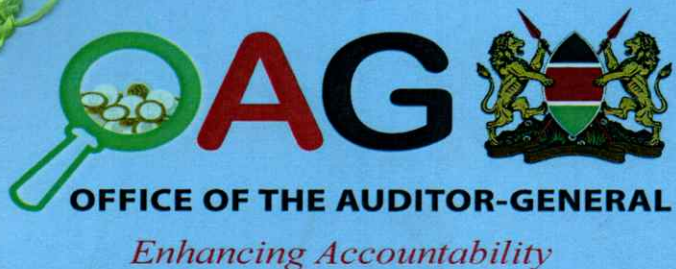


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KAPSABET NANDI WATER AND  
SANITATION COMPANY LIMITED**

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





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# **Kapsabet Nandi Water and Sanitation Company Ltd**

## **Annual Reports and Financial Statements**

**For the Financial Year Ended June 30, 2020**

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

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# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### KEY COMPANY INFORMATION

#### Background information

The Company was established by the Company Act on 18<sup>th</sup> December 2006, certificate NO 1333231

The County Government of Nandi is the principal share holder of the Company

#### Principal Activities

The principal activity of the Company is water and sanitation provision in Kapsabet and Nandi hills towns.

#### Vision

To be the leading water and sanitation provider in the region

#### Mission

To effectively and efficiently provide quality and affordable water and sanitation

#### Management

The day today management is under the management under the supervision of the Board of Directors

#### Board of Directors

The Directors who served during the year were as follows:

NO	NAME	TITLE	APPOINTMENT DATE	REPRESENTATION
1	Mark Maritim	Board Chairman	1.5.2018	Resident Organization
2.	Anthony Kiboiy	Board Secretary	1.11.2015	Managing Director
3.	CPA Sally Rono	Board Member	1.5.2018	Professional Rep.
4.	Solomon Mang'ira	Board Member	1.5.2018	Nandi County Govt.
5.	CPA David Kirui	Board Member	1.5.2018	Business Community
6.	Helen Soimo	Board Member	1.5.2018	Resident Organization
7.	Grace Maru	Board Member	1.5.2018	Gender Rep.
8.	Geoffrey Koros	Board Member	1.5.2018	Professional Rep.

#### Registered Office

Beek Hse  
Off Pamela Jelimo Street, Next to PAG Church  
P.O BOX 970, 30300  
Kapsabet, Kenya

#### Corporate Headquarters

P.O Box 970  
Beek Hse  
Off Pamela Jelimo Street  
Kapsabet, Kenya



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### Corporate Contacts

Mobile NO: 0716 006464  
E-mail: kapsabetwater@yahoo.com  
Website: kanawasco.go.ke

### Corporate Bankers

Kenya Commercial Bank; Kapsabet Branch  
P.O Box 164: 30300  
**Kapsabet, Kenya**

### Independent Auditors

Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
**Nairobi, Kenya**

### Principal Legal Advisers

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
**Nairobi, Kenya**







# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### THE BOARD OF DIRECTORS





DIRECTOR'S NAME	QUALIFICATIONS & WORK EXPERIENCE
 <p><b>MARK JOSEPH MARITIM</b> D. O. B-1959</p>	<p>He holds a MSC in Disaster Management &amp; Humanitarian Assistance from Masinde Muliro University and BED (Science) from Moi University He has been the Chairman of the Constituency Development Fund-Chesumei Constituency He has been a teacher and a principal of high school. He has also worked as a Lecturer in a Technical Training Institute He is currently a Lecturer at Masinde Muliro University</p> <p>He is the Chair of the Board</p>
 <p><b>ANTHONY KIBOIY</b> D. O. B-1968</p>	<p>He holds a BA from the University of Nairobi and a Diploma in Human Resource from Moi University He has done the Senior Management course at the School of Government He worked as Town clerk in Kapsabet ,Nandi hills and Kipkelion Towns in the former Local Authority</p> <p>He is the Managing Director and the Secretary to the Board</p>
 <p><b>SOLOMON MANG'IRA</b> D. O. B-1964</p>	<p>He holds a Masters of Philosophy in Environmental Law from Moi University He has a Bachelor of Law (LLB) from Dr Ambedkar University ( India) He has a Post Graduate Diploma in Education from Moi University where he has also worked as a Senior Administrative Assistant and a Lecturer He is the Chief officer ,Lands ,Environment and Natural Resources</p> <p>He is a member of Finance, HR &amp; ICT and Technical Committees</p>
 <p><b>CPA SALLY JEPKORIR RONO</b> D. O. B-1975</p>	<p>She holds an MBA in Business Administration –Finance Option from Catholic University of East Africa (CUEA), a BBM-Accounting Option from Moi University and a Diploma in Business Management from Kenya Institute of Management (K.I.M). She has a Certificate in Human Resource from the University of Nairobi She has worked in Post Bank as Internal Auditor and Branch Manager Currently works as a Senior Internal Auditor at the Office of the Controller of Budget She is a member of ICPAK and Association of Women Accountants (K)</p> <p>She is the Chair of Finance ,HR and ICT Committee</p>



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

	<p>He holds a BA in Land Economics (Hons) from the University of Nairobi and a Post graduate Diploma from Institution of Surveyors (K)-I.S.K. He has worked with Regent Management Ltd as a Property Officer and Assistant Valuer. He is currently a Director of Legend Valuers Ltd. He is a full member of Institution of Surveyors of Kenya - I.S.K.(VEMS Chapter).</p> <p>He is the Chair of the Technical Committee and a member of the Finance ,HR &amp; ICT</p>
<p><b>GEOFFREY KIPROTICH KOROS</b> D. O. B-1977</p>	
	<p>He holds an MBA in Business Administration(Finance) and a B.COM in Accounting from Sutherland University (USA). He has been a Board of Management of several schools. He is the Chair of Audit Committee of Sireet Empowerment Company. He is a member of the Institute of Internal Auditors. He currently works for Eastern Produce Kenya, a multinational tea Company as the Finance and Administration Manager.</p> <p>He is the Chair for Audit &amp; Risk Management</p>
<p><b>CPA DAVID KIMISIK KIRUI</b> D. O. B-1962</p>	
	<p>She holds a BA in Government &amp; Kiswahili from the University of Nairobi and a Certificate in Human Resource Management from the University of Nairobi. She worked at NHIF as a Senior Benefits Officer. She is currently the National Coordinator of Joyful Women Organization (JOYWO) ,a women's empowerment Organization.</p> <p>She is a member of Audit and Technical Committees</p>
<p><b>HELLEN SOIMO</b> D. O. B-1973</p>	
	<p>Holds a masters in Human Resource Development from Moi University and a BA in Human Resource from Agra University of India. She has a Diploma in Human Resource Management from Moi University. She has worked as a Human Resource and Administration Manger at Eldoret Water and Sanitation Company and Moi University as a Senior Administrator. She a member of the Human Resource Management Institute. Currently works as a County Elections Manager at I.E.B.C.</p> <p>She is a member of the Finance, HR &amp; ICT Committee</p>
<p><b>GRACE MARU</b> D. O. B- 1971</p>	







# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### MANAGEMENT TEAM

NAME & TITLE	QUALIFICATIONS, EXPERIENCE & RESPONSIBILITIES
 <p><b>ANTHONY KIBOIY</b> <b>MANAGING DIRECTOR</b></p>	<p>He holds a BA from the University of Nairobi and a Diploma in Human Resource from Moi University He has done the Senior Management course at the School of Government</p> <p>He worked as Town clerk in Kapsabet, Nandi hills and Kipkelion Towns in the former Local Authority He is the Managing Director</p> <p>He is the Chief Executive office of the Company and Secretary to the Board</p>
 <p><b>DAVID TUWEI</b> <b>COMMERCIAL MANAGER</b></p>	<p>He holds a Diploma in Water Engineering on Water Supply from Kenya Water Institute (KEWI)</p> <p>He worked as an Area Manager and a District Water Officer at the Ministry of Water &amp; Irrigation in Nandi East and Kericho Districts He has worked as a Commercial Manager and a Managing Director at Nyando &amp; Nandi South (NYANAS) Water &amp; Sanitation Company</p> <p>He currently the Commercial Manager (CM) and Head of Commercial Department has the Meter Reading, Billing, Customer Care &amp; Revenue collection Sections</p>
 <p><b>GILBERT ROTICH</b> <b>TECHNICAL MANAGER</b></p>	<p>He holds a Diploma in Water Engineering on Water Supply from Rift Valley Institute of Science &amp; Technology</p> <p>He worked as a Senior Inspector and Area Manager in the National Water Conservation &amp; Pipeline Corporation He represented the Client in the Augmentation of Kapsabet Water Supply project which was funded by JICA</p> <p>He is the Technical Manager (TM) and heads the Technical Department which has the Operations &amp; maintenance and Water Treatment and Distribution Sections</p>
 <p><b>DANIEL SEUREI</b> <b>HUMAN RESOURCE MANAGER</b></p>	<p>He holds a Diploma in Human Resource Management from Moi University</p> <p>He has worked in the Local Authority as a clerical officer</p> <p>He is the Human Resource Manager (HR) and he is charge of Human Resource and Administration</p>



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### CHAIRMAN'S STATEMENT

#### Introduction

On behalf of the Board of Directors, i am pleased to present to you the Annual Reports, the Financial Statements and the general performance of the Company for the year ended June 30, 2020

#### Financial Highlights

During the period, the Company realized a loss of kshs 6,717,940 as compared to a loss of kshs 9,069,818 in last financial year

#### Operating Environment

The Company has improved in its billing, collection efficiency and its other operations as compared to the previous year. Further improvement will be realised with the intended improvement of infrastructure, enhanced staff welfare and continued support from the Nandi County Government

The main challenges the Company is facing are high electricity costs and Non Revenue Water (NRW) due high usage of power to pump water and old pipeline prone to bursts and leakages. The Company intends to further improve in billing, collection efficiency and reduce the NRW

#### Appreciation

We are grateful to the County Government of Nandi for the support to the Company. The County Government assisted the Company with payment of electricity, water meters, pipes, personnel and the billing software

We are also grateful to Lake Victoria North Water Services Board and GOK through for the intention to facilitate a gravity water source at Keben.

