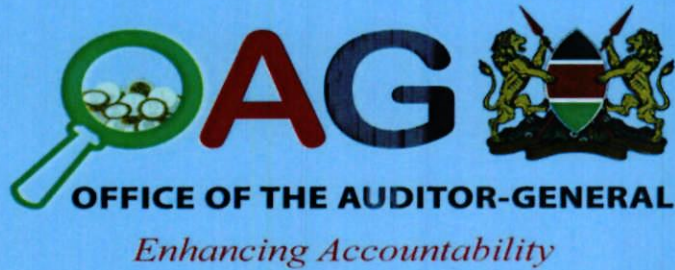


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REPORT

OF

THE AUDITOR-GENERAL

ON

**NGAGAKA WATER AND SANITATION
COMPANY LIMITED**

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

PAPERS LAID	
DATE	02/03/2022
TABLED BY	SML
COMMITTEE	-
CLERK AT THE TABLE	DANIEL



NGAGAKA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2020

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

Ngagaka water and sanitation company limited
Annual Reports and Financial Statements
For the year ended June 30, 2020

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1. KEY ENTITY INFORMATION

Background information

Ngagaka water and sanitation company (NGAWASCO) is a water service provider (WSP) which was incorporated in March 2011 and falls under Tana Water Works Development Agency. NGAWASCO covers an area of over 80km² which has a population of about 75,741. The head office is at Kianjokoma market, Embu County.

Principal Activities

The principal activity of NGAWASCO is provision of water and sanitation services within the designated Service Area.

Directors

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

1.	Cyrus Njoka Nyaga	Chairman	Appointed on 26 th July 2019
2.	Jacinta Gatavi Nyaga	Director	Appointed on 26 th July 2019
3.	Njagi Njue	Director	Appointed on 26 th July 2019
4.	Doras Muthoni Nyaga	Director	Appointed on 26 th July 2019
5.	Andrew Kinyua munyi	Director	Appointed on 26 th July 2019
6.	Josphine Marigu Nyaga	Director	Appointed on 26 th July 2019
7.	Justin J. Gatumuta	Director	Appointed on 26 th July 2019
8.	Sub-County WO-Embu North	Director	
9.	CEO-TWWDA	Director	
10.	Francis Mugendi Njoka	Director	(General manager)

Corporate Secretary

Richard K. Gikuhi
P. O. Box 1271-10100
Nyeri, Kenya

Registered Office

Kianjokoma Market
P.O. Box 2507-60100
Embu, Kenya

Corporate Contacts

Telephone: (254) 2701 084 424/0738 360 306
E-mail: ngawasco@gmail.com

Ngagaka Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

KEY ENTITY INFORMATION (continued)

Corporate Bankers

1. Family Bank of Kenya
P. O. box 789-60100
Embu, Kenya
2. Consolidated Bank of Kenya
P. O. Box 1377-60100
Embu, Kenya
3. Equity Bank of Kenya
P. O. Box
Embu Kenya

Independent Auditors

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

Principal Legal Advisers

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
GPO 00100
Nairobi, Kenya

Ngakaka Water and Sanitation Company Limited

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

2.THE BOARD OF DIRECTORS

The Board of Directors



Chairman
Name: Cyrus Njoka Nyaga
Age: 74 Years
Profession: Policeman
Work Experience: 22 Years



Director
Name: Raymond Ngeige
Age: 57 years
Profession: C.E.O Rep(T.W.S.B)
Work Experience: 27 Years



Director
Name: Jacinta Gatavi
Age: 57 years
Profession: Church Elder
Work Experience: 9 Years



Director
Name: Andrew Kinjua
Age: 45 years
Profession: Farmer
Work Experience: 12 Years



Director
Name: Njagi Njue
Age: 55 years
Profession: Farmer/Church Elder
Work Experience: 12 Years



Director
Name: Lydia Maina
Age: 55 years
Profession: Sub-County Water Office
Work Experience: 27 Years



Director
Name: Justin Gatumuta
Age: 65 years
Profession: Businessman
Work Experience: 32 Years



Director
Name: Fracis Njoka
Age: 51 years
Profession: Water Engeneer
Work Experience: 22 Years



Director
Name: Josphine Marigu
Age: 39years
Profession: Social Work
Work Experience: 9 Years



Director
Name: Doras Muthoni
Age: 56 years
Profession: Business Lady
Work Experience: 17 Years

Ngagaka Water and Sanitation Company Limited

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

3. Management Team



Name: Francis Njoka
Age: 51
Position: General Manager
Profession: HRD-Water Engineering
Area of Responsibility: Water Engineer



Name: Francis Njagi
Age: 56
Position: Commercial Manager
Profession: CPA
Area of Responsibility: Finance



Name: Josphat Njogu
Age: 56
Position: Technical Manager
Profession: Ordinary Diploma -Water Engineering
Area of Responsibility: Water Engineer



Name: Alice Kariuki
Age: 51
Position: Human Resource Officer
Profession: Ordinary Diploma-HR
Area of Responsibility: Human Resource



Name: Agnes Murugi
Age: 35
Position: Accountant
Profession: CPA(K)/BBA Iepak 11786
Area of Responsibility: Finance



Name: Peter Nyaga Njeru
Age: 47
Position: Internal Auditor
Profession: DIP BSM/CPA/BCOM
Area of Responsibility: Internal Audit

4. CHAIRMAN'S STATEMENT

It is with great pride that I report yet another year of solid growth and stellar financial performance for our company, in line with our expectations. We have remained steadfast in our commitment to transforming the lives of the community we serve through continuous provision of the services that make a real difference to our customers.

