bad debts | 1,087,742 | 770,621 |
| | VAT 16% Written off | | 6,369,742 |
| | Total Maintenance Costs | 32,254,680 | 26,965,331 |
| | Total Operation & Maintenance Costs | 55,878,425 | 41,907,027 |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | | 2021/2022 | 2020/2021 |
|-----------|-----------------------------------|------------------|------------------|
| | | KShs | KShs |
| 20 | Provision for Depreciation | 5,706,266 | 4,225,271 |
| | | | |
| 21 | Amortization of intangible assets | 1,127,220 | 142,232 |
| | | | |
| 22 | Water Regulatory Board Levies | 1,606,947 | 6,944,606 |
| | | | |
| | | | |
| 23 | <u>FINANCE COSTS</u> | | |
| | Bank Charges | 333,650 | 235,941 |
| | Loan interest | - | - |
| | TOTAL FINANCE COSTS | 333,650 | 235,941 |
| | | | |
| 24 | <u>TAX</u> | | |
| | Balance BF | 186,386 | 186,386 |
| | | | |
| | | | |
| 25 | Capital Reserves | | |
| | Balance as at 1 July | 43,587,914 | 43,587,914 |
| | Addition | | |
| | Balance as at 30 June | 43,587,914 | 43,587,914 |
| | | | |
| 26 | Capital Grants | | |
| | Balance as at 1 July | 78,878,407 | 62,559,688 |
| | Addition –WSTF donation | 0 | 16,627,294 |
| | Amortization of capital grant | -1,446,811 | -308,575 |
| | Balance as at 30 June | 77,431,596 | 78,878,407 |
| | | | |
| 27 | Revenue Reserves | | |
| | Balance as at 1 July | 4,286,515 | 3,028,567 |
| | Profit for the year | -1,280,024 | 1,128,948 |
| | Prior year adjustment | 19,596,537 | 129,000 |
| | Balance as at 30 June | 22,603,029 | 4,286,515 |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 (a) Prior year Adjustment

| Date | Description | Financial statement Amount | Creditors confirmation Amount | Adjustment Amount | Explanation |
|-------------|---------------------------------------|-----------------------------------|--------------------------------------|--------------------------|--|
| 30/06/2022 | Tana Water services board | 35,465,957.31 | 16,743,785 | 18,722,172.31 | Cleared though issue of creditor circularization |
| 30/06/2022 | Jeg plumbers | 10,000.00 | 0 | 10,000.00 | |
| 30/06/2022 | TELCOM | 23,934.00 | 23659.00 | -275.00 | |
| 30/06/2022 | Bricon | 23,000.00 | 0 | 23,000.00 | |
| 30/06/2022 | Amua system | 7,100.00 | 0 | 7,100.00 | |
| 30/06/2022 | Bitetech | 5,604.00 | 0 | 5,604.00 | |
| 30/06/2022 | Hutchison Kimaru | 15,000.00 | 0 | 15,000.00 | |
| 30/06/2022 | Hotel Starwood's | 35,700.00 | 0 | 35,700.00 | |
| 30/06/2022 | Hollywood stations | 68,923.00 | 0 | 68,923.00 | |
| 30/06/2022 | Kirinyaga business | 13,000.00 | 0 | 13,000.00 | |
| 30/06/2022 | Magua & Mbatha | 118,500.00 | 0 | 118,500.00 | |
| 30/06/2022 | Njeru R Ngari & Company | 25,000.00 | 0 | 25,000.00 | |
| 30/06/2022 | Polypipes | 161,445.00 | 0 | 161,445.00 | |
| 30/06/2022 | Leave allowance Recovery | | | 8,000.00 | Correction of leave allowance recovery deducted twice |
| 30/06/2022 | Accounting software-Sage pastel (WIP) | | | 114,925.88 | Correction of VAT written off in previous year but it's for work in progress for accounting software |
| 30/06/2022 | Accounting software-Sage pastel (WIP) | | | 80,951.19 | |
| 30/06/2022 | Barclays Bank | | | 16,992.00 | Overstated amount on salaries in Oct & Nov 2018(CHQ NO 8710 & 8766) |
| 30/06/2022 | Kiriwasco Sacco | | | 3,300.00 | Overstated amount on opening balance in July 2019 |
| 30/06/2022 | KCB Bank | | | 759.00 | Reversal of overstated amount on salary in the month of Sep 2017 |
| 30/06/2022 | NSSF | | | 158,440.00 | Correction of cheque No. 8371 that was posted in casual ledger account instead of NSSF Ledger account |
| 30/06/2022 | Water Supply rehabilitation | | | 8,000.00 | Correction of journal posted to water rehabilitation ledger account where its suppose to affect Receivable account |
| | Totals | | | 19,596,537.38 | |