We thank AFD through Lake Victoria South Water Services Board for the intension to construct a water supply system for Nandi Hills water supply

I will to take this opportunity to thank and appreciate the Board of Directors, Management, Customers, Suppliers and all stakeholders for the cooperation they gave me

I look forward to more cooperation that will enable the Company improve its service delivery

  
**Mark Maritim**  
**BOARD CHAIR**



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### REPORT OF THE MANAGING DIRECTOR

#### Introduction

Water is not only the most important factor for production but together with sanitation (which includes disposal of effluent and excreta) is the most important factor for human health. It is estimated that 80% of all diseases are water related, resulting in a huge bill for health care which could be drastically reduced with improved water services. The negative impact of insufficient water services on education and on productivity of the population is equally huge. Thus, water is a key determining aspect for economic growth in a country and for the wellbeing of its population.

Kenya with a population of 47 million faces enormous challenges in providing sustainable access to safe water, sewerage systems and basic sanitation for its fast growing population. Presently, the rural population is still bigger than the urban. But, as in all other countries in Africa, the pace of urbanization is breathtaking and leads to an increasing number of emerging "hotspots" which need particular attention such as the densely populated settlements of the urban poor. More than half of the urban populations live in such settlements where population growth reaches 10% per annum and more. The high density makes living conditions especially deplorable due to the sanitary conditions, creating a special condition of poverty.

Sustainable access to safe water is estimated at around 60% in urban and 40% in rural settings. Missing baseline data and sustainable information systems hinder obtaining a clear nationwide picture and thus, coverage can only be estimated. Therefore, sustainable access to safe water and basic sanitation is still declining in terms of quality and quantity. The main reasons are old infrastructure, inadequate management and maintenance of existing infrastructure, insufficient sustainability, investments not enough concentrating on the options of fast tracking access and informal service provision operating outside a framework of basic standards

The new Water Act 2016, now transfers water service providers from the Water Boards to the County Government

#### Commercial and Technical Sections Management

The Company has continuously for the past few years continued to strengthen these sections with a view to enhancing the collection of revenue and expansion of our coverage and further aim at further reducing the Non Revenue Water (NRW) to desirable levels.(NRW now stands at 40 %).

However we have continued to experience tremendous challenges managing the old distribution lines which have had a direct bearing on the non revenue water particularly on all the lower parts of the town which experience high pressure. Coupled with the above, due to challenges related to planning, our lines have always been interfered arising from frequent grading of roads in town, increased developments in the urban and the peri-urban areas among others. This has accounted to the rising cost of operations and maintenance attributed to frequent repairs on our lines and the NRW.

It is because of this that the Company has prepared a proposal of Ksh 50,000,000 and forwarded to the County Government of Nandi for consideration. The proposal is targeting rehabilitation of the old lines and construction of elevated tanks in areas that experience low pressure.

During the year water arrears over 60 days stood at Kshs 17.3 million meaning much of our revenue remains uncollected. The Company has therefore formed a dedicated team that will be visiting each and every consumer with a view to making them pay their outstanding amounts apart from carrying out disconnections on those that aren't willing to pay. The Company in conjunction with the Ministry of Lands ,Environment and Natural resources has initiated the process of preparing a water regulation policy that will enable us prosecute defaulters and those that illegally carry out connections on our lines.



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

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### Financial Management

The Company continues to implement sound financial management through efficient and effective utilization of funds which will determine the achievement of the obligations of the approved budget. This section provides the technical assistance on utilization of funds in line with the budgetary allocations.

The institution's financial management system is in line with the existing government management rules and regulations, including the PFM Act 2012. It also takes into consideration other financial guidelines such as international financial reporting standards (IFRS).

The Company prepares and remit the quarterly and annual financial reports and statements to the County Government of Nandi-CEC; Lands, Environment and Natural Resources, National Treasury and Office of the Auditor-General

### Human Resource

The Company has always aimed at retaining and attracting skilled workforce that will play a critical role in providing the desired service delivery to our consumers within our jurisdiction and beyond. This we do despite the financial challenges due to our limited revenue base. We appreciate the efforts done by the County Government in seconding several staff to the company with a view to strengthening the human resource capacity resulting in a remarkable improvement of service delivery.

During the year under review the total number of permanent staff stood at 55 out of which 20 are seconded from the county government.

The Company embarked on preparation of a comprehensive scheme of service which has been approved and implementation starts in October 2020

### Future Plans

During the year under review the Company spent quite a substantial part of the revenue in paying the electricity bills. To this end therefore, we have endeavoured to partner with Lake Victoria North Development Works Authority in addressing this huge challenge by giving consideration the possibility of a gravity driven project. This will substantially bring down the operations and maintenance costs and possibly give consideration on a tariff review. Plans are now at an advanced stage on construction of Keben dam that will, when completed, serve all our licensed area and even beyond.

The Company through partnership with Lake Victoria South Development Works Authority will carry out augmentation of the Nandi Hills scheme. The project involves rehabilitation of the current treatment works, construction of a new alternative intake, treatment works, additional storage and rehabilitation of all the service lines. These efforts will enhance our capacity in providing water and addressing the NRW.

  
Anthony Kiboi

**MANAGING DIRECTOR**



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### REVIEW OF THE COMPANYS PERFORMANCE FOR FY 2019-20

Before the commencement of the financial year, the Company had operational and financial objectives to be met. These include;

- Increasing water and sanitation coverage
- Striving to achieve financial sustainability
- Ensuring operational effectiveness and efficiency
- Strengthening institutional capacity
- Mainstreaming cross – cutting issues: gender, youth, HIV/AIDS, disability, poverty and environment.

Implementation strategies have been identified with accompanying activities and timelines to actualize the objectives.

The Company water coverage in FY 2018/19 was 68% but increased to 72 % in FY 2019-20. The Company was able to register 315 new connections in Kapsabet and Nandi Hills. The sanitation component is still under the County Government of Nandi.

The Company financial sustainability improved. During the year, the water sales increase from Kshs 36.9 million to Kshs 40.2 million though it felt short of the budgeted amount of Kshs 43 million due to outbreak of Covid 19. The Company formed a dedicated revenue section during the year to collect water arrears and before the outbreak of Covid 19; it had made tremendous collection only for receivables to increase due to the Government Memo on non disconnection. The Creditors had also reduced only to go up due pandemic.

The Company reduced NRW from 40 % in FY 2018/19 TO 37 % in 2019/20 by forming a dedicated O&M team who attend to bursts and leakages on time and the meter reading team who ensure correct billing. The company has also ensured 100% metering.

The Company's operational effectiveness and efficiency improved during the period. The Company has a new scheme of service with clearly stated responsibilities for staff and proper reporting channels. The scheme has a section on staff appraisal which has improved the effectiveness of employees.

The collection efficiency improved from 85 % to 95 % arising from the targets on collection of revenue by staff.

The Company has improved the institutional capacity by engaging qualified staff and forming relevant sections as well as implementation of the new scheme of service, 2020.

The company has also mainstreamed cross – cutting issues of gender, HIV/AIDS, disability, poverty and environment through engagement of both female and male staff and consideration of special groups as well as carrying out environmental conservation at water intakes.

The Company also implemented most of the Audit Report recommendations for FY 2018-19 as indicated in appendix 1

The Company executed the budget for FY 2019/20 and met over ninety five targets on revenues and expenses (recurrent and capital).



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### CORPORATE GOVERNANCE STATEMENT

The Company regards corporate governance as pivotal to the success of its operations and the Board as the essential and responsible organ is committed to ensure that good governance is practiced. The Board supports the best practices in corporate governance and adhere to its guide lines .As the policy maker, the Board is responsible for establishment of short, medium and long term goals and the strategic plans to achieve them.

The Board ensures that the Company follows the Constitution, laws, regulations of the Government of Kenya, Nandi County Government and other bodies and its Articles and Memorandum of Association

The Board members are appointed on a renewal three year term and competently recruited by the County Government of Nandi public service Board but are removed from office on grounds stated in the Memorandum and Articles of Association

The Board of Directors met four times a year and deliberate on various issues provided in the agenda drawn by the Managing Director, the Secretary to the Board. The attendance to the meetings is recorded in an attendance book

The Board members are paid sitting allowances and travelling as per the rates captured in the budget

The Board has three Sub Committees, which are:

#### **Finance, Human Resource & ICT Committee**

The Committee is responsible for the policy on financial and human resource.

It also reviews strategic & business plans, financial statements, Budget & procurement plans, investment, staff welfare and recruitment

#### **Audit & Risk Management Committee**

The Committee is responsible for establishment and review of efficient internal controls, effective risk management policy, external auditors' queries and Nandi County Assembly Public Investment Committees recommendations.

The Board discharges its supervisory and oversight responsibility through this committee.

#### **Technical Committee**

The Committee is responsible for establishment and review of quality standards for civil, structural and operational works in the Company.

The management consists of the Managing Director, Commercial Manger, Technical Manager and Human Resource Manager who run the Company in day to day basis

The management provides leadership by guiding and directing the activities of the Company, ensuring effective management, monitoring the activities of the entity to ensure they are in line with the Company Vision and Mission



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### MANAGEMENT DISCUSSION AND ANALYSIS

#### a) Company's Operational and Financial Performance

During the year the Company improved in its operational and financial performance

In the operational performance, the Company increased its capacity by strengthening essential sections like Procurement & Stores, ICT, Revenue and Meter reading that enabled increased service delivery to the consumers.

The Company also reviewed some operational policies that will provide clear working structures of the Company

The Company performed very well in financially during the as it increased its revenue billing & collection and assets portfolio.

