



REPORT

OF

THE AUDITOR-GENERAL

ON

**GATUNDU WATER AND SANITATION
COMPANY LIMITED**

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





**GATUNDU WATER AND SANITATION
COMPANY LTD**

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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

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KEY ENTITY INFORMATION

Background information

Gatundu water and Sanitation Company limited is a public company (herein referred to as GATWASCO). Like all other such water institutions this is a child of water act 2002 and the promulgation of the new constitution which devolved the water function. Devolution transmitted the water function from water service boards to the county government. GATWASCO was further derived from a merger of Gatundu South Water and Sanitation Company (GASWASCO) and Karimenu Water and Sanitation Company (KARIWASCO). During the period under review, the GATTWASCO had one hundred and twenty four (124) permanent staff and Thirty eight (28) staff under contract

Principal Activities

- ❖ Provision of domestic, industrial and institutional water services.
- ❖ Provision of sewerage and sanitation services.

GATWASCO regional coverage includes Gatundu South, Gatundu North, parts of Githunguri sub-county and parts of Juja.

In terms of water service provision, the situation in the area can be categorized as

- ❖ Areas that are well served 24/7
- ❖ Areas that are under served
- ❖ Areas that are not served
- ❖ Areas that are served through community water projects

In terms of sewerage services, the situation is wretched since

- ❖ All areas are not served
- ❖ Some centers depend on septic tanks
- ❖ Rural areas depend on pit and VIP latrines

In terms of storage and conservation

- ❖ There is only one dam- Theta dam
- ❖ A lot of soil is lost through erosion
- ❖ A lot of water is lost to the Indian ocean through river flow
- ❖ A second dam (Karimenu II dam) is under way

Vision

To be the best in provision of potable rural water and sanitation services in the region and beyond.

Mission

To promote good health standards and raise economic level of our community through provision of quality, reliable, adequate and affordable water and sanitation services in an environmentally friendly manner while meeting expectations of our customers and other stakeholders.

Audit committee activities

An audit committee is appointed to assist the board in discharging its duties relating:

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- To safeguard company assets
- Control processes.
- The preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.
- The audit committee will be the principal governance watchdog in Gatundu Water Company. Its purpose is to provide additional focus on financial issues that are vital to the company but which often cannot be fully examined by the main board because of shortage of time available to the same.

Finance & Technical committee activities

- Prepare strategies and plans for attaining the GATWASCO service delivery objectives
- Review proposals and plans for infrastructure development and improvement
- Consider, evaluate and review progress of implementation for infrastructure development programs
- Set up and review standards, procedures and controls for provision of water services
- Consider and evaluate applications for water services provision
- Being informed, vigilant and effective overseers of the financial reporting process and the company's internal controls.
- Reviewing the GATWASCO quarterly, half-yearly and year-end financial statements, focusing particularly on;
 - a) Any changes in accounting policies and practices
 - b) Any major variances between actual results and budget
 - c) Compliance with International Accounting Standards and other statutory obligations
- Ensure that accounting and financial management policies are in place and that they are implemented.
- Discussing the GATWASCO budget, and recommending to the Board of Directors for discussion.
- The Finance Committee will spearhead fundraising activities of the board.

Directors

The Directors who served the entity during the year ended June 30th 2021 were as follows:

1. Prof. Bernard Njoroge - Chairman
2. Jenifer Musyoki
3. Prof. Steven G. Njuguna
4. Mr. James Gitau Muriuki
5. Samuel G. Njuguna
6. Eng. Andrew G. Muigai
7. Mrs. Emmah Waithira Nganga
8. Mr. Ndungu Wa Munywe
9. Mr. Dominic Gachanja
10. Solomon Wairiri Waweru
11. Dr. Martin Njogu
12. Josephine W. Muritu

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Company Secretary

Josphine W. Muritu
Kiambu County Water & Sewerage Comp Ltd
P.O. Box 2344-00900
Kiambu

Registered Office

Gatundu Water Office
Gatundu Karinga Road
P.O. Box 140
Gatundu, KENYA

GATWASCO Contacts

Telephone: (254) 0714623391
E-mail: gatwasco@gmail.com
Website: [www. Gatunduwater.co.ke](http://www.Gatunduwater.co.ke)

GATWASCO Bankers

1. Co-operative Bank of Kenya
P.O. Box 82-01030,
Gatundu Branch.
2. Co-operative Bank of Kenya
P.O. Box 1815,
Thika Branch.
3. Equity Bank of Kenya
P.O Box 528-01030
Gatundu Branch
4. Kenya Commercial Bank
P O Box 420-00232
Ruiru
Gatundu Branch
5. Family Bank
P O Box 481-01030
Gatundu Branch
6. Safaricom Limited
M-pesa money transfer service
Paybill No.893400

Independent Auditors

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

Principal Legal Advisers

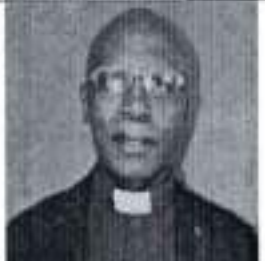
1. The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. Nyokabi Waiganjo, Omungala
Hazina Towers 12th floor
Monrovia street
P O Box 1874-00100
Nairobi
Mwaiganjoadvocates@gmail.com