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

XIX. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Key Audit Matters

| Ref. No. | Issue/Observation | Management Comments | Status & Timeframe |
|----------|-------------------|--|--|
| 1.0 | Non-Revenue Water | <p>During the year under review; Kirinyaga Water and Sanitation Company Ltd produced 6,722,945 cubic meters (M3) of water, but only 2,701,482 (M3) was billed to customers at a cost of Kshs.150,874,825. The balance of 4,021,463 cubic Meters (M3) water which is approximately Sixty (60%) percent of the total production is unaccounted for Water (UFW) which is way above the sector recommended limit of 25%. According to the Water Services Regulatory Board (WASREB) guidelines, this quantity is thirty-five (35%) percent above the allowable loss of twenty-five (25%) percent. The Unaccounted-for Water of thirty-five (35%) percent or 2,353,030.75 (M3) of the water produced may have resulted in loss of sales estimated at Kshs.470, 606,150 (which is the minimum Tariff of water sale as per The Water Act No. 8 of 2002 at Kshs.200 per M3)</p> | <p>Below are the measures put in the place to Reduce Non- Revenue Water</p> <p>The company has been implementing reduction of non-revenue water as stipulated in Wasreb guidelines. (see attached non-revenue reduction plan). 1.0.0 (a) To establish a water balance, the company in the process of procuring production meters for every scheme. This will enable the company to determine actual water production and actual water consumption. The company has an established NRW team headed by a NRW officer. Each scheme has a NRW staff responsible for attending NRW activities at scheme level. The company has continuously replaced faulty consumer meters to reduce on commercial losses. This is evidenced in the 1534 meters that have been replaced under the CLSG program. The company is in discussion with development partners on investing in smart meters technology. This will eliminate the inaccuracies caused by faulty meters. TWWDA is procuring NRW equipment under the ADB project. the equipments will help in reduction of physical water losses. They include: pipe locator, underground leak detectors, meter test bench and electromagnetic meters.</p> |

**APPENDIX 1: PROGRESS ON FOLLOW UP ON AUDITORS RECOMMENDATION
(Continued)**

| Ref. No. | Issue/Observation | Management Comments | Status | Timeframe |
|----------|--|--|---------------------|---------------------------|
| 2.0 | Expired Tariff Expired Water Tariffs Report of the Auditor-General on Kirinyaga Water and Sanitation Company Limited for the year ended 30 June 2021 11 The company has been operating without an approved water tariff structure from the Water Services Regulatory Board (WASREB) with effect from 2019/2020 financial year upon expiry and which have to date not been renewed. In the circumstances, the non-updating of the water tariffs results to lower revenue streams in addition to the lower customer deposits which may be inadequate to cover for unpaid bills in case of default. | . The company started the process of tariff renewal application in 2018. The company has complied with all requirements by WASREB. The company has also held successful public participation in the Regular tariff review and in principle, the company is awaiting the Gazettement of the new tariff | Not Resolved | 31 st May 2023 |
| 3.0 | Non-renewal of license The company has been operating without a License from the Water Services Regulatory Board (WASREB) with effect from 20 May 2021 upon expiry and has since not been renewed contrary to the Water Act 2016, Section 72 (c), which gives WASREB the mandate of setting license conditions and accrediting Water Service Providers. In the circumstances, the management was in breach of the law and is operating without a license. | The company was operating with an interim license issued by the regulator on 21st May 2019 for a period of two years (including the years under review). See WASREB Letter REF:WASREB/LIC/534 VOL.XX(51) provided 3.0.0 (a). In addition, the company initiated the process of license renewal and currently has a valid license in place. | Not Resolved | 31 st May 2023 |

Name: Ephantus Maina

Signature:

Managing Director

Date: 30th September 2022.

Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

Appendix II: Projects Implemented By The Company
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) |
|---|---|-------------------------|---------------------|---------------------|--|---|
| Kirinyaga Household Sanitation Project | 01HS/TAWWDA/ KIRINYAGA/ KIRINYAGA/32 WAMUMU | Water Sector Trust Fund | 9 MONTHS | Fully funded | Yes | Yes |
| Up-scaling Basic Sanitation for Urban poor-Construction of a Decentralized Treatment facility | 01HS/TWSB/ KIRINYAGA/ KIRINYAGA/32 DTF | Water Sector Trust Fund | 3 YEARS | Fully Funded | Yes | Yes |
| Conditional Liquidity Support Grant (CLSG) | WATER AND SANITATION DEVELOPMENT PROJECT: IDA NO. 6030-KE | Water Sector Trust Fund | 6 MONTHS | Fully Funded | Yes | Yes |

Status of Projects completion

(Summarise the status of project completion at the end of the reporting period, i.e. total costs incurred, stage which the project is etc)

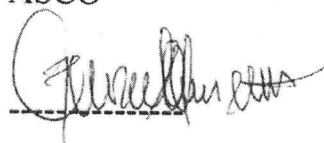
| | Project | Total project Cost | Total expended to date | Completion % to date | Budget | Actual | Sources of funds |
|---|--|--------------------|------------------------|----------------------|--------------|---------------|------------------|
| 1 | Kirinyaga Households Sanitation Project | 7,114,012.50 | 7,114,012.50 | 100% | 7,114,012.50 | 7,114,012.50 | WSTF |
| 2 | Wanguru DTF project | 28,195,470 | 18,473,897.10 | 98% | 28,195,470 | 18,473,897.10 | WSTF |
| 3 | Conditional Liquidity Support Grant (CLSG) | 59,442,940 | 59,442,940 | 100% | 59,442,940 | 59,442,940 | WSTF |

APPENDIX III: INTER-ENTITY TRANSFERS

| | | | | |
|---|-------------------------|--|----------------------|--|
| | ENTITY NAME: | KIRINYAGA WATER AND SANITATION COMPANY | | |
| | Break down of Transfers | | | |
| | FY 2021/2022 | | | |
| | | | | |
| a | Donor Receipts | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | WSTF | 6/6/2022 | 1,920,000 | 2021/2022 |
| | WSTF | 11/12/2021 | 26,044,024 | 2021/2022 |
| | WSTF | 30/03/2021 | 33,398,916 | 2020/2021 |
| | WSTF | 3/11/2020 | 2,032,575 | 2020/2021 |
| | WSTF | 13/08/2020 | 8,593,169 | 2020/2021 |
| | WSTF | 15/11/2019 | 4,742,675 | 2019/2020 |
| | WSTF | 15/03/2018 | 10,284,050 | 2017/2018 |
| | WSTF | 18/06/2017 | 6,735,000 | 2016/2017 |
| | WSTF | 30/06/2015 | 8,777,250 | 2014/2015 |
| | | Total | 102,527,659 | |

Finance Manager
KIRIWASCO

Sign



Name: George Mureithi
Date: 30th September 2022

Appendix VI: Recording of Transfers from Other Government Entities

| Name of the MDA/Donor Transferring the funds | Date received as per bank statement | Nature: Recurrent/Development/Others | Total Amount - KES | Statement of Financial Performance | Where Recorded/recognized | | | | Total Transfers during the Year |
|--|-------------------------------------|--------------------------------------|--------------------|------------------------------------|---------------------------|-----------------|-------------|---------------------------|---------------------------------|
| | | | | | Capital Fund | Deferred Income | Receivables | Others - must be specific | |
| Water Sector Trust Fund | 6/6/2022 | Sanitation improvement | 1,920,000 | 1,920,000 | 0 | 0 | 0 | 0 | 1,920,000 |
| Water Sector Trust Fund | 11/12/2021 | Sanitation improvement | 26,044,024 | 26,044,024 | 0 | 0 | 0 | 0 | 26,044,024 |
| Water Sector Trust Fund | 30/03/2021 | Sanitation improvement | 33,398,916 | 33,398,916 | 0 | 0 | 0 | 0 | 33,398,916 |
| Water Sector Trust Fund | 3/11/2020 | Sanitation improvement | 2,032,575 | 2,032,575 | 0 | 0 | 0 | 0 | 2,032,575 |
| Water Sector Trust Fund | 13/08/2020 | Sanitation improvement | 8,593,169 | 8,593,169 | 0 | 0 | 0 | 0 | 8,593,169 |
| | | | | | | | | | |
| Total | | | 71,988,684 | 71,988,684 | 0 | 0 | 0 | 0 | 71,988,684 |