#### b) Company's Compliance with Statutory Requirements

The Company paid all NHIF, NSSF, Pension and PAYE due by the close of the financial year

#### c) Key Projects and Investment Planned/Implemented

During the period the Company implemented Water Sector Fund projects for UBSUP and Kipkoil water

#### d) Major Risks

The major risks facing the Company are:

- Alternate source of water to residents
- High water loss
- High operational costs e.g. electricity

#### e) Financial Probity and Governance

The Company has no financial probity and governance issues.

The new Board of Directors was appointed in May 2018 for a period of three years

  
Anthony Kiboi

MANAGING DIRECTOR



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Kapsabet Nandi WASCO Ltd exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the pillars: putting the customer first, delivering relevant goods and services, and improving operational excellence.

Below is a brief highlight of our achievements in each pillar

#### 1. Sustainability Strategy and Profile -

The Company management has put in place strategies that will ensure the organization breaks even: increase connections and reduction of water loss

The Company has a HR policy where staff should be non political

The Company also engages in HR, Financial and Technical best practice as per the International Standards

#### 2. Environmental Performance

The Company as at now does not deal with the sanitation component; however it engages Water Resource Authority to ensure all water sources are safe

The Company also does weekly water quality tests to ensure that water is of the required standard quality

#### 3. Employee Welfare

The Company has a comprehensive scheme of service which entails staff establishment & recruitment (merit & gender), promotion, training and welfare. The staff welfare includes a medical scheme, staff protective equipment and a group insurance cover

The Company has stake holders for a where their opinions are considered; these include AGMs, Tariff review and Water distribution meetings. The Company has a dedicated Customer and Public Relations office which receives views and concerns from the stakeholders through social media and a mobile line

#### 4. Market Place Practices-

- a) On responsible competition practice, the Company engages in responsible completion and respect its competitors
- b) On responsible Supply chain and supplier relations- the Company follows the Procurement ACT on suppliers of services and goods .The Company strives pays its suppliers on time as per the supply contract.
- c) On responsible marketing and advertisement, the Company provides quality piped water to contracted consumers within its jurisdiction hence no much marketing and advertisement
- d) On product stewardship, the Company has contracts with its consumers on water provision where their rights are spelt out

#### 5. Community Engagements-

The Company as the integral part of the community was able to provide and facilitate industrial



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

attachment to over 100 students during the period

The Company with the assistance from the County Government of Nandi also was able to supply water free of charge using its water bowser to the community during functions like public holidays and funerals

The water bowser is also used during the County Government of Nandi sports events

Members of public and other public organizations held meetings free of charge in the Board room hall



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended June 30, 2020 which show the state of the Company's affairs.

#### Principal Activities

The principal activities of the Company are water and sanitation provision though sanitation is still managed by the Nandi County Government

#### Results

The results of the Company for the year ended June 30, 2020 are set out on page 16-21

#### Dividends

Though the Company made a Loss of kshs 6,717,940 and the Directors do not recommend for any dividend payment


#### Directors

The members of the Board of Directors who served during the year are shown on page 3-4 in accordance with Regulation of the Company's Articles of Association, were recruited in May 2018 for a term of three years

#### Auditors

The Auditor General will be responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2020

By Order of the Board

  
Anthony Kiboiy  
BOARD SECRETARY



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2020. This responsibility includes:

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

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012. 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, 2020, 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's financial statements as well as the adequacy of the systems of internal financial control.

### Approval of the financial statements

The Company's financial statements were approved by the Board on 17<sup>th</sup> September 2020 and signed on its behalf by:

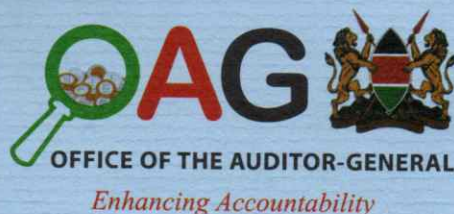
  
Mark Maritim  
BOARD CHAIR

  
Anthony Kiboly  
MANAGING DIRECTOR



# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON KAPSABET NANDI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kapsabet Nandi Water and Sanitation Company Limited set out on pages 17 to 44, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter 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 Kapsabet Nandi Water and Sanitation Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, Water Act, 2016 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1.0 Inaccuracies in Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 11 to the financial statements reflects property, plant and equipment balance of Kshs.20,929,010 as at 30 June, 2020. The balance excludes assets worth Kshs.706,977,432 in the books of Lake Victoria North Water Services Board which have not been transferred to the Company (County Water Services Provider) as required by Section 153 of Water Act, 2016 and thus do not form part of the balance reported in the financial statements. Further, the values of land on which Company's buildings stand in Kapsabet, Nandi Hills town, tanks in Kapsabet boys, Kabutie treatment works (old & new), Singorwa and Nandi hills bears club were not included in the reported balance for property, plant and equipment as at 30 June, 2020. In addition, their ownership documents were not provided for audit verification.

Consequently, the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.20,929,010 as at 30 June, 2020 is incorrect.



## **2.0 Inaccuracies in Customer Deposits**

The statement of financial position and as disclosed in Note 22 to the financial statements reflects water deposits balance of Kshs.5,132,000 under non-current liabilities as at 30 June, 2020 relating mainly to refundable meter deposits by customers. However, the deposits cash book balance of reflects a balance of Kshs.1,529,675 which was at variance with the ledger balance of Kshs.5,132,000 resulting to an unexplained and unreconciled variance of Kshs.3,602,325.

Consequently, the accuracy and completeness water deposits of Kshs.5,132,000 as at 30 June, 2020 could not be confirmed.

## **3.0 Failure to Disclose Material Uncertainty in Relation to Going Concern**

The statement of profit or loss and other comprehensive income indicates that the Company reported an operating loss of Kshs.6,717,940 for the year ended 30 June, 2020. The operating loss depleted the retained earnings from Kshs.2,410,318 as at 30 June 2019 to negative Kshs.4,307,622 as at 30 June, 2020. In the circumstances, if this loss-making trend is not reversed, the Company is likely to face financial difficulties in meeting its operating obligations as they fall due.

The financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government and its creditors. However, the material uncertainty in relation to going concern and measures put in place by the Company's directors to reverse the undesirable financial position have not been disclosed in the financial statements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kapsabet Nandi 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 Matter**

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**

#### **Failure to Meet Budgeted Revenue Target**

The Company's Management estimated to make water sales amounting to Kshs.43,296,000 during the year under review. However, the statement of profit or loss and other comprehensive income reflects water sales of Kshs.40,217,201 for the year ended 30 June, 2020 resulting in under-collection of Kshs.3,078,799 or 7% of the estimated revenue. The under-realization affected the planned activities and may have impacted negatively on service delivery to the public.



## **Other Information**

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

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

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. In this regard, I wish to report as follows:

On page 1 of the report on Key Entity Information attached to the financial statements for the year ended 30 June, 2020 are names of twelve directors who served the Company during the year under review. However, the directors' dates of birth were not provided contrary to the guidelines prescribed by the Public Sector Accounting Standards Board.

## **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 Non-Revenue Water**

During the year under review, the company produced 1,085,366 cubic meters (m<sup>3</sup>) of water out of which 670,419 cubic meters (m<sup>3</sup>) of water was billed to customers. The balance of 414,947 cubic meters (m<sup>3</sup>) or 38% of the total volume of water produced represented Non-Revenue Water which was 13% over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines.

The significant level of non-revenue water is an indication of inefficiency and ineffectiveness in use of the resources by the company and, may negatively impact on the Company's profitability and its ability to sustain services in the long run.



## **2.0 Failure to Make Annual Returns to the Registrar of Companies**

The Company was incorporated on 18 December, 2006 and is expected to file annual return every year. However, Management did not provide for audit evidence that annual returns had been submitted to the Registrar of Companies as required under the law. This was contrary to Section 705 of the Companies Act, 2015 which provides that every company shall submit to the Registrar successive annual returns each of which is made up to a date not later than the date that is from time to time the company's return date.

Consequently, the Company was in breach of law.

## **3.0 Failure to Conduct Annual General Meeting**

The Company did not hold an Annual General Meeting during the year under review, contrary to Section 310(1) of the Companies Act, 2015 which provides that every public company shall hold a general meeting as its annual general meeting within six months from and including the day following its accounting reference date in each year, whether or not it holds other meetings during that period.

Consequently, the Company was in breach of law.

## **4.0 Failure to Observe One Third (1/3) Rule on Staff Establishment**

Examination and analysis of the human resource records of the Company as at 30 June, 2020 revealed that the Company four (4) senior management staff all of whom were from the dominant community and fifty-three (53) other permanent and pensionable and contractual staff out of which forty-five (45) or 85% came from the dominant community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".

Consequently, Management was in breach of law.

## **5.0 Lack of Risk Management Policy and Strategy**

The Company Management had not put in place risk management policy, strategies and risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. This is in contravention of Regulation 158 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

## **6.0 Lack of Internal Audit Function and an Audit Committee of the Board**

The Company has not established an internal audit function and an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.



Consequently, the Bureau was in breach of law.

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Lack of Approved Information Technology Security Policy**

Review of the Company's information technology systems revealed that it has in place Enterprise Resource Planning (ERP) to manage its operations. However, the Company did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in development of ICT policy framework to enable the company realize long term ICT strategic goals. Lack of an approved IT policy may result in unclear direction regarding maintenance of information security across the organization and safeguarding the Company's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

#### **2.0 Long Outstanding Trade and Other Receivables**

The statement of financial position as at 30 June 2020 reflects trade and other receivables balance of Kshs.20,792,956. However, a review of an ageing analysis provided in support of water debtors revealed that debts amounting to Kshs.17,307,734 had been outstanding for over 90 days. Management did not provide explanation for failure to recover long outstanding debts or any indication of strategies put in place to ensure that the debts were recovered on time.