The last twelve months have been characterised by several dynamic factors that have shaped the overall business environment. This factor includes but no limited to the COVID-19 Pandemic that re-defined some elements in our industry.

On the governance front, the impact of devolution has continued to take shape. We got involved in discussing with the county government in funding the implementation of some projects within the scheme area. The funding was however differed indefinitely due to COVID-19 pandemic.

Our dedication to our strategy has yielded a relatively fair set of financial results, despite the COVID-19 pandemic which has been witnessed in our country and across the border. This is a clear confirmation of our commitment to generating long term value for our stakeholders.

In conclusion, we continue to enjoy the support and goodwill inter alia of the Regulatory Authority, the Board, our clients, suppliers and service providers. I wish to record our appreciation to them all and note that we highly value this relationship.

I also wish to thank and congratulate the management team and staff of the company for the loyalty, dedication and tireless efforts that have made these results possible.

Finally, to my fellow directors, thank you for your commitment, support and considered advice that is so essential in this extremely noble service.



Cyrus N. Nyaga
Chairman

10th September 2020

Ngagaka Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to announce yet another year of fairly performance in our duty of provision of water services. We have maintained our record of growth through superior commercial performance across our entire services. Our customers have rewarded us with loyalty as we have strived to over deliver on our promise of a superior customer experience.

Our fairly financial performance has enabled us to continue with substantial investment in our network and other services. Customer satisfaction levels have continued to improve as evidenced by higher usage of our services.

Despite the COVID-19 pandemic which has ravaged the whole world, our total revenue increased from Kshs 33.714 million to Kshs 36.6 million while our customer base increased from 11,657 to 12,088.

Our other miscellaneous services continue to increase. Application fees for new connections remain the key driver, having generated slightly above half of our total miscellaneous revenue. The growth was driven primarily by our number of customers who stood at 12,088 as at close of the accounting period.

Our staffs are the greatest resource and we have an exciting mix of skills in various disciplines blended with wealth of experiences. The average age of our employees is approximately thirty-five years. They are enthusiastic to make certain that we are always in the front. These employees are always ready to roll up their sleeves whenever required to perform specific tasks to ensure that customers' needs are met and our goals achieved.

Strategic priorities

Our goal is to continue transforming the lives of our fellow Kenyans and delighting our customers with great value and services. SMS billing is still going on well. That is a mile stone project given the value it has added to the company after it was fully automated. Further the company's migration to cash being paid directly to the bank has gone on well. During the year, we intend to commence the process of Mpesa payment. This will give our customers the opportunity to choose their preferred mode of payment. Our priority this year is growing the number of active connections and making E- payment the preferred mode of payment. This will make a significant contribution to the lives of our customers and accelerate Kenya towards a cash-lite economy.

To ensure our customers get value for their money, we engaged both the Regulator and the Board in Regular Tariff Adjustment (RTA) issue. The process was slowed down by the COVID-19 pandemic but we the process we resume during the year.

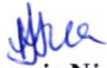
Ngagaka water has continued to be the front runner and this can only be due to the commitment and diligence by the board, management and staff who have worked tirelessly to satisfy our clients, and all stakeholders. I register my appreciation to the support which has made 2020 once again a momentous year for all of us.

Ngagaka Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

We hope to offer better services in 2020.



Francis Njoka
General Manager.

10th September 2020

Ngagaka Water and Sanitation Company Limited

Annual Reports and Financial Statements

For the year ended June 30, 2020

6. CORPORATE GOVERNANCE STATEMENT

Good corporate governance is key to the integrity of water sector institutions and markets and is central to the health of our economics and their stability. Corporate governance plays a leading role in making certain how corporations and their boards and management are directed, controlled and held to account. Corporate governance therefore encompasses the systems, practices and procedures by which the individual corporation regulates itself to remain competitive, ethical, sustainable and fair.

Appointed on December, 2012 The Board of **NGAWASCO** limited follows, principles of openness, integrity and accountability in its stewardship of the company's affairs. It recognizes the developing nature of corporate governance and assesses the company's compliance with generally accepted corporate governance practice on a regular basis, directly and through its board committees and management. The role of the board is to ensure conformance by focusing on and providing the company's overall strategic direction and policy –making as well as performance review through accountability and ensuring appropriate monitoring and supervision. The board is also responsible for the overall system of internal control and for the reviewing its effectiveness. The controls are designed to both safeguard the company's assets and ensure the reliability of financial information.

A management team, comprising the general manager, heads of departments and senior staff meets regularly to consider issues of operational and strategic importance to the company. Here below are the key features of the existing corporate governance practices within Ngagaka Water and Sanitation Company Limited which are reviewed and improved on a regular basis: -

1. Board of Directors

The board of directors consists of one executive director and nine non-executive directors, who have been appointed in accordance with the Water Act 2002. The chairman of the board is a non-executive director and the board meets formally at least four times a year.

