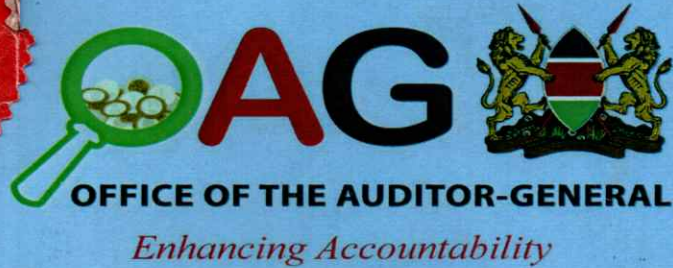


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

**KAPSABET NANDI WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**



Kapsabet Nandi Water and Sanitation Company Ltd

Annual Reports and Financial Statements

For the Financial Year Ended June 30, 2021

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

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Kapsabet Nandi Water and Sanitation Company Ltd

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KEY COMPANY INFORMATION

Background information

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

The County Government of Nandi is the principal share holder of the Company and nationally under the Ministry of Water

The Company is domiciled in Kenya and has schemes in Kapsabet and Nandi hills

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	General Manager
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 Stree
Kapsabet, Kenya

Corporate Headquarters

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

Kapsabet Nandi Water and Sanitation Company Ltd

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For the year ended June 30, 2021

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

Post Bank: Kapsabet Branch
P.O Box 120: 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

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THE BOARD OF DIRECTORS





DIRECTOR'S NAME	QUALIFICATIONS & WORK EXPERIENCE
 <p>MARK JOSEPH MARITIM D. O. B-1959</p>	<p>He holds a MSC in Disaster Management & 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>ANTHONY KIBOIY 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>SOLOMON MANG'IRA 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 & ICT and Technical Committees</p>
 <p>CPA SALLY JEPKORIR RONO 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>

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 <p>GEOFFREY KIPROTICH KOROS D. O. B-1977</p>	<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 & ICT</p>
 <p>CPA DAVID KIMISIK KIRUI D. O. B-1962</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 & Risk Management</p>
 <p>HELLEN SOIMO D. O. B-1973</p>	<p>She holds a BA in Government & 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>GRACE MARU D. O. B- 1971</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 & ICT Committee</p>

Kapsabet Nandi Water and Sanitation Company Ltd
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MANAGEMENT TEAM

NAME & TITLE	QUALIFICATIONS, EXPERIENCE & RESPONSIBILITIES
 <p>ANTHONY KIBOIY MANAGING DIRECTOR</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>DAVID TUWEI COMMERCIAL MANAGER</p>	<p>He holds a Diploma in Water Engineering on Water Supply from Kenya Water Institute (KEWI)</p> <p>He worked as an Area Manger and a District Water Officer at the Ministry of Water & Irrigation in Nandi East and Kericho Districts He has worked as a Commercial Manager and a Managing Director at Nyando & Nandi South (NYANAS) Water & Sanitation Company</p> <p>He currently the Commercial Manger (CM) and Head of Commercial Department has the Meter Reading, Billing ,Customer Care & Revenue collection Sections</p>
 <p>GILBERT ROTICH TECHNICAL MANAGER</p>	<p>He holds a Diploma in Water Engineering on Water Supply from Rift Valley Institute of Science & Technology</p> <p>He worked as a Senior Inspector and Area Manager in the National Water Conservation & 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 & maintenance and Water Treatment and Distribution Sections</p>
 <p>DANIEL SEUREI HUMAN RESOURCE MANAGER</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

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For the year ended June 30, 2021

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, 2021

Performance

During the period, the Company realized a profit of kshs 3, 618, 543 as compared to a loss of kshs 6,717,941 in last financial year

The asset base during the year increased to kshs 45,924,090 from kshs 44,028,753 the previous year

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

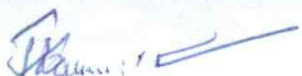
Appreciation

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, personnel and the billing software

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

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For the year ended June 30, 2021

REPORT OF THE GENERAL MANAGER

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 meter reading, 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 47%).

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 for funding 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 17.5 million meaning much of our revenue remains uncollected due to covid 19. The Government gave a memo that due to the usage water to combat the pandemic, there was no water disconnection.

The Company has given revenue targets to the revenue 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, 2021

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

The Company endeavors to ensure all income and expenses are accounted for

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 staff stood at 55 comprising of County and Company staff .


The Company has an approved scheme of service and Human Resource manual and will go in personnel management

Future Plans and Going Concern

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 which will substantially bring down the operations and maintenance costs.

The Company will initiate the process of tariff review so that water sales can cover the cost of production

The Company through partnership with Rift Valley 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 main and service lines. These efforts will enhance our capacity in providing water and addressing the NRW.


Anthony Kiboly
GENERAL MANAGER

Kapsabet Nandi Water and Sanitation Company Ltd

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For the year ended June 30, 2021

STATEMENT OF THE COMPANYS' PERFORMANCE FOR FY 2020-21

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 2019/20 was 68% but increased to 72 % in FY 2020-21. 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 40.2 million to Kshs 41.4 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 increased NRW from 39 % in FY 2019/20 TO 47 % in 2020/21 due to Covid 19 where staff worked from home and hence the consumers did illegal connections and reconnections.