This is an indication of weak controls over debt collection.

#### **3.0 Long Outstanding Trade and Other payables**

The statement of financial position as at 30 June, 2020 reflects trade and other payables figure of Kshs.16,097,670 which according to Note 24 includes trade payables amounting



to Kshs.13,438,521, audit fees of Kshs.1,446,000 and staff payables of Kshs.1,213,149. An ageing analysis of the trade payables revealed that an amount of Kshs.9,132,837 had been outstanding for over 90 days. Management did not provide explanation for failure to pay debts on time or why the debts have not been factored for payment.

This is an indication of weak controls over debt collection.

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 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 Kenyan 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, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement profit or loss and other comprehensive income are in agreement with books of account; and
- (iv) In my opinion the information given in the report of the directors on page 14, is consistent with the financial statements.

## Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 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 assessment of the effectiveness of internal control, risk management and governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are



in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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



in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

### **Auditor-General's Responsibilities for the Audit**

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

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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 Directors.
- 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 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 Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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**

**10 February, 2022**



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

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

	NOTES	2020 kshs	2019 kshs
<b>REVENUES</b>			
Water Sales	5	40,217,201	36,954,355
Recurrent Grants	6	20,807,147	17,744,032
Other Income	7	3,658,527	4,364,200
<b>TOTAL REVENUES</b>		<b>64,682,875</b>	<b>59,062,587</b>
<b>EXPENSES</b>			
Operation costs	8	21,915,245	21,962,623
Staff Costs	9	32,656,522	27,203,578
Administration Costs	10	14,723,312	15,744,624
Provision for Depreciation	11	2,105,736	2,221,580
Provision for Amortisation	12	-	1,000,000
<b>TOTAL EXPENSES</b>		<b>71,400,815</b>	<b>68,132,405</b>
<b>PROFIT/(LOSS)</b>		<b>(6,717,940)</b>	<b>(9,069,818)</b>
<b>PROFIT (LOSS) BEFORE TAXATION</b>	13	<b>(27,203,982)</b>	<b>(26,813,850)</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>			
<b>PROFIT/(LOSS) AFTER TAXATION</b>	13	<b>(27,203,982)</b>	<b>(26,813,850)</b>
<b>DIVIDEND PER SHARE</b>		<b>NIL</b>	<b>NIL</b>



# Kapsabet Nandi Water and Sanitation Company Ltd

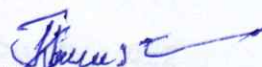
## Annual Reports and Financial Statements

For the year ended June 30, 2020


### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	NOTES	2020 kshs	2019 kshs
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant & Equipment	11	20,929,010	21,806,490
Intangible Assets	12	-	-
<b>Sub Total</b>		<b>20,929,010</b>	<b>21,806,490</b>
<b>Current Assets</b>			
Prepayment (Payables)	14	-	24,166
Inventory	15	76,065	696,331
Electricity Deposits	16	311,000	-
Trade & Other Receivables	17	20,792,956	17,821,186
Bank & Cash Balances	18	1,919,722	2,859,999
<b>Sub Total</b>		<b>23,099,743</b>	<b>21,401,682</b>
<b>TOTAL ASSETS</b>		<b>44,028,752</b>	<b>43,208,172</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital	19	100,000	100,000
Retained Earnings	20	(4,307,622)	2,410,318
Capital Grants	21	26,672,763	26,463,863
<b>Capital and Reserves</b>		<b>22,465,141</b>	<b>28,974,181</b>
<b>Non Current Liabilities</b>			
Water Deposits	22	5,132,000	4,844,800
<b>Sub Total</b>		<b>5,132,000</b>	<b>4,844,800</b>
<b>Current Liabilities</b>			
Prepayment (Receivables)	23	333,942	294,612
Trade & Other Payables	24	16,097,670	9,094,580
<b>Sub Total</b>		<b>16,431,612</b>	<b>9,389,192</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>44,028,752</b>	<b>43,208,172</b>

The Company's financial statements were approved by the Board on 17<sup>th</sup> September 2020 and signed on its behalf by:

  
Mark Maritim  
**BOARD CHAIR**

  
Anthony Kibo  
**MANAGING DIRECTOR**

  
Simeon Birgen  
**ACCOUNTANT**



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

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

	ORDINARY SHARE	CAPITAL GRANTS	RETAINED EARNINGS	TOTAL
<b>AS AT JULY 1 2018</b>	100,000	24,233,863	11,480,136	35,813,999
Profit/Loss for the year			(9,069,818)	(9,069,818)
Capital Grants	-	-	-	-
<b>AS AT JUNE 30, 2019</b>	100,000	24,233,863	2,410,318	26,744,181
<b>AS At JULY 1, 2019</b>	100,000	24,233,863	2,410,318	26,744,181
Profit for the year			(6,717,940)	(6,717,940)
Capital Grants	-	208,900	-	208,900
<b>AS AT JUNE 30, 2020</b>	100,000	24,442,763	(4,307,622)	20,235,141



**Kapsabet Nandi Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 kshs	2019 kshs
<b>Operating Profit/(Loss)</b>		<b>(6,717,940)</b>	<b>(9,069,818)</b>
Provision for Depreciation	11	2,105,736	2,221,580
Provision for Amortisation	12	-	1,000,000
Provision for Bad & Doubtful Debts		-	-
<b>Operating Profit / (Loss) before Working Capital</b>		<b>(4,612,204)</b>	<b>(5,848,238)</b>
Increase/Decrease in Prepayment (Payable)	14	24,166	5,129,783
Increase in Inventories	15	620,266	(290,043)
Increase in Electricity Deposits	16	(311,000)	-
Increase in Trade & other Receivables	17	(2,971,770)	2,807,591
Increase in Water Deposits	22	287,200	353,000
Increase in Prepayment (Receivables)	23	39,330	(198,720)
Increase /Decrease in Trade & other Payables	24	7,003,090	1,820,094
<b>Cash generated from/used in Operations</b>		<b>4,691,282</b>	<b>9,621,705</b>
<b>Net Cash generated from /used in Operating activities</b>		<b>79,079</b>	<b>3,773,467</b>
<b>Investing Activities</b>			
Acquisition of Property ,Plant & Equipment	11	(1,228,256)	(3,630,740)
<b>Net Cash generated from / used in Investing Activities</b>		<b>(1,228,256)</b>	<b>(3,630,740)</b>
<b>Financing Activities</b>			
Capital grants	21	208,900	2,230,000
<b>Net Cash generated from / used in Financing Activities</b>		<b>208,900</b>	<b>2,230,000</b>
<b>INCREASE /DECREASE IN CASH &amp; CASH EQUIVALENT</b>		<b>(940,277)</b>	<b>2,372,727</b>
<b>CASH &amp; CASH EQUIVALENT AT BEGINNING OF THE YR</b>		<b>2,859,999</b>	<b>487,272</b>
<b>CASH AND CASH EQUIVALENT AT END OF THE YR</b>	<b>18</b>	<b>1,919,722</b>	<b>2,859,999</b>



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

For the year ended June 30, 2020

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

ACCOUNT	ORIGINAL BUDGET	FINAL BUDGET	ACTUALS	VARIANCE	
				kshs	%
<b>Revenue</b>					
Water Sales	43,296,000	43,296,000	40,217,201	(3,078,799)	(7)
Other Income	3,494,000	3,494,000	3,658,527	164,527	5
Grants	15,168,925	15,168,925	20,807,147	5,638,222	37
<b>TOTAL INCOME</b>	<b>61,958,925</b>	<b>61,958,925</b>	<b>64,682,875</b>	<b>2,723,950</b>	<b>35</b>
<b>Expenditure</b>					
Electricity	17,040,000	17,040,000	18,075,076	1,035,076	6
Chemicals	2,531,240	2,531,240	2,401,288	(129,952)	(5)
Water Quality	24,000	24,000	24,312	312	1
Operations & Maintenance	1,465,800	1,465,800	1,438,881	(26,919)	(2)
Salary and Wages	30,617,347	30,617,347	31,075,087	457,740	1
Employers' Statutory Contr.	1,535,604	1,535,604	1,581,436	45,832	3
Fuel & Lubricants	1,051,000	1,051,000	965,918	(85,082)	(8)
Repairs & Maintenance	704,000	704,000	697,605	(6,395)	(1)
Staff Travelling, Lunch & Subs.	4,138,716	4,138,716	4,019,377	(119,339)	(3)
Staff Training & Workshop	66,000	66,000	61,100	(4,900)	(7)
Professional Fees	36,000	36,000	34,200	(1,800)	(5)
BOD Allowances	671,988	671,988	656,438	(15,550)	(2)
BOD Expenses	619,996	619,996	598,400	(21,596)	(3)
Honoraria	120,000	120,000	120,000	-	-
Printing & Stationery	380,920	380,920	374,013	(6,907)	(2)
Communication Services	1,261,000	1,261,000	1,211,778	(49,222)	(4)
Advertisement & Publicity	85,000	85,000	5,600	(79,400)	(93)
Welfare & Hospitality	1,024,400	1,024,400	972,302	(52,098)	(5)
Uniform & Protective Equip.	67,000	67,000	70,750	3,750	6
Subscription Fees	60,000	60,000	55,000	(5,000)	(8)
Consultancy Fees	90,000	90,000	83,000	(7,000)	(8)
Annual Software License	300,000	300,000	319,720	19,720	7
Audit Fees	236,004	236,004	232,000	(4,004)	(2)
Security	1,404,000	1,404,000	1,320,000	(84,000)	(6)
Staff Medical Cover	1,800,000	1,800,000	-	(1,800,000)	(100)
Insurance	150,000	150,000	149,729	(271)	(0)
Provision for Depreciation	1,980,000	1,980,000	2,105,736	125,736	6
Provision for Amortisation	-	-	-	-	-
Provision for Bad Debts	306,000	306,000	321,105	15,105	5
Debts Collection Fees	60,000	60,000	-	(60,000)	(100)
Regulatory Levy	1,871,600	1,871,600	1,755,029	(116,571)	(6)
Abstraction Fees	572,004	572,004	592,506	20,502	4
AGM	60,000	60,000	-	(60,000)	(100)
Titles Acquisition Fees	90,000	90,000	-	(90,000)	(100)
Legal Fees	150,000	150,000	-	(150,000)	(100)
Bank Charges	90,000	90,000	83,429	(6,571)	(7)
<b>TOTAL EXPENSES</b>	<b>72,659,619</b>	<b>72,659,619</b>	<b>71,400,815</b>	<b>(1,258,804)</b>	<b>(2)</b>