The board is responsible for setting the direction of the company through the establishment of strategic objectives, key policies and approval of budgets. It monitors the implementation of strategies and policies through a structured approach to reporting by management and consequent accountability.

The non-executive directors are actively involved in and bring strong independent judgment on board deliberations and discussions. These directors have a wide range of knowledge and experience of local markets that is applied to the formulation of strategic objectives and decision making.

The board meets regularly and retains full and effective control over the company in all strategic, financial, operational and compliance areas. In 2020, four board meetings were held and all directors attended the four meetings

To assist the board in the discharge of its responsibilities, board committees have been established. All the board committees meet at least once a year. The committees are as follows: -

a) Audit Committee

The audit committee comprises of three non-executive directors and a senior manager. The committee is responsible for inter alia, developing and advising an audit and financial controls and compliance issues of the company. It also defines the scope of the internal audit function and acts as a liaison between the external auditors and management. The current members of the committee are: - J Gatumuta (Chairman), CEO Tana representative and Josephine Marigu.

b) Finance And Technical Committee

The finance and technical committee comprises of five non-executive directors and the general manager. The committee provides guidance to the board on finance and technical requirements for the company. The current members are D. Muthoni, N. Njue, J. G.Nyaga, CEO Tana Representative, General Manager and A Kinyua (Chairman).

2. Internal Controls

The company has implemented and maintained internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the company's' assets. Such controls are based on established policies and procedures and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of the system of internal controls is monitored regularly through internal audit functions, operational meetings and the annual external audit.

3. Related Party Transactions and Directors Remuneration.

The related party transactions with the company during the year ending 30th June 2020 are detailed under note 19 on page 17 of these annual report and financial statements.

The remuneration for directors consists of sitting allowances for their services relating to the Board and committee meetings.

The aggregate amount of director's remuneration for services rendered during the year ending 30th June 2020 are contained under note 19 on page 17 of these annual report and financial statements.

4. Going Concern

The directors confirm that the company has adequate resources to continue in business for the feasible future and therefore the continued use of going concern as a basis of preparing the financial statements.


C. N. Nyaga
Chairman


F. M. Njoka
Director.

Ngagaka Water and Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2020

7. MANAGEMENT DISCUSSION AND ANALYSIS

During the year the company had no management discussion and analysis.

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The company upholds its core values which enshrine ethical business practices, compliance with regulatory and other legal requirements and respect for humanity, communities and the environment. The company's corporate social responsibility (CSR) hinges on two key pillars, employees and welfare programmes.

During the year, our employees have become an important part of this noble objective. The employees are the backbone of our success.

Therefore, we have unrelentingly ensured that they have a favourable work environment. Training and development of staff has continued to be an important part of our business. All staffs are encouraged to attend internal and external training sessions to upgrade themselves technically and professionally. The internship placement programmes have continued with several students working as interns in various departments. Those students are drawn from various colleges.

9. REPORT OF THE DIRECTORS

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

Principal activity

The principal activity of the entity is provision of water and sanitation services within the Service Area.

Results

The results of the entity for the year ended June 30, 2020 are set out on page 1

Directors

The members of the Board of Directors who served during the year are shown on page v In accordance with Regulation of the company's Articles of Association.

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board



Director

10th September 2020

Ngagaka Water and Sanitation Company Limited

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

10. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and the County Corporations, require the directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (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 judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the section 164 of the Public Finance Management Act, 2012 and the County Corporations. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2020, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements were approved by the Board on 10th September 2020 and signed on its behalf by:



Chairman - BOD



General Manager

REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ngagaka Water and Sanitation Company Limited set out on pages 1 to 21, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Ngagaka Water and Sanitation Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016 and the Companies Act, 2015.

Basis for Qualified Opinion

Presentation of Financial Statements

The Company's financial statements for the year ended 30 June, 2020 provided for audit review reflect the following inadequacies.

i. The Company's Management discussion and analysis report does not provide the operational and financial performance of the organisation during the period, Ngagaka's key projects or investment decision implemented or ongoing, Ngagaka's compliance with statutory requirements, major risks facing the organisation, material arrears in statutory and other financial obligations, and any other information considered relevant to the users of the financial statements. This is contrary to the requirements of the Public Sector Accounting Standards Board (PSASB) reporting template issued in June, 2020.

ii. The list of the Board of Directors in the financial statements does not included key qualifications and details of work experience for the Directors contrary to the reporting template issued by PSASB in June, 2020 which requires that a concise description of each Directors' date of birth, key qualification and work experience be included under the Board of Directors' information. Further, the details relating to the Company Secretary were not included.

iii. The continuation of the statement of comparison of budget and actual amounts in the financial statements is indicated as "for the period ended 30 June, 2020" contrary to the reporting template issued by PSASB which stipulates that the statement of comparison of budget and actual amounts should be for the year ended.

In the circumstance, the presentation of the Company's financial statements does not comply with PSASB prescribed format and the International Public Sector Accounting Standards.

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects budgeted revenue of Kshs.36,118,371 and actual income of Kshs.36,039,521 or 99% of the budgeted revenue resulting to a net under collection of Kshs.78,850 comprising of over-collection of Kshs.289,700 in four (4) items and under-collection of Kshs.368,550 on five (5) items.