The Company has formed 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, in Oct 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 2019-20 as indicated in appendix 1

The Company executed the budget for FY 2020/21 and met 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, 2021

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, 2021

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 Kipkoi 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 Kiboiy

GENERAL MANAGER

Kapsabet Nandi Water and Sanitation Company Ltd

Annual Reports and Financial Statements

For the year ended June 30, 2021

ENVIRONMENTAL AND 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 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, 2021

REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended June 30, 2021 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, 2021 are set out on pages 16-41

Dividends

Though the Company made a profit of kshs 3,618,543 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, 2021

By Order of the Board


Anthony Kilboiy
BOARD SECRETARY

Kapsabet Nandi Water and Sanitation Company Ltd

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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, 2021. This responsibility includes:

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

The Directors 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, 2021, 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

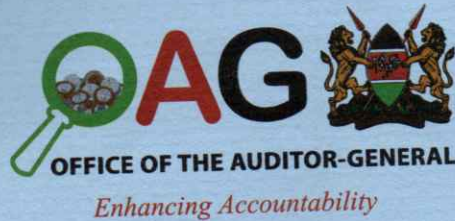
The Company's financial statements were approved by the Board on 23rd September 2021 and signed on its behalf by:


Mark Maritim
BOARD CHAIR


Anthony Kiboi
GENERAL MANAGER

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KAPSABET NANDI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kapsabet Nandi Water and Sanitation Company Limited set out on pages 15 to 40, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other

Report of the Auditor-General on Kapsabet Nandi Water and Sanitation Company Limited for the year ended 30 June, 2021

comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Public Finance Management Act, 2012 and the Water Act, 2016.

Basis for Qualified Opinion

Unconfirmed Assets

The statement of financial position reflects property, plant and equipment net book value of Kshs.20,519,587 comprising of plant and meters, motor vehicles, buildings, furniture fixtures, computer and printers and office equipment as disclosed in Note 11 to the financial statements.

As previously reported, assets amounting to Kshs.706,977,432 including buildings, computers and printers, furniture and fittings, infrastructure and office equipment inherited from 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 are not included in the property, plant and equipment balance of Kshs.20,519,587.

Further, the values of land on which the buildings in Kapsabet, Nandi Hills town, tanks in Kapsabet Boys, Kabutie treatment works (old and new), Singorwa and Nandi Hills bears club are not included in the reported balance for property, plant and equipment as at 30 June, 2021. In addition, their ownership documents such as title deeds, leases or allotments were not provided for audit review.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.20,519,587 could not be confirmed.

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 Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

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.

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. Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects use of water sales of Kshs.41,448,875 which comprises revenue from Kapsabet scheme of Kshs.34,500,985 and Nandi Hills Scheme of Kshs.6,947,890 as disclosed in Note 5 to the financial statements. Available records revealed that the company produced a total of 1,282,678 cubic meters (M³) of water during the year under review out of which 681,983 cubic meters (M³) of water was billed to customers for Kshs.41,448,875 while the balance

of 600,695 cubic meters (M³) or approximately 47% of the total volume of water produced represents non-revenue water. The balance of 600,695 cubic meters (M³) for non-revenue water was over and above the allowable loss of 320,670 cubic meters (M³) or 25% of the total production prescribed in the guidelines issued by the Water Service Regulatory Board by a volume of 280,025 cubic meters (M³) or 22%. This is contrary to the Water Services Regulatory Board (WASREB) schedule E and the KPI's impact No.13 benchmarks, which provides for a non-revenue water level of under 20% as good, 20-25% as acceptable, while above 25% is not acceptable.

In the circumstances, the Company was in breach of the regulations resulting in an estimated revenue loss of Kshs.17,019,980 at an average cost of Kshs.60.78 per cubic meter.

2. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees was fifty-seven (57) out of which forty-nine (49) or 86 % of the total number were members of the same/dominant ethnic community. Further, the Company had eight (8) Board members who are all from the same/dominant ethnic 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 the law.

3. Lack of a Board Self-Assessment

The statement of profit or loss and other comprehensive income reflects administration costs of Kshs.14,237,344 which includes Director's allowances of Kshs.657,152, Directors expenses of Kshs.128,461 and Chairman's honoraria of Kshs.210,000 as disclosed in Note 10 to the financial statements. However, there was no evidence to show that the Board of Directors conducted self-evaluation of its performance and the report submitted to the Ministry of Water and the State Corporations Advisory Committee contrary to Head of the Public Service Circular No.OP/CAB.9/1A dated 11 March, 2020 which requires the Board of Directors to conduct self-evaluation of its performance on an annual basis.

In the circumstances, the board was in breach of the Government directive.

4. Long Outstanding Trade and Other Receivables

The statement of financial position reflects a trade and other receivables balance of Kshs.22,541,130. However, available information revealed that debts amounting to Kshs.17,502,389 have been outstanding for over 60 days. This is contrary to section 6.3 of the Kapsabet Nandi Water and Sanitation Company Limited Financial Manual of March, 2018 which states that that the company may allow up to 60 days moratorium before payment for monthly bills or any other amounts due on contractual obligation; within 7 calendar days after each due date, the Company will dispatch a notice to all

defaulters; and the Company will demand payment or an arrangement with the debtor through which the payment will be made. Further, Management has not provided evidence of any recovery efforts made and strategies put in place to ensure timely recovery of overdue debts.