THE BOARD OF DIRECTORS

	1. Name: Prof. Eng. Bernard Njoroge 2. Position: Chairman 3. DOB : 1956 4. Qualification: Ph.D Duke University (U.S.A); M.Sc. New Castle Upon Tyne (U.K); B.Sc.(U.O.N.), Civil Engineering Eng.; M.I.E.K. 5. Work Experience: DVC Finance University of Nairobi, U.O.N Professor Faculty of Engineering from year 2002
	1. Name: Josphine W. Muritu 2. Position: Company Secretary 3. DOB: 10/06/1974 4. Qualification: LLB (UoN) 5. Work Experience: Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki & Company Advocates, Counsel Musyimi & Company Advocates
	1. Name: Prof Stephen Njuguna 2. Position: Director 3. DOB: 12/09/1950 4. Qualification: Phd, Msc, Bsc(1st Class Hons) Environmental Science, Diploma in Education 5. Work Experience: Kenyatta University, Faculty of Environmental Studies
	1. Name: Mr. James Gitau Muriuki 2. Position: Director 3. DOB : 1956 4. Qualification: Bachelor of Science in Chemistry/Biochemistry, Msc. Environmental Health Engineering Sector: Representative of Water Consumers 5. Work Experience: Ministry of Water and Irrigation, Technical Consultant on Water and Waste water Treatment and Quality Analysis; Environmental Audits, Environmental Impact Assessments (EIA).
	1. Name: Samuel Gatama 2. Position: Director 3. DOB : 1953 4. Qualification: Business man, S 1 Teacher 5. Work Experience: Retired teacher over 30Years Experience

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	1. Name: Eng. Andrew Muigai 2. Position: Director 3. DOB: 10/01/1964 4. Qualification: Bsc Civil Engineering UON 5. Work Experience: Director Kenya Industrial Research and Development Institute Entrepreneur Engineer and Management Consultant
	1. Name: Emma Waithera Ng'ang'a 2. Position: Director 3. DOB: 01/01/1957 4. Qualification: Msc Corporate Entrepreneurship 5. Work Experience: 40 years' experience in Business and Marketing
	1. Name: Ndung'u Wa Munywe 2. Position: Director 3. DOB: 25/11/1958 4. Qualification: Bachelor of Arts, Advanced Public Administration 5. Work Experience: Worked with UON as Senior Administration Assistant. Ministry of Water and Ministry of Commerce
	1. Name: Dominic Gachanja 2. Position: Director 3. DOB: 31/01/1955 4. Qualification: Doctor in Pharmacy 5. Work Experience: Businessman Thika, Board Member Land Control Board
	1. Name: Bishop Solomon Waweru 2. Position: Director 3. DOB: 15/8/1950 4. Qualification: Retired Public Officer 5. Work Experience: Bishop of A Church- Representative of NGOs
	1. Name: Dr. Martin Njogu Mbugua 2. Position: Director 3. DOB: 15/5/1968 4. Qualification: Doctor of Philosophy - Chemistry 5. Work Experience: Lecturer and researcher, Department of Chemistry/UoN

	1. Name: Jennifer Kanini Musyoki 2. Position: Director 3. DOB: 29/7/1984 4. Qualification: MBA (Strategic Management); BSc Civil Engineering 5. Work Experience: Previously worked as a Water & Sanitation Engineer in planning and design of urban and rural water and sanitation infrastructure; formulating national and county government water and sanitation policies, strategies and plans; conducting out technical assessments, socio-economic studies and surveys with H.P. Gauff Ingenieure, GIZ International Water Stewardship programme and Authentic Living Int. Co. Ltd. Currently working as the Chief Officer in the Department of Water, Environment, Energy and Natural Resources.
	1. Name: Patrick N. Mwangi 2. Position: Managing Director 3. DOB: 1962 4. Qualification: Higher Diploma Water Engineering 5. Work Experience: Over 32yrs experience in water sector i.e. Ministry of water & Karimenu Water, Gatundu Water

MANAGEMENT TEAM

1. Patrick N. Mwangi 	<u>Managing Director</u> Professional Qualifications: Higher Diploma Water Engineering Experience : Over 32yrs experience in water sector i.e. Ministry of water & Karimenu Water, Gatundu Water
2. Joseph K. Kariuki 	<u>Technical Manager</u> Professional Qualifications: Water Engineering Academic Qualifications: Diploma in Water Engineering Experience : 31years experience in water sector ministry of water & Karimenu Water, Gatundu Water
3. Emmah W. Chege 	<u>Finance Manager</u> Professional Qualifications: Accountancy Academic Qualifications: CPA K, Bachelors of commerce Experience : 12years experience in water sector Karimenu Water, Gatundu water
4. David G. Muigai 	<u>Commercial Manager</u> Professional Qualifications: Water Engineering Academic Qualifications: Diploma in water technology 'O' Level Division two Experience : 27years experience in water sector ministry of water & Gatundu South Water company, Gatundu Water
5. Jessica N. Peter 	<u>Procurement Officer</u> Academic Qualifications: Bachelors of purchasing & Supplies Experience : 12years experience in water sector Gatundu South Water company, Gatundu Water
6. Nancy N. Waweru 	<u>Human Resource Officer</u> Academic Qualifications: Diploma in Human Resources & Managements Experience : 12years experience in water sector Karimenu Water, Gatundu Water

CHAIRMAN'S STATEMENT

Water is an important resource to all forms of life and for mankind; it is the backbone of economic growth and a nation's prosperity.