Further, the statement of comparison of budget and actual amounts reflects budgeted expenditure of Kshs.36,118,371 and actual expenditure of Kshs.35,977,436, resulting to net under expenditure of Kshs.140,935 comprising of total over-expenditure of Kshs.296,346 in eight (8) items and total under expenditure of Kshs.437,281 in twelve (12) items. The under spent funds could have been allocated to other deserving areas that would have improved delivery of goods and services to the residents of Runyenjes Constituency.

In addition, no approval in form of a supplementary budget was availed for audit review for the over expenditure of Kshs.296,346 contrary to Section 43(2) of the Public Finance Management Act (County Governments) Regulations, 2015, which states

that County Government entities shall execute their approved budgets based on annual legislation and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the county emergency fund or supplementary estimates.

In the circumstances, the Company is in breach of the law.

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 matter 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

Irregular Borrowing from Customer Deposit

Note 15 to the financial statements reflects Kshs.4,053,723 in respect to borrowings from customers which includes Kshs.3,682,000 in respect to borrowing during the year. Further, included in the Kshs.4,053,723 balance is Kshs.721,723 which, as reported in the previous year, was withdrawn from the customer's deposit by the Management in February 2014. However, no loan agreement was availed for audit review and the Management contravened the procedures which requires that customers' deposit should only be utilized for refund to customers who opt out of the water agreement with the Company.

In the circumstances, the Management is in breach of the Regulation.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1.0 Non-Revenue Water

Note 1 to the financial statements reflects Kshs.30,050,640 in respect to sale of water for the year ended 30 June, 2020. Records provided revealed that, the Company produced a total of 1,111,216 cubic meters (m³) of water. However, only 658,528 m³ were billed to customers. The balance of 452,688 m³ (approximately 41%) of the total water produced with a sale price of Kshs.24,445,152 represents the Non-Revenue Water (NRW), which is over and above the allowable loss of 25% as provided by schedule E of Water Service Regulatory Board (WASREB) guidelines.

In the circumstances, the Company significantly exceeded the allowable NRW loss of 25% by 16% or approximately Kshs.9,600,906 which if not addressed will negatively impact on the Company's profitability and its long-term sustainability.

2.0 Lack of Information and Communication Technology Policy

As reported in the previous year, the Company did not have an approved ICT policy in place which should have included data security policy and disaster recovery plan. Further, it was noted that the ICT officer who acts as the Billing Clerk has access to the source code of the system which could compromise the integrity of the system since the source code should only be accessed by the system developer.

In the circumstances, the security and reliability of the Company's data including its Management Information System could not be ascertained.

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 Companies Act, 2015, I report based on my audit, that:

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and

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


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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 February, 2022

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

	Note	2019-2020	2018-2019
REVENUES		Kshs	Kshs
Sales	1	30,050,640	27,970,010
Grant from National Govt.	2	292,871	334,709
Other Income	3	<u>5,696,010</u>	<u>5,409,540</u>
TOTAL REVENUES		<u>36,039,521</u>	<u>33,714,259</u>
OPERATING EXPENSES			
Administration Costs	4a	25,784,116	23,863,947
Production costs	5	3,526,703	4,975,828
Depreciation of PPE	8	<u>3,637,436</u>	2618216
TOTAL OPERATING EXPENSES		<u>32,948,255</u>	<u>31,457,991</u>
OPERATING PROFIT/(LOSS)	6	3,091,266	2,256,268
Finance Income	7	-	58,909
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,091,266</u>	<u>2,315,177</u>


Ngagaka Water and Sanitation Company Limited

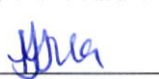
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13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019-2020	2018-2019
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	8	20,547,393	17,173,629
Total Non-Current Assets		20,547,393	17,173,629
Current Assets			
Inventories	9	902,210	905,139
Trade and other receivables	10	13,892,225	10,661,486
Bank and cash balances	11	3,555,304	6,057,286
Prepayments	12	2,500	2,500
Total Current Assets		18,352,239	17,626,411
Total Assets		38,899,632	34,800,040
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital fund / reserves	13	9,965,875	9,965,875
Revenue reserve	14	18,306,964	15,215,698
Capital and Reserves		28,272,839	25,181,573
Non-Current Liabilities			
Borrowings	15	3,693,723	121,723
Deferred income	16	2,358,525	2,651,396
Total Non-Current Liabilities		6,052,248	2,773,119
Current Liabilities			
Borrowings	15	360,000	600,000
Trade and other payables	17	4,214,545	6,245,348
Total Current Liabilities		4,574,545	6,845,348
TOTAL EQUITY AND LIABILITIES		38,899,632	34,800,040

The financial statements were approved by the Board on 10th September 2020 and signed on its behalf by:


Cyrus N. Njoka
Chairman - BOD


Francis Njoka
General Manager


A. Murugi
Accountant
Icpak 11786

Ngagaka Water and Sanitation Company Limited

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

	Capital fund/ reserves	Revenue reserve	Total
At July 1, 2018	9,965,875	12,900,521	22,866,396
Total financial performance	-	2,315,177	2,315,177
At June 30, 2019	9,965,875	15,215,698	25,181,573
At July 1, 2019	9,965,875	15,215,698	25,181,573
Total financial performance	-	3,091,266	3,091,866
At June 30, 2020	9,965,875	18,306,964	28,272,839