In the circumstances, the Company was in breach of its financial manual and regulations.

5. Unauthorized utilization of Water Deposits

The statement of financial position reflects water deposits balance of Kshs.5,339,000 as at 30 June, 2021 being refundable customer deposits as disclosed in Note 23 to the financial statements. The customer deposits are held in a separate bank account for refund to customers when required. However, the deposits cash book reflects a cash book balance of Kshs.681,014 as at 30 June, 2021 resulting in shortfall of Kshs.4,657,986 which is an indication of unauthorized utilization of customer deposits. This is contrary to Regulation 53 (1) of the Public Finance Management (County Governments) Regulations, 2015 which states that except as provided for in the Act and these Regulations an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities.

Consequently, the company management was in breach of the law and regulations. Further, the company may not be able to refund water deposits as and when they become due.

6. Unauthorized Overdrawing of Bank Account

The statement of financial position reflects a bank overdraft balance of Kshs.505,064 in respect of expenditure bank account held at a local commercial bank, as disclosed in Note 24 to the financial statements. However, there was no evidence provided to show that the overdraft facility was authorized by the County Treasury or the Board of Directors contrary to Section 119(4) of Public Finance Management Act, 2012 and Regulation 82 (7) of Public Finance Management (County Governments) Regulation, 2015. Regulation 82 (8) further provides that the authority in paragraph (7) shall be conveyed in writing to the responsible Accounting Officer and copied to the Auditor-General.

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

7. Long Outstanding Trade and Other Payables

The statement of financial position reflects a trade and other payables balance of Kshs.13,802,851 which includes a trade payables figure of Kshs.9,739,301, audit fees arrears of Kshs.1,678,000 and staff payables of Kshs.2,385,550, as disclosed in Note 26 to the financial statements. The ageing analysis of the payables provided, revealed that trade and other payables amounting to Kshs.10,262,728 had been outstanding for over 90 days. However, Management did not provide a settlement plan to be followed by the Company in settling these debts.

Further, there was no evidence provided that the Company has been engaging the creditors with a view to settling these long outstanding payables. This is contrary to

paragraph 3.1(n) of Kapsabet Nandi Water and Sanitation Company Limited Finance Manual, 2018 which states that 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; and 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.

In the circumstances, Management was in breach of the Company's finance manual.

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. Lack of Internal Audit Function

During the year under review, Kapsabet Nandi Water and Sanitation Company did not have an internal audit function contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which states that a county government entity shall ensure that it complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, Management was in breach of the law. Further, the lack of an internal audit function may lead to weak internal controls which may expose the Company to risk of fraud or loss of public funds.

2. Lack of Audit Committee

During the period under review, it was noted that the Company did not have an audit Committee in place, during the year under review, contrary to Section 155(5) of the Public Finance Management Act, 2012 which requires county government entities to establish internal audit committees in accordance with prescribed regulations.

In the circumstances, Management was in breach of the law. Further, the lack of an audit committee may lead to weak internal controls arising from lack of oversight.

3. Information, Communication and Technology (ICT)

Review of the Information, Communication and Technology (ICT) environment, revealed that the Company did not have an approved IT strategic committee and steering committee to perform the oversight function and formulate policies to ensure that the Information Technology (IT) Unit functions efficiently and effectively. In addition, the company did not have periodic IT reports which are supposed to assess the status of implementation of ICT systems and suggest corrective measures.

In the circumstances, the organizational objectives may not be achieved, and the sustainability of services and business continuity may be affected in the absence of an approved IT strategic and steering committee

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, adequate accounting records have been kept by the Kapsabet Nandi Water Services Company Limited, so far as appears from the examination of those books; and
- (iii) Kapsabet Nandi Water Services Company Limited financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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

02 September, 2022

Kapsabet Nandi Water and Sanitation Company Ltd

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For the year ended June 30, 2021

STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 kshs	2020 kshs
REVENUE			
Water Sales	5	41,448,875	40,217,201
Recurrent Grants	6	33,565,255	20,807,147
Other Income	7	3,932,430	3,658,527
TOTAL REVENUE		78,946,560	64,682,875
EXPENSES			
Operation costs	8	24,465,364	21,915,245
Staff Costs	9	34,555,158	32,656,522
Administration Costs	10	14,237,344	14,723,312
Provision for Depreciation	11	2,070,150	2,105,737
Provision for Amortisation	12	-	-
TOTAL EXPENSES		75,328,017	71,400,816
PROFIT/(LOSS)		3,618,543	(6,717,941)
PROFIT (LOSS) BEFORE TAXATION	13	(29,742,646)	(27,203,982)
INCOME TAX EXPENSE/(CREDIT)		-	-
PROFIT/(LOSS) AFTER TAXATION	13	(29,742,646)	(27,203,982)
DIVIDEND PER SHARE		NIL	NIL
OTHER COMPEHENSIVE INCOME			
Profit/Loss after Taxation		-	-
Surplus/Deficit on Revaluation of PPE		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-