#### NOTES

The Company did not do any adjustment to the original approved budget. The variances of income and expenses of more than 10 % have been explained below:

#### ♦ Grants (+37 %)

The County Government of Nandi remitted the budgeted subsidy plus the balances for FY 2018/19

#### ♦ Advertisement & Publicity (-93%)



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For the year ended June 30, 2020

The Company did not utilize the vote since it had no publicity in the financial year

❖ **Staff Medical Cover (-100%)**

The Company was not able to meet the cover payment of the service provider

❖ **Debts Collection fee (-100%)**

The Company did not utilize the vote as the Revenue section was enhanced and was able to collect effectively

❖ **AGM (-100%)**

The company did not hold the meeting during the year

❖ **Title Acquisition fees (-100%)**

The Company did not utilize the funds because the relevant department was still processing the PDPs

❖ **Legal Fees (-100%)**

The Company did not pay the fees during the year as it did not have any legal issues

Overall, the Company was within the budget on income and expenditure



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### For the year ended June 30, 2020

#### NOTES TO THE FINANCIAL STATEMENTS

##### 1. GENERAL INFORMATION

Kapsabet Nandi Water & Sanitation Company Ltd is established by and derives its authority and accountability from Company Act.

The Company is wholly owned by the County Government of Nandi and is domiciled in Kenya, Kapsabet Town. The Company's principal activity is water and sanitation provision.

For Kenyan Companies Act reporting purposes, the Balance Sheet is represented by the statement of Financial Position and the Profit and Loss account by the statement of Profit & Loss and other Income in these financial statements.

##### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements.

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.

##### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS(IFRS)

###### 1) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

###### IFRS 16: Leases

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

###### 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)



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

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

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

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

The amendments, applicable to annual periods beginning on or after 1st January 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.

#### **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



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### For the year ended June 30, 2020

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.

**The above amendments do not have any impact on the Company's financial statements**

#### **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 IASC 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*.

The Directors do not plan to apply any of the above until they become effective. However, 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.

#### **ii) Early adoption of standards**

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

## **4. ACCOUNTING POLICIES**

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

### **a. Basis of Preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared under the historical cost convention

The financial statements shall be 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 and the State Corporations Act

The accounting policies adopted have been consistently applied to all the years presented

### **b. 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



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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 has been recognized in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii. Grants from National Government and County Government have been recognized in the year in which the Company actually receives such grants.  
Grants for acquisition of fixed assets shall be measured at fair value less costs to sell and recognized in the income statement as the asset is depreciated or amortized but recurrent grants are recognized in the income statement  
The granted fixed assets shall be recognized as capital grants in the financial position statement.  
Any un used grant has been recognized as un expended grant in the financial position statement as a liability
- iii. Other income has been recognized as it accrues.

### c. Expenditure Recognition

Expenditure is recognized on an accrual basis.

### d. Translation of Foreign Currencies

All assets and liabilities expressed in foreign currencies are converted into Kenya Shillings at the exchange rate ruling at the balance sheet date.

Transactions in foreign currencies during the year shall be converted at the rates ruling at the date of the transaction.

The resulting exchange differences are recognized in the statement of financial performance.

### e. Reporting in Foreign Currencies

Financial statements may be translated into a foreign currency for the purposes of Development Partner reporting where required.

### f. Segmental Reporting

Segment information has been presented in respect of the Company's geographical segments and will be based on the location over which the Company has jurisdiction.

Segment results, assets and liabilities include items directly attributable to a segment.

### g. Property, Plant and Equipment

Items of property, plant and equipment have been stated at historical cost less accumulated depreciation and impairment.

Fixed assets donated to the Company are included in the accounts at the amount attributed to them by the Development partners.

Fixed assets received from Development partners whose values have not been determined will be valued by a recognized valuer before inclusion in the asset register.

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

Property, plant and equipment shall include granted fixed assets by Government, development partners and those acquired by the Company but shall exclude all fixed assets leased and owned by Lake Victoria North Water Services Board unless they have been transferred to the Company

The Company will service, maintain and insure all granted and leased fixed assets.

### h. Intangible Assets

Intangible assets comprise purchased software licenses, which are capitalized on the basis of costs



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incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

### i. Depreciation & Impairment of Property, Plant and Equipment

Freehold land and capital work in progress have not been depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.

A full year's depreciation charge have been recognized both in the year of asset purchase and in the year of asset disposal.

The annual rates of depreciation used are as follows:

Buildings	5%
Land	Nil
Water Supply infrastructure	2.5%
Plant, machinery and equipment	12.5%
Office Equipment	12.5%
Computer Equipment	30%
Motor vehicles	25%
Furniture and fittings	12.5%

### j. Amortization and Impairment of Intangible Assets

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

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

### k. Operating Lease Rentals

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement account on a straight-line basis over the period of the lease.

### l. Inventories

Inventories have been stated at the lower of cost and net realizable value. Cost includes all costs of purchase and other charges incurred in bringing the inventories to their present location and condition. The cost of inventories is based on the weighted average cost. If the purchase cost is higher than the net realizable value, stocks are have been written down to net realizable value.

### m. Trade and Other Receivables

Trade and other receivables have been recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis.

The Company's receivables include but not limited to amounts due on sale of water, water boozing service, among other fees and staff advances.

Debtors may arise from amounts due to the Company from another party resulting from contractual obligations or other transactions.

The Company shall maintain a separate account for each debtor. Debtors' accounts shall be maintained by the Accountant and Debtors ageing analysis shall be prepared monthly.

### Recoverability

The Company may allow up to 60 days moratorium before payment for monthly bill or any other amounts due on contractual obligation.



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### For the year ended June 30, 2020

This period may however be revised by the MD and Board of Directors, if deemed necessary. Outstanding debts shall be followed up through phone call, physical visits and subsequently in writing to notify the debtor to honor the debt.

The Company shall recover water debts by:

- ❖ Disconnecting the consumer
- ❖ Disconnecting any other connection(s) related to the consumer
- ❖ Transferring any credit in connection(s) related to the consumer

#### Bad Debts Provision /Write off Policy

The **Head of Finance** shall review all outstanding debts which are under dispute, on a monthly basis, before any bad debt provisions are made.

Provisions shall be made for bad and doubtful debts at **10 %** of the outstanding amount:

For individual arrears in excess of **Kshs. 5,000** the bad debts should only be written off on the authority of the Board of Directors.

Debts will be written off only after all reasonable steps have been taken to recover the debt and the Company is satisfied that:

- ❖ All legal and other measures have been exhausted, but there is still a balance of the debt remaining; and
- ❖ Recovery of the debt would be uneconomical.

The **Head of Finance** presents the list of debts to be written off to the **MD** with the full details of the debt and the reasons for being irrecoverable

The list will be forwarded to the relevant **Board committee** for discussion and adoption and finally to the **BOD** for approval

#### n. 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 Company or not, less any payments made to the suppliers.

Payments are made as per the aging analysis of the payables and if the Company has a reason of nonpayment, the creditor is informed in advance by letters or phone calls

#### o. Prepayments

These are advance payment to suppliers or by water consumers

The Company shall maintain a prepayment schedule for all prepayments

#### p. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions were determined by the management based on the information available and shall be 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 management has provided **10 %** for bad and doubtful debts

#### q. Consistency

Consistency accounting methods have been applied and changes made reported and the effect on reported results disclosed in accordance with generally accepted Accounting Principles.

#### r. Related Party Disclosures

Related party disclosures are persons and entities that have control or joint control, significant influence, and members of the key management. It does not include providers of finance, trade unions, public utilities



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or agencies of government that do not control, jointly or significant influence in the Company. The Company have recognize related party transactions when there is transfer of resources, services or obligations between related parties regardless of whether a price is charged. The Company has disclosed the nature of relationship, information of transaction and balance for understanding of the potential effect of the relationship on the financial statements.

#### s. Financial Instruments

These are contracts that give to a financial asset or liability when the Company becomes a party to contractual provisions of the instrument.

A financial asset is an asset that is in cash, an equity instrument of another entity, a contractual right or contract that will or may be settled in the entity own equity instrument.

The financial instruments shall initially be recognized at fair value on the statement of financial position when the entity becomes party to the contractual provisions of the instrument and measured initially at fair value but subsequently measured on the category into which the instrument is classified.

#### t. Taxation

The purpose of this section is:

- i. To ensure that the Company is in compliance with the Tax regulations;
- ii. To ensure that proper accounting procedures are followed in the processing of tax transactions; and
- iii. To ensure that proper documentation is maintained for tax purposes.

#### Withholding Tax Deductions

The Company deducts withholding tax for every consultancies and contractor and shall remit the same to the Income Tax Department of the Kenya Revenue Authority as prescribed by the Income Tax Act. The consultants and contractors will be required to provide their PIN.

The applicable withholding tax rates for payments to residents and non residents are provided in the Income Tax Act and it is the responsibility of the Company to ensure compliance with Kenyan tax legislation.

The deducted Withholding tax will be accumulated in a liability account and paid promptly on or before the 20<sup>th</sup> day of the month following that in which the deduction is made and filled through the i tax portal. The Company will issue withholding tax certificates to the consultants and contractors accordingly.