15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		2019-2020	2018-2019
	NOTES	Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus/(deficit) before taxation		3,091,266	2,315,177
Adjustment for depreciation		3,637,436	2,618,216
Adjustment for Provision for bad debts		344,583	129,484
Amortization		(292,871)	(334,709)
		6,780,414	4,728,168
CHANGES IN WORKING CAPITAL			
(Increase)/decrease in trade receivables		(3,575,322)	(1,118,034)
Increase/(decrease) in trade payables and accruals		782,197	764,898
(Increase)/decrease in inventories		2,929	(518,675)
Increase/(decrease) in customer deposits		(2,813,000)	881,277
Cash generated from operating activities		(5,603,196)	9,466
Net cash generated from/(used in) operating activities		1,177,218	4,737,634
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(7,011,200)	(3,871,765)
Grant of non-current assets		-	610,000
Net cash generated from/(used in) investing activities		(7,011,200)	(3,261,765)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowing		3,682,000	-
Repayment of borrowing	15	(350,000)	(348,277)
Net cash generated from/(used in) financing activities		3,332,000	(348,277)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		(2,501,982)	1,127,592
CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR			
	11	6,057,286	4,929,694
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR			
	11	3,555,304	6,057,286

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16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

CODE	VOTEHEAD	ORIGINAL BUDGET	ADJUST.	FINAL BUDGET	ACTUAL BUDGET	VAR	Abs
	INCOME	KSH.	KSH	KSH.	KSH.	KSH.	%
1000>010	Water Sales	31,572,000	-1200000	30,372,000	30,050,640	-321,360	99
	Sub- Total	<u>31,572,000</u>	<u>-1,200,000</u>	<u>30,372,000</u>	<u>30,050,640</u>	<u>-321,360</u>	
	OTHER INCOMES						
1000>020	Meter Rent	4,380,000	0	4,380,000	4,658,350	278,350	106
1050>010	Reconnections fees	456,000	-100,000	356,000	332,000	-24,000	93
1050>020	Application Fees	720,000	-200,000	520,000	517,000	-3,000	99
1050>030	Illegal conn. fees	150,000	0	150,000	130,000	-20,000	87
1050>040	Termination Fees	10,000	0	10,000	13,600	3,600	136
1050>060	Transfer Fees	3,000	0	3,000	3,000	0	100
1050>090	Meter Replacement	10,500	9,000	19,500	24,500	5,000	126
1050>100	Grant from GVT	292,871	0	292,871	292,871	0	100
1050>120	Miscellaneous Income	6,000	1,000	7,000	9,750	2,750	139
1050>130	Bad Debts	36,000	-28000	8,000	7,810	-190	98
	Sub-Total	<u>6,064,371</u>	<u>-318,000</u>	<u>5,746,371</u>	<u>5,988,881</u>	<u>242,510</u>	
	Total Income	<u>37,636,371</u>	<u>-1,518,000</u>	<u>36,118,371</u>	<u>36,039,521</u>	<u>-78,850</u>	
	EXPENDITURES						
	ADMIN. EXPENSES						
3000	Staff costs	15,438,816	0	15,438,900	15,495,984	-57,084	100
3050	Directors' emoluments	1,110,000	-134,700	975,300	967,400	7,900	99
3210	Electricity and Water	86,400	0	86,400	79,121	7,279	92
3280	Tel, emails, postage and computer acc.	588,000	0	588,000	612,697	-24,697	104
3100	Transport, travel & sub.	1,700,000	0	1,700,000	1,795,600	-95,600	106
3280	Advert., printing, stat.&n/p	240,000	0	240,000	257,633	-17,633	107
3200	Rent expenses	60,000	0	60,000	60,000	0	100
3270	Staff training /seminars	1,100,000	0	1,100,000	1,122,000	-22,000	102
3280	Staff uniforms ,welfare & team building	280,000	134700	414,700	451,176	-36,476	109
3120>10	Insurance expense	220,000	0	220,000	234,304	-14,304	107
3290>020	Bank charges &comm.	65,340	1160	66,500	61,450	5,050	92
3430	Fees and levies	2,500,000	0	2,500,000	2,300,482	199,518	92
3300>20	Auditors remuneration	290,000	0	290,000	290,000	0	100
3100	M.v./cycle fuel & maint.	1,220,000	0	1,220,000	1,248,552	-28,552	102
3280>015	Other repairs & maint.	60,000	0	60,000	53,655	6,345	89
3240	Staff year party and tour, cleaning and CSR	410,000	0	410,000	409,479	521	100
3460	Sub-Total	<u>25,368,556</u>	<u>1,160</u>	<u>25,369,800</u>	<u>25,439,533</u>	<u>-69,733</u>	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020
(Continued)

PRODUCTION COSTS							
3450>010	Water maint & rehab.	3,400,000	0	3,400,000	3,344,364	55,636	98
3440>010	Water chemicals	190,000	0	190,000	182,339	7,661	96
	Sub-Total	3,590,000	0	3,590,000	3,526,703	63,297	98
	Total O & M expenses	28,958,556	1,160	28,959,800	28,966,236	-6,436	100
INVESTMENTS							
6200>010	Motor Vehicle	3,682,000	45700	3,727,700	3,682,000	45,700	99
6450>010	Ordinary meters - 700pcs	2,450,000	400,871	2,850,871	2,794,700	56,171	98
6250>010	Motor cycles – 5NO.	500,000	0	500,000	462,500	37,500	93
6300>010	Computers – 3NO.	80,000	0	80,000	72,000	8,000	90
	Sub - Total	6,712,000	446,571	7,158,571	7,011,200	147,371	
	Total expenditure	35,670,556	447,731	36,118,371	35,977,436	140,935	
	Surplus for the period	1,965,815	-1,965,731	0	62,085	62,085	