Kapsabet Nandi Water and Sanitation Company Ltd

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For the year ended June 30, 2021

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2021 kshs	2020 kshs
ASSETS			
Non Current Assets			
Property, Plant & Equipment	11	20,519,587	20,929,010
Intangible Assets	12	-	-
Sub Total		20,519,587	20,929,010
Current Assets			
Prepayment (Payables)	14	931,142	-
Inventory	15	238,472	76,065
Electricity Deposits	16	311,000	311,000
License Guarantee	17	560,000	-
Trade & Other Receivables	18	22,541,130	20,792,956
Bank & Cash Balances	19	822,758	1,919,722
Sub Total		25,404,502	23,099,743
TOTAL ASSETS		45,924,090	44,028,752
EQUITY AND LIABILITIES			
Share Capital	20	100,000	100,000
Retained Earnings	21	(689,079)	(4,307,622)
Capital Grants	22	26,672,763	26,672,763
Capital and Reserves		26,083,684	22,465,141
Non Current Liabilities			
Water Deposits	23	5,339,000	5,132,000
Sub Total		5,339,000	5,132,000
Current Liabilities			
Bank Overdraft	24	505,064	-
Prepayment (Receivables)	25	193,491	333,942
Trade & Other Payables	26	13,802,851	16,097,670
Sub Total		14,501,405	16,431,612
TOTAL EQUITY AND LIABILITIES		45,924,090	44,028,752

The Company's Financial Statements were approved by the Board on 23 rd September 2021 and Signed on its behalf by:


Mark Maritim

BOARD CHAIR


Anthony Kiboly

GENERAL MANAGER


Albert Cheruiyot

ACCOUNTANT- ICPAK NO 24680

Kapsabet Nandi Water and Sanitation Company Ltd

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	ORDINARY SHARE	CAPITAL GRANTS	RETAINED EARNINGS	TOTAL
AS AT JULY 1 2019	100,000	24,233,863	2,410,318	26,744,181
Profit/Loss for the year	-	-	(6,717,940)	(6,717,940)
Capital Grants	-	208,900	-	208,900
AS AT JUNE 30, 2020	100,000	24,442,763	(4,307,622)	20,235,141
AS At JULY 1, 2020	100,000	24,442,763	(4,307,622)	20,235,141
Profit for the year	-	-	3,618,543	3,618,543
Capital Grants	-	-	-	-
AS AT JUNE 30, 2021	100,000	24,442,763	(689,079)	23,853,684

Kapsabet Nandi Water and Sanitation Company Ltd

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 kshs	2020 kshs
Net Cash generated from /used in Operating activities	27	563,764	79,078
Investing Activities			
Acquisition of Property ,Plant & Equipment	11	(1,660,728)	(1,228,256)
Net Cash generated from / used in Investing Activities		(1,660,728)	(1,228,256)
Financing Activities			
Capital grants	22	-	208,900
Net Cash generated from / used in Financing Activities		-	208,900
INCREASE /DECREASE IN CASH & CASH EQUIVALENT		(1,096,964)	(940,278)
CASH & CASH EQUIVALENT AT BEGINNING OF THE YEAR		1,919,721	2,859,999
CASH AND CASH EQUIVALENT AT END OF THE YEAR	19	822,758	1,919,721

Kapsabet Nandi Water and Sanitation Company Ltd

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STATEMENT OF COMPARISON OF BUDGET & ACTUALS FOR FY 2020/21

ACCOUNT	ORIGINAL BUDGET	FINAL BUDGET	ACTUALS	VARIANCE	
				kshs	%
Revenue					
Water Sales	34,500,000	34,500,000	41,448,875	6,948,875	20
Other Income	2,954,000	2,954,000	3,932,430	978,430	33
Grants	19,769,680	19,769,680	33,565,255	13,795,575	70
TOTAL INCOME	57,223,680	57,223,680	78,946,560	21,722,880	123
Expenditure					
Electricity	20,800,000	20,800,000	20,438,952	(361,048)	(2)
Chemicals	2,631,520	2,631,520	2,604,390	(27,130)	(1)
Water Quality	22,000	22,000	9,690	(12,310)	(56)
Operations & Maintenance	1,336,700	1,336,700	1,422,022	85,322	6
Salary and Wages	32,605,260	32,605,260	32,873,058	267,798	1
Employers' Statutory Contr.	1,698,288	1,698,288	1,682,100	(16,188)	(1)
Fuel & Lubricants	1,204,000	1,204,000	1,240,399	36,399	3
Repairs & Maintenance	654,000	654,000	625,802	(28,198)	(4)
Staff Travelling, Lunch & Subs.	3,705,720	3,705,720	2,978,606	(727,114)	(20)
Staff Training & Workshop	450,000	450,000	95,400	(354,600)	(79)
Staff Medical Cover	1,800,000	1,800,000	-	(1,800,000)	(100)
Professional Fees	18,000	18,000	17,000	(1,000)	(6)
BOD Allowances	900,000	900,000	657,152	(242,848)	(27)
BOD Expenses	786,000	786,000	128,461	(657,539)	(84)
Honoraria	240,000	240,000	210,000	(30,000)	(13)
Printing & Stationery	594,600	594,600	556,645	(37,955)	(6)
Communication Services	1,727,000	1,727,000	1,676,601	(50,399)	(3)
Advertisement & Publicity	147,500	147,500	138,800	(8,700)	(6)
Welfare & Hospitality	1,190,800	1,190,800	1,138,817	(51,983)	(4)
Uniform & Protective Equip.	455,000	455,000	14,600	(440,400)	(97)
Subscription Fees	60,000	60,000	65,000	5,000	8
Consultancy Fees	100,000	100,000	-	(100,000)	(100)
License & Network	270,000	270,000	252,640	(17,360)	(6)
Audit Fees	232,000	232,000	232,000	-	-
Security	1,404,000	1,404,000	1,284,000	(120,000)	(9)
Insurance	130,000	130,000	119,570	(10,430)	(8)
CSR	60,000	60,000	-	(60,000)	(100)
Provision for Depreciation	1,980,000	1,980,000	2,070,150	90,150	5
Provision for Amortisation	360,000	360,000	-	(360,000)	(100)
Provision for Bad Debts	210,000	210,000	204,066	(5,935)	(3)
Regulatory Levy	1,872,700	1,872,700	1,816,369	(56,331)	(3)
Abstraction Fees	660,000	660,000	639,165	(20,835)	(3)
AGM	60,000	60,000	27,000	(33,000)	(55)
Titles Acquisition Fees	90,000	90,000	-	(90,000)	(100)
Legal Fees	150,000	150,000	-	(150,000)	(100)
Bank Charges	120,000	120,000	109,562	(10,438)	(9)
TOTAL EXPENSES	80,725,088	80,725,088	75,328,017	(5,397,071)	(7)