#### PAYE (Pay as you Earn)

The Company deducts PAYE from every employee of the Company. The amount shall be computed based on the advised KRA income tax schedule and shall include tax on all income related allowance.

PAYE returns are submitted, together with supporting payroll documentation to the Income Tax Department i tax portal by the 9<sup>th</sup> day of the subsequent month.

The Company issues P9 certificates to all employees at the end of the year.

#### Accounting for VAT on Purchases

The Company is not registered for VAT neither is it exempt from paying VAT and it therefore suffers VAT on supplies of goods and services.

However reverse VAT will be computed and paid for all imported goods and services

#### Tax on the Company Income

The Company enjoys an income tax exemption status which is renewable every five years on application. However nil tax returns will be made before 30<sup>th</sup> June of every year.

Current income tax assets and liabilities for the current period shall be 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 Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in



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the statement of financial performance.

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

### Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

### u. Cash and Cash Equivalent

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

### v. Retirement Benefit Obligations

The Company operates a defined contribution scheme for all full-time employees from with National Water Pipeline Corporation. The scheme shall be contributory and shall be by contributions from both the Company and its employees at 15 % to 12 % of the basic salary.

The Company also contributes to the statutory National Social Security Fund (NSSF) for all staff. This is a defined contribution scheme registered under the National Social Security Act.

The Company's obligation under the scheme shall be limited to specific contributions legislated from time to time

### w. Provisions for Staff Leave Pay

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

### x. Budget Information

The budget was approved by Board of Directors and any additional appropriations made to the approved budget

The Company's budget was prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements will be 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 will be 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, will be presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements will be made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget

### y. Comparative figures

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

### z. Significant Judgment and Sources of Estimation Uncertainty

The preparation of the Company's financial statements is 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.



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### For the year ended June 30, 2020

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. The Company shall state all judgments, estimates and assumptions made: e.g.

#### 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 Company 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 Company. Such changes are reflected in the assumptions when they occur.

#### Useful lives and residual values

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

- ❖ The condition of the asset based on the assessment of experts employed by the Company
- ❖ 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

#### aa. Contingent Liabilities and Assets

A current liability is a possible obligation depending on whether some uncertain future event occurs or a present obligation but payment is not probable or the amount cannot be measured. eg pending law suits by employees and third parties. The Company shall recognize current liabilities if they are present obligations assumed in a business combination. They are disclosed in the notes to the financial statements unless the likelihood of an outflow of resources is remote.

Contingent assets are not recognized in the financial position statement.



# Kapsabet Nandi Water and Sanitation Company Ltd

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### For the year ended June 30, 2020

#### NOTES TO THE FINANCIAL STATEMENTS

	NOTES	2020 kshs	2019 kshs
<b>5 WATER SALES</b>			
Kapsabet Scheme		32,596,566	30,573,140
Nandi Hills Scheme		7,620,635	6,381,215
<b>Total</b>		<b>40,217,201</b>	<b>36,954,355</b>
<b>6 RECURRENT GRANTS</b>			
Nandi County Government: Electricity		8,725,662	9,450,350
Salary & Wages		12,081,485	8,293,682
<b>Total</b>		<b>20,807,147</b>	<b>17,744,032</b>
<b>7 OTHER INCOME</b>			
Meter Rent		2,105,057	1,924,350
Fees & Charges		1,211,000	1,102,650
Water Boozer		342,470	985,890
Decrease in Provision for Bad & Doubtful Debts	25	-	351,310
<b>Total</b>		<b>3,658,527</b>	<b>4,364,200</b>
<b>8 OPERATION COSTS</b>			
Electricity		18,075,076	17,936,176
Chemicals		2,401,288	2,514,648
Operation & Maintenance		1,438,881	1,511,799
<b>Total</b>		<b>21,915,245</b>	<b>21,962,623</b>
<b>9 STAFF COSTS</b>			
Salaries and Wages		31,075,087	25,811,556
Employers' Statutory Contribution		1,581,436	1,392,022
<b>Total</b>		<b>32,656,522</b>	<b>27,203,578</b>
<b>10 ADMINISTRATION COSTS</b>			
Fuel & Lubricants		965,918	2,104,705
Water Quality		24,312	-
Repairs & Maintenance		697,605	1,126,772
Travelling, Lunches & Subsistence		4,019,377	3,218,230
Staff Training & Workshops		61,100	888,800
Professional Fees		34,200	2,430
Directors Allowances		656,438	719,299
Directors' Expenses		598,400	448,725
Chairman's Honoraria		120,000	120,000



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Printing & Stationery	374,013	558,789
Communication Services	1,211,778	1,112,320
Advertisement & Publicity	5,600	277,970
Welfare & Hospitality	972,302	669,279
Staff Uniform & Protective Equipment	70,750	244,962
Subscription Fee	55,000	55,000
Consultancy Fee	83,000	-
Annual License Fee	319,720	105,698
Audit Fees	232,000	232,000
Security	1,320,000	1,208,000
Corporate Social Responsibility	-	327,500
Insurance	149,729	65,018
Provision for Bad & Doubtful Debts	25	321,105
Debts Recovery Fees	-	210,800
Regulatory Levy(WASREB)	1,755,029	1,292,761
Abstraction Fees(WRMA)	592,506	441,867
Annual General Meeting	-	-
Titles Deed Acquisition Fees	-	224,600
Bank Charges	83,429	89,099
<b>Total</b>	<b>14,723,312</b>	<b>15,744,624</b>

#### 11 PROPERTY, PLANT & EQUIPMENT

ASSET	PLANT & METERS	MOTOR VEHICLES	BUILDINGS	FURNITURE FIXTURES	COMPUTERS & PRINTERS	OFFICE EQUIPMENT	TOTAL
<b>Cost or Valuation</b>							
As at July 1, 2018	4,936,480	638,400	17,849,263	1,248,785	1,364,606	471,880	26,509,414
Additions	2,230,000	104,000	198,099	17,511	820,500	260,630	3,630,740
Transfer	-	-	-	-	-	-	-
As at June 30, 2019	7,166,480	742,400	18,047,362	1,266,296	2,185,106	732,510	30,140,154
As at July 1, 2019	7,166,480	742,400	18,047,362	1,266,296	2,185,106	732,510	30,140,154
Additions	595,000	-	-	-	272,900	360,356	1,228,256
Transfer	-	-	-	-	-	-	-
As at June 30, 2020	7,761,480	742,400	18,047,362	1,266,296	2,458,006	1,092,866	31,368,410
<b>Depreciation</b>							
As at July 1, 2018	1,561,333	159,600	3,239,011	308,885	723,123	120,132	6,112,084
Charge for the YR	700,643	145,700	740,418	119,677	438,595	76,547	2,221,580
As at June 30, 2019	2,261,976	305,300	3,979,429	428,562	1,161,718	196,679	8,333,644
As at July 1, 2019	2,261,976	305,300	3,979,429	428,562	1,161,718	196,679	8,333,644
Charge for the YR	687,438	109,275	703,397	104,717	388,886	112,023	2,105,736
As at June 30, 2020	2,949,414	414,575	4,682,826	533,279	1,550,604	308,702	10,439,400
<b>Net Book Value</b>							
As at June 30, 2020	4,812,066	327,825	13,364,536	733,017	907,402	784,164	20,929,010
As at June 30, 2019	4,904,504	437,100	14,067,933	837,735	1,023,388	535,831	21,806,491

#### 12 INTANGIBLE ASSETS

	2020	2019
	kshs	kshs
<b>Cost</b>		
As at July 1, 2018	3,000,000	3,000,000



# Kapsabet Nandi Water and Sanitation Company Ltd

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

Additions	-	-
<b>As at June 30, 2019</b>	<b>3,000,000</b>	<b>3,000,000</b>
As at July 1, 2019	3,000,000	3,000,000
<b>Additions</b>	<b>-</b>	<b>-</b>
<b>As at June 30, 2020</b>	<b>3,000,000</b>	<b>3,000,000</b>
<b>Amortisation</b>		
As at July 1, 2018	2,000,000	1,000,000
Charge for the year	1,000,000	1,000,000
<b>As at June 30, 2019</b>	<b>3,000,000</b>	<b>2,000,000</b>
As at July 1, 2019	3,000,000	2,000,000
<b>Charge for the year</b>	<b>-</b>	<b>1,000,000</b>
As at June 30, 2020	3,000,000	3,000,000
<b>Net Book Value</b>		
<b>As at June 30, 2020</b>	<b>-</b>	<b>-</b>
<b>As at June 30, 2019</b>	<b>-</b>	<b>1,000,000</b>
<b>13 TAXATION</b>		
Profit /(Loss) for the year	(6,717,940)	(9,069,818)
<b>Add-Non Allowable Expenses</b>		
Depreciation/Amortisation	2,105,736	3,221,580
Provision for Bad & Doubtful Debts	321,105	-
<b>Sub Total</b>	<b>(4,291,098)</b>	<b>(5,848,238)</b>
<b>Less: Non Taxable Income</b>		
County Government of Nandi Grants	20,807,147	17,744,032
Wear & Tear Allowance	2,105,736	3,221,580
<b>Sub Total</b>	<b>22,912,883</b>	<b>20,965,612</b>
<b>Taxable Income</b>	<b>(27,203,982)</b>	<b>(26,813,850)</b>
<b>14 PREPAYMENT (Payables)</b>		
Kenya Power	-	664
Jamii Telecom	-	1,462
Nairobi Iron Mongers	-	22,040
<b>Total</b>	<b>-</b>	<b>24,166</b>
<b>15 INVENTORIES</b>		
Stationery	35,245	35,245
O & M materials	35,670	61,830
Chemicals	5,150	599,256
<b>Total</b>	<b>76,065</b>	<b>696,331</b>
<b>16 ELECTRICITY DEPOSITS</b>		
AC 07172834	3,000	-