Notes to the comparison of budget and actuals

NB: The total expenditure in the statement of profit or loss and other comprehensive income for the year ended 30 June 2020 is Kshs 32,948,255 and that of statement of comparison of budget and actual amounts Kshs 35,977,436. The difference is as a result inclusion of investments, depreciation and bad debts items.

1. Illegal fees were under absorbed as a result of covid 19 pandemic
2. Meter replacement, termination fees and miscellaneous income was over absorbed because most of customers replaced and turned on their water meters
3. There was under absorption of other repairs and maintenance because there were no major repairs.

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17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis in conformity with International Financial Reporting Standards (IFRS) which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the company's accounting policies.

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.

2. Revenue recognition

Revenue is recognised 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 recognised 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 water** is recognised 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** are recognised in the year in which the company receives such grants.
- iii) **Other income** is recognised as it accrues.

3. In-kind contributions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Property, plant and equipment

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

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

5. Depreciation and impairment of property, plant and equipment

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	2%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

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

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

6. Finance leases

Leases which confer substantially all the risks and rewards of ownership to the company are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

7. Inventories

Inventories are stated at the lower of cost and net realisable value.

8. Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end using rate of 10%. Bad debts are written off after all efforts at recovery have been exhausted.

Ngagaka Water and Sanitation Company Limited

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and which were not surrendered or accounted for at the end of the financial year.

10. Borrowings

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

11. Trade and other payables

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

12. Retirement benefit obligations

As per [IAS 19(2011).63] the Company recognised the net defined benefit liability for the staff up to June 2020 amounting to Ksh 12,108,345. The determination of the net defined benefit liability was carried out with sufficient regularity such that the amounts recognised in the financial statements do not differ materially with those that would be determined at the end of the reporting period. [IAS 19 (2011). 58]

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month.

13. Provision for staff leave pay

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Comparative figures

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

15. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

Ngagaka Water and Sanitation Company Limited

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18. NOTES TO THE FINANCIAL STATEMENTS

1. SALES

	2019-2020	2018-2019
	Kshs	Kshs
1. SALES		
Gross sales of water	30,050,640	27,970,010
Total	30,050,640	27,970,010

2. GRANT FROM NATIONAL GOVERNMENT

Capital grants received	292,871	334,709
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[Grant of water meters received from TWWDA]

3. OTHER INCOME

	2019-2020	2018-2019
	Kshs	Kshs
Meter Rent	4,658,350.00	4,394,400
Application fees	517,000.00	482,000
Reconnections	332,000.00	284,500
Illegal Connections	130,000.00	143,000
Termination Fee/Transfer fee	13,600.00	8,600
Transfer Fee	3,000.00	3,000
Meter Replacement	24,500.00	28,000
Bad debts	7,810.00	55,170
Miscellaneous	9,750.00	10,870
Total	5,696,010	5,409,540

[Being incomes other than water sales]

4(a) ADMINISTRATION COSTS

	2019-2020	2018-2019
	Kshs	Kshs
Staff costs (note 4(b))	15,495,984	14,445,528
Directors' emoluments	967,400	703,000
Electricity and water	79,121	79,795
Tel., emails, postage and computer acc.	612,697	659,059
Transportation, travelling and subsistence	1,795,600	930,740
Advertising, printing, stationery n/papers	257,633	252,255

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4(a) ADMINISTRATION COSTS (Continued)

	2019-2020	2018-2019
	Kshs	Kshs
Rent expenses	60,000	47,000
Staff training expenses	1,122,000	1,061,700
Staff uniforms and welfare/Wasco sports	451,176	365,975
Insurance costs	234,304	24,229
Bank charges and commissions	61,450	59,439
fees, levies, commitments and honoraria	2,135,472	3,385,257
Auditors' remuneration	290,000	290,000
motor vehicle fuels, oil and maintenance	1,248,552	953,178
Consultancy fees/ Subscriptions	165010	110,000
Repairs and maintenance	53,655	1,520
Provision for bad and doubtful debts	344,583	129,484
staff year end party & tour, cleaning & CSR	409,479	365,788
Total	25,784,116	23,863,947

4(b) STAFF COSTS

	2019-2020	2018-2019
	Kshs	Kshs
Salaries and allowances of permanent employees	15,495,984	14,389,928
Other Staff payments (retirement benefits)	-	55,600
Total	15,495,984	14,445,528
The average number of employees at the end of the year was:		
Permanent employees – Management	5	5
Permanent employees – Unionisable	25	24
Total	30	29

[Being number of staff throughout the year]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 PRODUCTION COSTS

	2019-2020	2018-2019
	Kshs	Kshs
Water maintenance and rehabilitation	3,344,364	4,701,098
Water chemicals	182,339	274,730
Total	3,526,703	4,975,828