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;

❖ Water Sales (+20%)

The meter readers were made to visit all meters and capture readings of meters at site

❖ Other Income (+33%)

The Company ensured all disconnected connections paid reconnection fees and other charges

Kapsabet Nandi Water and Sanitation Company Ltd

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❖ Grants (+70%)

The County Government of Nandi remitted the budgeted subsidy plus the balances for FY 2019/20

The company also got funding from Water Sector fund

❖ Water Quality (-56%)

External water tests were not done as anticipated

❖ Travelling, Lunch & Subsistence (-20%)

The Company staff did not travel out because of Covid 19

❖ Staff Training (-79%)

The training was not done because of Covid 19

❖ Staff Medical Cover (-100%)

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

❖ BOD Allowances (-27%) & BOD Expenses (-84%)

The intended numbers of meetings were not done and the few done by zoom because of Covid 19

❖ Honoraria (-13%)

Payment started in the second quarter of the year

❖ Staff Uniform & PPE (-97%)

❖ Consultancy fees (-100%)

The works were done in house

❖ CSR (-100%)

The Covid 19 limited public gatherings and the company had intended to do tree planting

❖ Amortization (-100%)

The company had intended to upgrade the billing software but could not do so because it could not agree with the supplier

❖ Advertisement & Publicity (-93%)

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

❖ AGM (-100%)

The company did not hold the meeting during the year

❖ 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

Kapsabet Nandi Water and Sanitation Company Ltd

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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)

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

IAS39-Financial Instruments: Recognition and Measurement

Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments. The amendments were effective for annual periods beginning on or after January 1, 2020.

IFRS 4- Insurance Contracts (Superseded)

Insurance Contracts applies, with limited exceptions; to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.

The amendments were effective for annual periods beginning on or after January 1, 2020.

IFRS 7- Financial Instrument Disclosures

Financial Instruments disclosures require disclosure of information about the significance of financial instruments to

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an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

The amendments were effective for annual periods beginning on or after January 1, 2020.

IFRS 16- Leases

It specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.

The amendments were effective for annual periods beginning on or after January 1, 2020.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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

IAS 1 — Presentation of Financial Statements

Presentation of Financial Statements sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

IAS 12 — Income Taxes

Income Taxes implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

IAS 16 — Property, Plant and Equipment

Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, or depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 37 — Provisions, Contingent Liabilities and Contingent Assets

Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible

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obligations and present obligations that are not probable or not reliably measurable).

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 41 — Agriculture

Agriculture sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IFRS 1 — First-time Adoption of International Financial Reporting Standards

First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IFRS 3 — Business Combinations

Business Combinations outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

IFRS 17 — Insurance Contracts

It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

iii. Early adoption of standards

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

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

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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 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

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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 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 booster service, among other fees and staff advances.

Debtors may arise from amounts due to the Company from another party resulting from contractual

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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.