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

### For the year ended June 30, 2020

AC 074001043		5,000	-
AC 33579246		3,000	-
AC 34216141		300,000	-
<b>Total</b>		<b>311,000</b>	<b>-</b>
<b>17 TRADE &amp; OTHER RECEIVABLES</b>			
Water Debtors		22,503,154	19,292,096
Less: Provision of Bad Debts (10%)		(2,250,315)	(1,929,210)
Staff Advances		540,117	458,300
<b>Total</b>		<b>20,792,956</b>	<b>17,821,186</b>
<b>Water Debtors Aging Analysis</b>			
Less than 30 days		3,030,748	2,918,531
31 - 60 days		2,164,673	2,828,979
61 - 90 days		1,606,962	1,401,576
91 - 120 days		1,592,274	1,066,311
Over 120 days		14,108,498	11,076,699
<b>Total</b>		<b>22,503,154</b>	<b>19,292,096</b>
<b>18 CASH &amp; CASH EQUIVALENT</b>			
Cash at Hand:			
Cash at Bank:			
<b>Account NO</b>	<b>A/C Name</b>	<b>Bank</b>	
1131111826	Revenue	KCB	285,972 184,062
1166504891	Expenditure	KCB	11,405 122,643
1166504514	Deposit	KCB	1,529,675 1,974,430
1177900262	Boozer	KCB	20,428 39,963
<b>Sub Total</b>		<b>1,847,480</b>	<b>2,321,098</b>
<b>Pay Points</b>			
744130011694	Revenue	Post Bank	56,659 443,626
<b>Cash at M PESA:</b>			
<b>Pay Bill NO</b>			
990720	Revenue	Safaricom	15,583 95,275
<b>Sub Total</b>		<b>15,583</b>	<b>95,275</b>
<b>Total</b>		<b>1,919,722</b>	<b>2,859,999</b>
<b>19 SHARE CAPITAL</b>			
Authorized Share Capital:		100,000	100,000
5,000 ordinary shares at kshs 20@			
Issued and Paid up Shares Capital:		100,000	100,000
5,000 ordinary shares at kshs 20@			



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

### For the year ended June 30, 2020

<b>20 RETAINED EARNINGS</b>				
Balance B/F			2,410,318	11,480,136
Profit/(Loss) for the year			(6,732,025)	(9,069,818)
Balance C/F			(4,321,707)	2,410,318
<b>21 CAPITAL GRANTS</b>				
<b>i Water Sector Fund</b>				
Bal B/F	Public Sanitation Facilities		14,123,848	14,123,848
	Water Kiosks		2,735,015	2,735,015
Additions	Tablets		155,400	-
	Computer		53,500	-
Bal C/F			17,067,763	16,858,863
<b>ii Nandi County Government</b>				
Bal B/F	Water Meters		6,455,000	4,225,000
	Smart Phones		150,000	150,000
	Billing software		3,000,000	3,000,000
Additions	Water Meters		-	2,230,000
Bal C/F			9,605,000	9,605,000
Total			26,672,763	26,463,863
<b>22 WATER DEPOSITS</b>				
Balance B/F			4,844,800	4,491,800
Additions			290,000	354,000
Less: Refunds			(2,800)	(1,000)
Balance C/F			5,132,000	4,844,800
<b>23 PREPAYMENT (Receivables)</b>				
Water Consumers			333,942	294,612
Total			333,942	294,612
<b>24 TRADE &amp; OTHER PAYABLES</b>				
Trade Payables			13,438,521	7,638,580
OAG Kenya			1,446,000	1,456,000
Staff Payables			1,213,149	-
Total			16,097,670	9,094,580
<b>25 PROVISION FOR BAD &amp; DOUBTFUL DEBTS</b>				
Water Debtors			22,503,154	19,292,096
Provision for Bad & Doubtful Debts (10%) for the year			2,250,315	1,929,210
Accumulated Provision Balance C/F			2,250,315	1,929,210



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## Annual Reports and Financial Statements

### For the year ended June 30, 2020

Accumulated Provision Balance B/F	1,929,210	2,280,520
Increase /Decrease in Provision	321,105	(351,310)

#### 26 RELATED PARTIES DISCLOSURE

- ❖ County Government of Nandi
- ❖ Water Sector Fund
- ❖ Key Management
- ❖ Board of Directors:

##### i County Government of Nandi

###### Recurrent Expenses

Electricity

8,725,662 9,450,350

Salaries & Wages

12,081,485 8,293,682

Pipes & Fittings

- -

###### Sub Total

20,807,147 17,744,032

###### Capital (Development) Expenses

Billing Software

- -

Smart Phones

- -

###### Sub Total

- -

###### Total

- 17,744,032

##### ii Water Sector Fund

###### Capital (Development) Expenses

Office Equipment

208,900 -

Public Sanitation Facility

- -

###### Sub Total

208,900 -

##### iii Directors & Key Management Compensation

Directors' Allowances

656,438 656,438

Directors' other Expenses

598,400 598,400

Compensation to Key Management

10,115,795 8,169,471

###### Sub Total

11,370,633 9,424,309

#### 27 CAPITAL COMMITMENTS

There were no capital commitments or work in progress at the close of the year.

#### 28 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

### For the year ended June 30, 2020

changes in foreign currency.

The Company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The Company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

#### I. Credit Risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal or external assessment in accordance with limits set by the Directors.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Company has significant concentration of credit risk on amounts due from the past due category. The Board of Directors sets the Company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ACCOUNT	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>				
Receivables from Exchange Transactions	22,503,154	5,195,421	17,307,734	-
Bank Balances	1,919,722	1,919,722	-	-
<b>Total</b>	<b>24,422,876</b>	<b>7,115,143</b>	<b>17,307,734</b>	<b>-</b>
<b>At 30 June 2019</b>				
Receivables from Exchange Transactions	19,292,096	5,747,510	13,544,586	-
Bank Balances	2,859,999	2,859,999	-	-
<b>Total</b>	<b>22,152,095</b>	<b>8,607,509</b>	<b>13,544,586</b>	<b>-</b>

#### II. Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Company's Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.



# Kapsabet Nandi Water and Sanitation Company Ltd

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### For the year ended June 30, 2020

ACCOUNT	Less than 3 months	Between 3- 12 months	Over 1 yr	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>				<b>16,097,670</b>
Trade Payables	7,312,082	4,287,378	4,498,210	<b>2,440,926</b>
Provisions	2,440,926	-	-	-
Deferred Income	-	-	-	-
<b>Total</b>	<b>9,753,009</b>	<b>4,287,378</b>	<b>4,498,210</b>	<b>18,538,596</b>
<b>At 30 June 2019</b>				<b>9,094,580</b>
Trade Payables	5,007,978	988,405	3,098,197	<b>3,221,580</b>
Provisions	3,221,580	-	-	-
Deferred Income	-	-	-	-
<b>Total</b>	<b>8,229,558</b>	<b>988,405</b>	<b>3,098,197</b>	<b>12,316,160</b>

### iii. Market Risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Company's income or the value of its holding of financial instruments.

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

#### a) Foreign currency risk

The Company has no foreign risk as it does not deal with foreign currency.

#### b) Interest rate risk

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

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

#### Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts.

The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

The Company did not keep any deposits that could earn interest but maintained current account only

### iv. Capital Risk Management

The objective of the Company's capital risk management is to safeguard the Board's ability to continue as a going concern. The Company monitors capital using the gearing ratio calculated as net debt divided by total capital.

Net debt is the total of interest bearing loans and borrowings, trade and other payables less cash and cash equivalents.



# Kapsabet Nandi Water and Sanitation Company Ltd

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The Company capital structure comprises of the following funds:

ACCOUNT	2019-20 kshs	2018-19 Kshs
Revaluation Reserve	-	-
Retained Earnings	-4,307,622	2,410,318
Capital Reserves	26,672,763	26,463,863
Share Capital	100,000	100,000
<b>Total Funds</b>	<b>22,465,141</b>	<b>28,974,181</b>
Total Borrowings	-	-
Trade Payables	16,097,670	9,094,580
<b>Less: Cash and Bank Balances</b>	<b>-1,919,722</b>	<b>-2,859,999</b>
<b>Net debt/(excess Cash and Cash Equivalents)</b>	<b>14,177,948</b>	<b>6,234,581</b>
<b>Gearing Ratio</b>	<b>63%</b>	<b>22%</b>

## 29 EVENTS AFTER THE REPORTING PERIOD

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



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

### For the year ended June 30, 2020

#### APPENDIX

#### APPENDIX I PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The financial statements and reports for FY 2018-19 for the Company were audited and it had a qualified opinion

##### Basis for Qualified Opinion

#### 1.0 Property Plant and Equipment

The statement of financial position as at 30 June 2019 reflects property, plant and equipment balance of Kshs. 21,806,490. However, assets amounting to Kshs. 706,977,432 which have been in the books of Lake Victoria North Water Services Board (LVNWSB) have not been transferred to the company (county water services provider) as required by Section 153 of Water Act, 2016 and thus do not form part of the balance reported in the financial statements. Further, the values of land on which buildings stand in Kapsabet, Nandi Hills town, tanks in Kapsabet boys, Kabutle treatment works (old & new), Singorwa and Nandi hills bears club were not included in the reported balance for property, plant and equipment as at 30 June 2019 and in addition their ownership documents such as title deeds, leases or allotments were not availed for audit verification. Consequently, the validity, accuracy and completeness of property, plant and equipment balance of Kshs. 21,806,490 as at 30 June 2019 could not be confirmed.

##### Management Comments

The Company has initiated the process of acquiring the ownership documents for the land and later will later carry out the valuation of the same. The Company has Part Development Plans (PDPs) which have been forwarded to the County Government of Nandi Cabinet for approval

##### Focal person

Mr Anthony Kiboiy – Managing Director

##### Audit query status

The Company has initiated the process of acquiring the ownership documents for the land on which the Kapsabet and Nandi Hills offices are domiciled and later carry out the valuation of the same.