[Being costs of maintaining and treating water]

6 Operating profit/ (loss)

	2019-2020	2018-2019
	Kshs	Kshs
Operating profit/(loss)	3,091,266	2,256,268
The net profit/(loss) is arrived after charging/crediting):-		
Staff costs (note4(b))	15,495,984	14,445,528
Depreciation of PPE	3,637,436	2,618,216
Provision for bad and doubtful debts	344,583	129,484
Directors' emoluments - fees	967,400	703,000
Auditors remuneration - fees	290,000	290,000

7 Finance Income

	2019-2020	2018-2019
	Kshs	Kshs
Interest income on short-term bank deposits	-	58,909
	-	58,909

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Water meters	Motor vehicles, including, motor cycles	Computers & related equipment	M.Cycle	Office equipment, furniture & fittings	Tools and equipment	Total
COST									
As at July 1, 2018	854,816	3,255,510	18,926,230	3,614,692	2,204,522	-	386,190	231,890	29,473,850
Additions	-	-	3,871,765	-	-	-	-	-	3,871,765
At June 30, 2019	854,816	3,255,510	22,797,995	3,614,692	2,204,522		386,190	231,890	33,345,615
At July 1, 2019	854,816	3,255,510	22,797,995	3,614,692	2,204,522		386,190	231,890	33,345,615
Additions	-	-	2,794,700	3,682,000	72,000	462,500	-	-	7,011,200
At June 30, 2020	854,816	3,255,510	25,592,695	7,296,692	2,276,522	462,500	386,190	231,890	40,356,815
DEPRECIATION									
At July 1, 2018	81,105	1,217,138	7,602,563	2,742,671	1,538,951	-	227,263	144,079	13,553,770
Charge for the year	15,474	254,797	1,899,427	218,005	199,671	-	19,866	10,976	2,618,216
At June 30, 2018	96,579	1,471,935	9,501,990	2,960,676	1,738,622		247,129	155,055	16,171,986
At July 1, 2019	96,579	1,471,935	9,501,990	2,960,676	1,738,622	-	247,129	155,055	16,171,986
Charge for the year	15,165	222,947	2,011,338	1,084,004	161,370	115,625	17,383	9,604	3,637,436
At June 30, 2020	111,744	1,694,882	11,513,328	4,044,680	1,899,992	115,625	264,512	164,659	19,809,422
NBV									
At June 30, 2019	758,237	1,783,575	13,296,005	654,016	465,900	-	139,061	76,835	17,173,629
At June 30, 2020	743,072	1,560,628	14,079,367	3,252,012	376,530	346,875	121,678	67,231	20,547,393

No item of property, plant and equipment was fully depreciated as at the end of the financial year

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. INVENTORIES

	2019-2020	2018-2019
	Kshs	Kshs
Water maintenances	465,610	203,389
Water meters	409,200	693,900
Stationeries	21,300	7,850
General stores	6,100	-
Total	902,210	905,139

10. TRADE AND OTHER RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Trade receivables	25,542,393	21,967,071
Gross trade and other receivables	25,542,393	21,967,071
Provision for bad and doubtful receivables	(11,650,168)	(11,305,585)
Net trade and other receivables	13,892,225	10,661,486

[Being water sales]

11. CASH AND CASH EQUIVALENT

	2019-2020	2018-2019
	Kshs	Kshs
Family Bank - Current	700,233	270,872
Family - Savings	1,304,330	4,695,801
Consolidated Bank	145,221	48,543
Equity Bank	1,405,520	1,042,070
	3,555,304	6,057,286

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2019-2020	2018-2019
		Kshs	Kshs
13	CAPITAL FUND/RESERVES		
	As at June	9,965,875	9,965,875
		9,965,875	9,965,875

14 REVENUE RESERVES

	As at 1 st July	15,215,698	12,900,521
	Surplus/ (deficit) for the year	3,091,266	2,315,177
		18,306,964	15,215,698

15 BORROWINGS

	Domestic borrowings during the year	721,723	1,070,000
	Borrowings during the year	3,682,000	-
	Repayments of domestic borrowings during the year	(350,000)	(348,277)
	Balance at end of the year	4,053,723	721,723
	Less: Amounts due within one year (current portion)	(360,000)	(600,000)
	Amounts due after one year (non-current portion)	3,693,723	121,723
	The analyses of domestic borrowings are as follows		
	Domestic Borrowings		
	Kenya Shilling lease finance from Family bank	-	-
	Kenya Shilling loan from customer deposits	4,053,723	721,723
	Total balance at end of year	4,053,723	721,723
	<i>[Being domestic borrowing for purchase of motor vehicle KCV 349R</i>		

16 DEFERRED INCOME

	2019-2020	2018-2019
	Kshs	Kshs
At 1 July	2,651,396	2,376,105
Additions	-	610,000
Amortization	(292,871)	(334,709)
Total	2,358,525	2,651,396

Deferred income relates to water meters donated by Tana water services board. Deferred income is recognised as income in the statement of financial performance over the expected useful lives of the assets.

17 TRADE AND OTHER PAYABLES

	2019-2020	2018-2019
	Kshs	Kshs
Trade payables	2,597,768	1,815,571
Other payables (customer Deposit)	1,616,777	4,429,777
Total	4,214,545	6,245,348

[Being trade creditors and customer deposits]

Ngagaka Water and Sanitation Company Limited

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For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 RETIREMENT BENEFIT OBLIGATIONS

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month.