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 **GM** 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

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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 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 20th 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 9th 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

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The Company enjoys an income tax exemption status which is renewable every five years on application. However nil tax returns will be made before 30th 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 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

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

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NOTES TO THE FINANCIAL STATEMENTS

	Notes	2021 kshs	2020 kshs
5 WATER SALES			
Kapsabet Scheme		34,500,985	32,596,566
Nandi Hills Scheme		6,947,890	7,620,635
Total		41,448,875	40,217,201
6 RECURRENT GRANTS			
Nandi County Govt: Electricity		23,043,146	8,725,662
Salary & Wages		10,178,185	12,081,485
Water Sector Fund Chemicals		343,924	-
Total		33,565,255	20,807,147
7 OTHER INCOME			
Meter Rent		2,477,800	2,105,057
Fees & Charges		988,650	1,211,000
Water Boozer		465,980	342,470
Total		3,932,430	3,658,527
8 OPERATION COSTS			
Electricity		20,438,952	18,075,076
Chemicals		2,604,390	2,401,288
Operation & Maintenance		1,422,022	1,438,881
Total		24,465,364	21,915,245
9 STAFF COSTS			
Salaries and Wages		32,873,058	31,075,087
Employers' Statutory Contribution		1,682,100	1,581,436
Total		34,555,158	32,656,523
10 ADMINISTRATION COSTS			
Fuel & Lubricants		1,240,399	965,918
Water Quality		9,690	24,312
Repairs & Maintenance		625,802	697,605
Travelling, Lunches & Subsistence		2,978,606	4,019,377
Staff Training & Workshops		95,400	61,100
Professional Fees		17,000	34,200
Directors Allowances		657,152	656,438
Directors' Expenses		128,461	598,400
Chairman's Honoraria		210,000	120,000
Printing & Stationery		556,645	374,013
Communication Services		1,676,601	1,211,778

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Advertisement & Publicity		138,800	5,600
Welfare & Hospitality		1,138,817	972,302
Staff Uniform & Protective Equipment		14,600	70,750
Subscription Fee		65,000	55,000
Consultancy Fee		-	83,000
Annual License Fee		252,640	319,720
Audit Fees		232,000	232,000
Security		1,284,000	1,320,000
Insurance		119,570	149,729
Provision for Bad & Doubtful Debts	28	204,066	321,105
Regulatory Levy(WASREB)		1,816,369	1,755,029
Abstraction Fees(WRMA)		639,165	592,506
Annual General Meeting		27,000	-
Bank Charges		109,562	83,429
Total		14,237,344	14,723,311

11 PROPERTY, PLANT & EQUIPMENT

ASSET	PLANT & METERS	MOTOR VEHICLES	BUILDINGS	FURNITURE FIXTURES	COMPUTERS & PRINTERS	OFFICE EQUIPMENT	TOTAL
Cost or Valuation							
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
As at July 1, 2020	7,761,480	742,400	18,047,362	1,266,296	2,458,006	1,092,866	31,368,410
Additions	1,260,000	392,000	-	-	-	8,728	1,660,728
Transfer	-	-	-	-	-	-	-
As at June 30, 2021	9,021,480	1,134,400	18,047,362	1,266,296	2,458,006	1,101,594	33,029,138
Depreciation							
As at July 1, 2019	2,261,976	305,300	3,979,429	428,562	1,161,718	196,679	8,333,664
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
As at July 1, 2020	2,949,414	414,575	4,682,826	533,279	1,550,604	308,702	10,439,400
Charge for the YR	759,008	179,956	668,227	91,627	272,220	99,111	2,070,150
As at June 30, 2021	3,708,422	594,531	5,351,052	624,906	1,822,825	407,814	12,509,551
Net Book Value							
As at June 30, 2021	5,313,058	539,869	12,696,310	641,390	635,181	693,780	20,519,587
As at June 30, 2020	4,812,066	327,825	13,364,536	733,017	907,402	784,164	20,929,010

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12 INTANGIBLE ASSETS		2021	2020
Cost		kshs	kshs
As at July 1, 2019		3,000,000	3,000,000
Additions		-	-
As at June 30, 2020		3,000,000	3,000,000
As at July 1, 2020		3,000,000	3,000,000
Additions		-	-
As at June 30, 2021		3,000,000	3,000,000
Amortisation			
As at July 1, 2019		2,000,000	2,000,000
Charge for the year		1,000,000	1,000,000
As at June 30, 2020		3,000,000	3,000,000
As at July 1, 2020		3,000,000	3,000,000
Charge for the year		-	-
As at June 30, 2021		3,000,000	3,000,000
Net Book Value			
As at June 30, 2021		-	-
As at June 30, 2020		-	-
13 TAXATION			
Profit /(Loss) for the year		3,618,543	(6,717,940)
Add-Non Allowable Expenses			
Depreciation/Amortisation		2,070,150	2,105,736
Provision for Bad & Doubtful Debts		204,066	321,105
Sub Total		5,892,759	(4,291,099)
Less: Non Taxable Income			
County Government of Nandi Grants		33,565,255	20,807,147
Wear & Tear Allowance		2,070,150	2,105,736
Sub Total		35,635,405	22,912,883
Taxable Income		(29,742,646)	(27,203,982)
14 PREPAYMENT (Payables)			
Kenya Power		931,142	-
Total		931,142	-
15 INVENTORIES			
Stationery		23,650	35,245
O & M materials		6,370	35,670
Chemicals		208,452	5,150
Total		238,472	76,065
16 ELECTRICITY DEPOSITS			
AC 07172834		3,000	3,000