##### Time frame

One year

##### Management Comments

The variance in the financial position of kshs 1,000,000 was due to casting error of the assets which has been corrected accordingly as attached.

#### 1.0 Long Outstanding Trade and Other Receivables

The statement of financial position as at 30 June 2019 reflects trade and other receivables figure of Kshs. 17,821,186 which includes an amount of Kshs. 13,544,586 which has been outstanding for over 60 days contrary to Section 6.3 of the Water Services Board Financial Manual of December 2005.

Under the circumstances, the recoverability of the long outstanding debts balance of Kshs. 13,544,586 could not be confirmed.

##### Management Comments

Majority of the outstanding amounts owed to the Company are with the domestic consumers who constitute approximately 90% of the total consumers of the Company. While disconnections have been carried out in majority of those consumers who have outstanding arrears, they have always opted for alternative sources of getting water such as streams, roof catchments, and boreholes among others without clearing their outstanding water bills. The Company has issued demand notices to consumers in addition to making house to house visits with a view to



# Kapsabet Nandi Water and Sanitation Company Ltd

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For the year ended June 30, 2020

reduce these arrears. Out of these efforts, the Company has realized a considerable reduction in the outstanding arrears.

The Company has a challenge in dealing with consumers in rural areas since most of them perceive the water supply as a free government service and hence are not willing to pay their water debts. Furthermore, the rural customers have alternative sources of water such as rain water, streams and shallow wells, and thus they easily opt to use water from these sources upon disconnection from the Company pipeline without clearing their debts.

Having realized the challenges relating to the collection of the outstanding arrears, the management has formed a revenue collection unit with a sole purpose of collecting the amounts and where necessary give the status of some of debtors with the aim of advising the Management and the Board of Directors on the amounts that are collectable and those that are not collectable. The Revenue Collection Unit holds its meetings on weekly basis to strategize on the collection of the current bills and outstanding arrears against the set targets for each route. The Company has also made part payment arrangements to encourage customers under cut off to pay their debts. In an attempt to address the issue of self-reconnections, the Management has also opted for disconnection from the off-take to ensure the customers do not access the water. The management is in discussion with the Legal Department of the County Government of Nandi to write to the water consumers to remind them of legal action on non-payment of water bills.

### Focal person

Mr Anthony Kiboii – Managing Director

### Audit query status

The Company has formed a dedicated revenue team to collect the arrears

### Time frame

One year

## 2.0 Staff Acting Beyond Six (6) Months

Audit review of personnel records availed for audit revealed that the Managing Director has been acting since 19 November 2015. This is contrary to Section 34(3) of the Public Service Commission Act 2017 that states that an officer may be appointed in an acting capacity but not exceeding a period of six months. The Company is therefore in breach of the law.

### Management Comments

The Company has raised the matter to the County Secretary on the issue of long acting officer contrary to Section 34 (3) of the Public Service Commission Act 2017 and is waiting for the response.

### Focal person

Mr Daniel Seurei – Human Resource Manager

### Audit query status

The Company has consulted with the County Government of Nandi County Secretary on the same

### Time frame

Six months

## 3.0 Long Outstanding Trade Payables

The statement of financial position as at 30 June 2019 reflects trade and other payables balance of Kshs. 9,094,580 which includes trade payables of Kshs. 7,638,580 out of which trade payables amounting to Kshs. 4,086,602 has been outstanding for over 120 days. Under the circumstance, the company is at risk of paying interest on the outstanding creditors.



# Kapsabet Nandi Water and Sanitation Company Ltd

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### For the year ended June 30, 2020

#### Management Comments

The Company had challenges on availability of funds and hence did not honour payments to some of its creditors. However, the Company has already paid some of the long outstanding trade and other payables.

#### Focal person

Mr Simeon Birgen – Accountant

#### Audit query status

The Company has formed a dedicated revenue team to collect the arrears which will be used to pay the creditors

#### Time frame

One year

#### 4.0 Non-Revenue Water

Records availed for audit review indicated that the Company produced a total of 1,093,017 cubic meters (M<sup>3</sup>) of water during the year under review and out of which, 615,515 cubic meters (M<sup>3</sup>) of water was billed to customers for Kshs. 36,954,355 while the balance of 477,502 cubic meters (M<sup>3</sup>) or approximately 44% of the total volume of water produced represents non-revenue water. However, the balance of 477,502 cubic meters (M<sup>3</sup>) for non-revenue water included a volume of 204,248 cubic meters (M<sup>3</sup>) or approximately 19% which was over and above the allowable loss of 273,254 cubic meters (M<sup>3</sup>) or 25% of the total production prescribed in the guidelines issued by the Water Service Regulatory board. Consequently, the significant level for non-revenue water of 204,258 cubic meters (M<sup>3</sup>) or 19% billed at the rate of Kshs.58.97 per cubic meter (M<sup>3</sup>) resulted in loss of sales estimated at Kshs. 12,044,505 which had a negative impact on the company's profitability and could erode sustainability of its operations.

#### Management Comments

Non-revenue water refers to the difference of volume of water pumped into the company pipeline network system and the water billed to consumers. The difference of the volume of distributed water and the volume of billed water gives the non-revenue Water. These losses can be divided into two;

- i) Commercial losses
- ii) Technical/Physical losses

#### 1. COMMERCIAL LOSSES

These comprise of illegal connections, self-reconnections and by-passes along the Company pipeline and meter inaccuracies (stuck meters, faulty meters, meter tampering and old meters). These may constitute a considerable percentage in the NRW declared in the Final Accounts Report. To mitigate against this vice, the Company through its inspection team makes random inspections and raids on our area of coverage to ascertain the above. The Company has an approved penalty sheet with clearly defined charges for those who are found with the above malpractices. The Company also uses the approved WASREB Regulations to guide on the prosecution of the perpetrators of the above malpractices. The Company acquired new billing software as an effort to enhance its capacity on data management in addition to rolling out the use of smart phones to be used in meter reading and hence minimize on billing and meter reading errors. The Company has, in every financial year, acquired new meters with the view of achieving 100% metering and hence eliminate the flat rate connections and faulty meters.

#### 2. TECHNICAL LOSSES

These comprises of bursts and leakages arising from;

- (i) Old lines.
- (ii) Previous use of inappropriate pipe classes in high pressure zones leading to frequent bursts.
- (iii) Damages to pipelines due to road works.
- (iv) Lack of planning leading to the frequent interference of lines.

The Company has addressed the above by setting standards on the appropriate use of pipes; rehabilitation of old lines, and is liaising with the County Department of Lands with a view of provision of way leaves for the Company pipelines. The Company has also formed a dedicated team that will ensure quick response to reported burst and leakages in addition to having an emergency contact line (0716006464) for customers to report any cases of bursts



# Kapsabet Nandi Water and Sanitation Company Ltd

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

and leakages along the pipelines.

### **Focal person**

Mr Gilbert Rotich – Technical Manager

### **Audit query status**

The Company has formed a dedicated O & M and Meter reading teams for quick response to bursts and correct readings

### **Time frame**

One year

### **5.0 Internal Audit Function**

A review of the organization structure revealed that the management of Kapsabet Nandi Water and Sanitation Company Ltd has not established an internal audit function to oversee the governance mechanism and promote transparency and accountability in the management of resources. Consequently, the management was in breach of the law.

### **Management Comments**

The Company had previously engaged an Auditor; however, the Company has requested the County Government of Nandi to second an Audit Officer or the Audit department be doing periodic audit of the Company

### **Focal person**

Mr Anthony Kiboily – Managing Director

### **Audit query status**

The Company has written to the County Secretary and the County internal audit is now auditing the Company

### **Time frame**

Immediately

### **6.0 Information Communication Technology**

Documents and records for Information and Communication Technology (ICT) of the Kapsabet Nandi Water and Sanitation Company Limited were reviewed and it was found that the company did not have an approved IT strategic and disaster recovery plans. Consequently, in the absence of the approved IT strategic and disaster recovery plans, the organizational objectives may not be achieved and sustainability of services and business continuity is threatened.

### **Management Comments**

The Company has prepared the drafts of the documents and awaiting approval by the board of directors.

### **Focal person**

Mr Anthony Kiboily – Managing Director

### **Audit query status**

The Company has initiated the process of having the drafts approved by the board

### **Time frame**

One year



# Kapsabet Nandi Water and Sanitation Company Ltd

## Annual Reports and Financial Statements

### For the year ended June 30, 2020

#### APPENDIX II PROJECTS IMPLEMENTED BY THE COMPANY

During the year under review, the Company implemented Water Sector Fund Projects as listed below:

##### (i) Kapsabet House hold Sanitation project

This is a Sanitation project where 200 VIP toilets were to be built and connected to the sewer system or septic tank  
The Water Sector fund provided for administration and a subsidy of kshs 20,000 to each toilet

##### (ii) Kimatkei /Kipkoil water Project

The Company was to assist the community water project in construction of weir, laying gravity main pipes of six inch of 3.5 km, laying of distribution lines of two inch of 4 km and landslide management and sanitization

The Kimatkei /Kipkoil water project was funded by Water Sector fund and County Government of Nandi

##### (iii) Kibugat Primary School Sanitation project

The Company was to construct sanitation facility at Kibugat Primary School: a six door VIP toilet

The funds received, disbursed and bank balances are tabulated below:

PROJECT	COST	FUNDS DATE	AMOUNT DISBURSED	BANK BALANCE 30.6.2020
Kapsabet Household	5,306,962	24/12/2019	3,537,975	3,026,999
Kimatkei/Kipkoil water	15,666,000	18/3/2020	8,330,421	1,614,331
Kibugat Primary	896,467	16/03/2020	476,986	440,181
<b>TOTAL</b>	<b>21,869,429</b>		<b>12,345,382</b>	<b>5,081,511</b>