19 RELATED PARTY DISCLOSURES

Parties related to the organisation include those parties who have the ability or where the organisation has the ability to exercise control or exercise significant control over the operating and financial decisions. Related parties include the management personnel, their principals and close family members.

The organisation is related to:

- (i) Water services regulatory board
- (ii) Tana Water Works Development Agency
- (iii) Directors and key management personnel of the organisation

a) Due to related parties

	2019-2020	2018-2019
	Kshs	Kshs
Water services regulatory board	639,732	114,636
Total	639,732	114,636

Water Services Regulatory Board is paid 4% of the total billed revenue. The above refers to outstanding balances as at the end of the year.

b) Transactions

During the year, the following transactions were entered into with related parties:

i) Directors Emoluments

	2019-2020	2018-2019
	Kshs	Kshs
Directors fees and allowances	967,400	703,000
Total	967,400	703,000

ii) Key management compensation

	2019-2020	2018-2019
	Kshs	Kshs
Salaries and other benefits	6,715,980	5,989,740
Total	6,715,980	5,989,740

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 FINANCIAL RISK MANAGEMENT POLICIES

Financial risk management objectives

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

The major types of financial risks faced by the organisation are:

- Market risk
- Credit risk
- Liquidity risk

Market risk management

(i) Foreign exchange risk

The organisation is not exposed to foreign exchange risk since it does not have foreign currency transactions.

(ii) Interest rate risk

The organisation is not exposed to interest rate risk since it has no external borrowing

(ii) Price risk

The organisation does not hold investments that would be subject to price risk hence there is no exposure to price risk.

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the organisation. The organisation measures, monitors and manages credit risk for each receivable. The organisation's credit risk is primarily attributable to bank balances, trade and other receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the organisation's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

The amount that best represents the organisation's maximum exposure to credit risk is made up as follows:

Ngagaka Water and Sanitation Company Limited

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For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
30 June 2020				
Bank balances	3,555,904	3,555,904	-	-
staff advances	-	-	-	-
Trade receivables	13,892,255	-	25,542,393	(11,650,585)
Total	17,448,159	3,555,904	25,542,393	(11,650,585)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
30 June 2019				
Bank balances	6,057,286	6,057,286	-	-
staff advances	-	-	-	-
Trade receivables	10,661,486	-	21,967,071	(11,305,585)
Total	16,718,772	6,057,286	21,967,071	(11,305,585)

The debtors under the fully performing category are paying their debts.

The receivables that are past due relate to receivables overdue by over 30 days. The finance department is actively following these receivables. No collateral is held with respect to the debt. The debt that is impaired has been fully provided for.

Liquidity risk management

Prudent liquidity risk management includes maintaining sufficient cash to meet organisation obligations.

The organisation manages liquidity risk through continuous monitoring of forecast and actual cash flows.

The liquidity risk is also managed through the continuous receipts from water revenue.

The table below analyses the organisation's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, since the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

Liquidity risk management (Continued)

	within 1 year	2-3 years	Over 3 years	Total amount
	Kshs	Kshs	Kshs	Kshs
30 June 2020				
Payables	2,597,768	-	-	2,597,768
	within 1 year	2-3 years	Over 3 years	Total amount
	Kshs	Kshs	Kshs	Kshs
30 June 2019				
Payables	1,815,571	-	-	1,815,571

Capital risk management

The organization manages its capital to ensure that it is able to continue as a going concern while maximizing the return to stakeholders.

The organization is not exposed to capital risk since it has no borrowings.

The capital structure of the organisation consists of:

	2019-2020	2018-2019
	Kshs	Kshs
Capital fund / reserves	9,965,875	9,965,875

21 CONTINGENT LIABILITIES

The organization is exposed to various contingent liabilities in the normal course of operations. Management evaluates the status of these exposures on a regular basis to assess the probability of the organization incurring related liabilities. However, provisions are only made in the financial statements where, based on the management's evaluation, a present obligation has been established.

22 CAPITAL COMMITMENTS

The company did not have capital commitments as at 30 June 2020.

23 CURRENCY

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

24 INCOPORATION

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

Ngagaka Water and Sanitation Company Limited

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APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Irregular water maintenance and rehabilitation expenditure	The supporting documents are in place.	Francis Njagi CM	Not Resolved	Waiting for appearance at County Assembly PAIC
2.	Interest of fixed deposit	The difference of the amount of interest was of no material value.	Francis Njagi CM	Not Resolved	Waiting for appearance at County Assembly PAIC
3.	Internal borrowing from customer deposits.	The internal borrowing had BOD authority.	Francis Njagi CM	Not Resolved	Waiting for appearance at County Assembly PAIC
4.	NRW at 48% way above the set bench mark of 25%	Non-revenue team is working on the same to ensure the set bench mark is attained.	Josphat Njogu TM and Francis Njagi CM	Not resolved	2 -3 years
5.	Lack of internal audit	The Company has internal audit in place.	Francis Njoka GM	Not Resolved	Waiting for appearance at County Assembly PAIC


General Manager
10th September 2020


Chairman of the Board of Directors
10th September 2020