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	AC 074001043		5,000	5,000
	AC 33579246		3,000	3,000
	AC 34216141		300,000	300,000
	Total		311,000	311,000
17	LICENCE GUARANTEE			
	Regulator License Guarantee		560,000	-
	Total		560,000	-
18	TRADE & OTHER RECEIVABLES			
	Water Debtors		24,543,805	22,503,154
	Less: Provision of Bad Debts (10%)		(2,454,381)	(2,250,315)
	Staff Advances		451,705	540,117
	Total		22,541,130	20,792,956
	Water Debtors Aging Analysis			
	Less than 30 days		5,536,273	3,030,748
	31 - 60 days		1,505,152	2,164,673
	61 - 90 days		1,154,854	1,606,962
	91 - 120 days		909,137	1,592,274
	Over 120 days		15,438,389	14,108,498
	Total		24,543,805	22,503,155
19	CASH & CASH EQUIVALENT			
	Cash at Hand		-	-
	Cash at Bank			
	Account NO	A/C Name	Bank	
	1131111826	Revenue	KCB	60,157 285,972
	1166504891	Expenditure	KCB	- 11,405
	1166504514	Deposit	KCB	681,014 1,529,675
	1177900262	Boozer	KCB	10,009 20,428
	Sub Total		751,180	1,847,480
	Pay Points			
	0744130011694	Revenue	Post Bank	59,945 56,659
	Cash at M PESA			
	Pay Bill NO			
	990720	Revenue	Safaricom	11,633 15,583
	Total		822,758	1,919,722
20	SHARE CAPITAL			
	Authorized Share Capital:			
	5,000 ordinary shares at kshs 20@		100,000	100,000
	Issued and Paid up Shares Capital:			
	5,000 ordinary shares at kshs 20@		100,000	100,000

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21	RETAINED EARNINGS			
	Balance B/F		(4,307,622)	2,410,318
	Profit/(Loss) for the year		3,618,543	(6,717,940)
	Balance C/F		(689,079)	(4,307,622)
22	CAPITAL GRANTS			
	i Water Sector Fund			
		Public Sanitation Facilities	14,123,848	14,123,848
	Bal B/F	Water Kiosks	2,735,015	2,735,015
		Tablets	155,400	155,400
		Computer	53,500	53,500
	Additions		-	-
	Bal C/F		17,067,763	17,067,763
	ii Nandi County Government			
		Water Meters	6,455,000	6,455,000
	Bal B/F	Smart Phones	150,000	150,000
		Billing software	3,000,000	3,000,000
	Additions		-	-
	Bal C/F		9,605,000	9,605,000
	Total		26,672,763	26,672,763
23	WATER DEPOSITS			
	Balance B/F		5,132,000	4,844,800
	Additions		207,000	290,000
	Less: Refunds		-	(2,800)
	Balance C/F		5,339,000	5,132,000
24	BANK OVER DRAFT			
	Account NO	A/C Name	Bank	
	1166514891	Expenditure	KCB	
			505,064	-
	Total		505,064	-
25	PREPAYMENT (Receivables)			
	Water Consumers		193,491	333,942
	Total		193,491	333,942
26	TRADE & OTHER PAYABLES			
	Trade Payables		9,739,301	13,438,521
	OAG Kenya		1,678,000	1,446,000
	Staff Payables		2,385,550	1,213,149
	Total		13,802,851	16,097,670
27	NOTES TO STATEMENT OF CASH FLOWS			
	a Reconciliation of operating profit to cash generated from (used in) operations			

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Operating Profit/(Loss)		3,618,543	(6,717,940)
Provision for Depreciation	11	2,070,150	2,105,736
Provision for Amortisation	12	-	-
Operating Profit / (Loss) before Working Capital		5,688,694	(4,612,204)
Increase/Decrease in Prepayment (Payables)	14	(931,142)	24,166
Increase in Inventories	15	(162,407)	620,266
Increase in Electricity Deposits	16	-	(311,000)
Increase/ Decrease in License Guarantee	17	(560,000)	-
Increase in Trade & other Receivables	18	(1,748,174)	(2,971,770)
Increase in Water Deposits	23	207,000	287,200
Bank Overdraft	24	505,064	-
Increase in Prepayment (Receivables)	25	(140,451)	39,330
Increase /Decrease in Trade & other Payables	26	(2,294,820)	7,003,090
Cash generated from/used in Operations		(5,124,930)	4,691,282
Net Cash generated from /used in Operating activities		563,764	79,078
b Analysis of changes in Loans			
Balance B/F		-	-
Receipts during the year		-	-
Repayments during the year		-	-
Balance C/F		-	-
c Analysis of changes of Cash and Cash Equivalent			
Short term Deposits		-	-
Cash at Bank		811,125	1,904,139
Cash at Pay bill		11,633	15,583
Cash at Cash		-	-
Balance at end of Year		822,758	1,919,722
28 PROVISION FOR BAD & DOUBTFUL DEBTS			
Water Debtors		24,543,805	22,503,154
Provision for Bad & Doubtful Debts (10%) for the year		2,454,381	2,250,315
Accumulated Provision Balance C/F		2,454,381	2,250,315
Accumulated Provision Balance B/F		2,250,315	1,929,210
Increase /Decrease in Provision		204,066	321,105
29 THIRD PARTIES DISCLOSURE			
i County Government of Nandi			
Recurrent Expenses			
Electricity		23,043,146	8,725,662

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Salaries & Wages	10,178,185	12,081,485
Total	33,221,331	20,807,147
ii Water Sector Fund		
(a) Kapsabet Sanitation Project		
Recurrent Expenses		
Administration	583,491	158,264
Subsidy 189 Units	3,680,000	100,000
Sub Total	4,263,491	258,264
Capital Expenses		
Office Equipment	-	208,900
Sub Total	-	208,900
(b) Chemicals		
Assorted Chemicals	343,924	-
Total	4,607,415	467,164
iii Directors & Key Management Compensation		
Directors' Allowances	657,152	656,438
Directors' other Expenses	128,461	598,400
Compensation to Key Management	9,164,534	10,115,795
Sub Total	9,950,147	11,370,633

30 RELATED PARTIES DISCLOSURE

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

i County Government of Nandi

Recurrent Expenses

Electricity	23,043,146	8,725,662
Salaries & Wages	10,178,185	12,081,485
Total	33,221,331	20,807,147

ii Water Sector Fund

(a) Kapsabet Sanitation Project

Recurrent Expenses

Administration	583,491	158,264
Subsidy 189 Units	3,680,000	100,000

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Sub Total	4,263,491	258,264
Capital Expenses		
Office Equipment	-	208,900
Sub Total	-	208,900
(b) Chemicals		
Assorted Chemicals	343,924	-
Total	4,607,415	467,164
iii Directors & Key Management Compensation		
Directors' Allowances	657,152	656,438
Directors' other Expenses	128,461	598,400
Compensation to Key Management	9,164,534	10,115,795
Sub Total	9,950,147	11,370,633

31 CAPITAL COMMITMENTS

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

32 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency.

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

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

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

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within which the various aspects of credit risk management are operated.

ACCOUNT	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Receivables from Exchange Transactions	22,541,130	7,102,741	15,438,389	-
Bank Balances	822,758	822,758	-	-
Total	23,363,888	7,925,499	15,438,389	-
At 30 June 2020				
Receivables from Exchange Transactions	22,503,154	5,195,421	17,307,734	-
Bank Balances	1,919,722	1,919,722	-	-
Total	24,422,876	7,115,143	17,307,734	-

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.

ACCOUNT	Less than 3 months	Between 3-12 months	Over 1 yr	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade Payables	4,680,323	2,369,690	6,752,837	13,802,851
Provisions	2,274,216	-	-	2,274,216
Deferred Income	-	-	-	-
Total	6,954,539	2,369,690	6,752,837	16,077,066
At 30 June 2020				
Trade Payables	7,312,082	4,287,378	4,498,210	16,097,670
Provisions	2,426,842	-	-	2,426,842
Deferred Income	-	-	-	-
Total	9,738,924	4,287,378	4,498,210	18,524,512

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.

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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.

The Company capital structure comprises of the following funds:

ACCOUNT	2020-21 Kshs	2019-20 Kshs
Revaluation Reserve	-689,079	(4,307,622)
Retained Earnings	26,672,763	26,672,763
Capital Reserves	100,000	100,000
Share Capital	26,083,684	22,465,141
Total Funds	-	-
Total Borrowings	13,802,851	16,097,670
Trade Payables	(822,758)	(1,919,722)
Less: Cash and Bank Balances	12,980,092	14,177,948
Net debt/(excess Cash and Cash Equivalents)	50%	63%
Gearing Ratio		

33 EVENTS AFTER THE REPORTING PERIOD

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

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APPENDIX

APPENDIX I PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The financial statements and reports for FY 2019-20 for the Company were audited and it had a qualified opinion

NO	QUERY	COMMENTS	FOCAL PERSON	STATUS	TIME FRAME
1	Property, Plant & Equipment	Company awaiting PDPs approval by the cabinet	GM	Not yet	2 rs
2	Inaccuracies in water deposits	The water deposits are correct as indicated by the water deposits register only that the amount in deposits account is less than the register	NA	NA	NA
3	Uncertainty to going concern	The billing has been improved and the Company posted a profit in FY 2019/20	CM	Improved	2 Yrs
4	Non Revenue water	Measures have been put in place to reduce water loss eg Master meters ,quality pipes and urgent attendance to water bursts and leakages	CM/TM	Reduced	Progressive
5	Annual returns to Registrar	Done as	FM	Done	NA
6	AGM	Done	GM	Done	NA
7	One third rule on staff establishment	Future recruitment to follow rule	HRM	Not done	Progressive
8	Risk management policy & strategy	Approved Policy is available	GM	NA	NA
9	Internal Audit Function Audit committee	Internal audit done by the County The company also uses the County Audit committee	GM	NA	NA
10	Approved IT Policy ICT steering committee	Done ICT steering committee to be established	NA ICT Officer	NA Not yet	NA 2 Yrs
11	Trade & other Receivables	Striving consumers to pay on time	CM	Reduced	Progressive
12	Trade & other Payables	Striving to pay creditors on time	FM	Reduced	2 Yrs

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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

The Company as at the end of the year had done 189 units of which 184 were done in the financial year

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

PROJECT	COST	FUNDS DATE	AMOUNT DISBURSED	BANK BALANE 30.6.2021
Kapsabet House hold	5,306,962	24/12/2019	4,774,467	532,495
TOTAL	5,306,962		4,774,467	532,495