Kenya as the rest of the world is becoming more and more water scarce due to deterioration of water sources. This is as a result of global warming and population explosion.

Water service providers on the other hand must develop strategies that are basically S M A R T.

The county government in its wisdom had decided to merge all the eight utilities in Kiambu to form one Company but these have not been finalized. The dilemma has left utilities without individual operational boards. We have not had an AGM since 2017.

From the year 2018, His Excellency the president has embarked on paving many of the urban and rural roads as part of the big four agenda. This has in effect caused a lot of damages to water pipelines that usually run along the pavements.

The Covid-19 epidemic has also had a negative effect on billing and revenue collection.

During the year under review the GATWASCO was able to unlock a long stalemate where 40% of our water service provision was stopped by these damages. We started pipe network rehabilitation and consequent resumption of service towards the end of the year.

We were also able to start the long waited Gatundu water and sewerage project.

With the foregoing information in view it's evident that GATWASCO is committed to ensuring sustainability of water and sanitation services within its area of operation in order to realize the aspiration of the Government to achieving Universal access and affordability by the year 2020. We also have a holistic view to the right to water and sanitation as envisaged under the bill of rights in the constitution.

CHAIRMAN

SIGN



DATE

17-5-22

REPORT OF THE MANAGING DIRECTOR

In July 2015, GATWASCO developed a strategic plan that was to run for 5 (five) years.

The management has been following the plan, re-evaluating and stretching some of the targets to fit the increasing demand. The team had evaluated the service levels of areas under its jurisdiction and categorized them as:

- i) Well served areas (service is on a 24/7 basis)
- ii) Underserved areas (service on rationing basis)
- iii) Unserved areas (There is no service at all)

We had purposed to;

- i) Improve reliability of the well served areas and reduce levels of non- revenue water to a bearable minimum,
- ii) Raise service levels of the underserved areas to 24/hr basis,
- iii) Develop projects so as to serve unserved areas,
- iv) Embrace ICT to improve on billing and service delivery to improve sustainability.

The year under review forms the last part of the strategic plan.

Among some other achievements that we were able to accomplish in the year under review are;

1.0 Starting of gatundu water and sewerage project

This is an ADB funded project that was procured through AWWDA. The project has 2 (two) components viz;

i) *Three water projects Le*

- a) Ruabora Water Project (4,000 m³/day)
 - This is meant to serve Gatundu Town and its environs.
- b) Handege Water Project (9,000 m³/day)
 - This is meant to serve areas of Mutomo, Kimunyu and Kenyatta Road.
- c) Ngenda Water Project (4,000 m³/day)
 - This is meant to serve areas of Kahugu-ini, Gathage and Wamuguthuko.

ii) *Gatundu Sewerage project*

This is meant to serve Gatundu town and its environs.

2.0 Rehabilitation of pipe network

During the year under review, we were able to reinstate pipe networks that were destroyed during road construction. A total of 282 km are rehabilitated to date.

3.0 ICT

During the year under review, we were able to start on GIS mapping. This shall in effect improve on our database, improve on billing and revenue collection. The Covid-19 pandemic and destruction of pipe network had reduced revenue collection to less than Eight million in the month of September 2020

We have, however embarked on a recovery path through:

- a) Reinstatement of the pipe network
- b) Continued communication to our customers
- c) Support from WSTF

We feel that towards the end of the 2021/2022 financial year we shall have fully recovered.

PATRICK N. MWANGI
MANAGING DIRECTOR

Sign 

Date 

I. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Gatundu Water & Sanitation Company Limited has 6 strategic pillars and objectives within its Strategic Plan for the FY 2019/2020- 2023/2024. These strategic pillars are as follows:

- ❖ Enhance the company's mission dubbed "Make Gatundu Wet"
- ❖ Mobilization of financial resources
- ❖ Ensure orderly conduct of business and encourage competition
- ❖ Create excellency in delivery of service to attain operational efficiency in the company
- ❖ Ensure strong and capable human resource team
- ❖ Ensure reliable and strong monitoring and evaluation system

Gatundu Water & Sewerage Company Limited developed its annual work plans based on the above 6 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. GATWASCO achieved its performance targets set for the FY 2020/2021 period for its 6 strategic pillars, as indicated in the diagram below:

KPI Cluster	Strategic Pillar	Objective	KPI	Activities	Achievements
Quality of Service	Water Service Coverage (% of population Served with clean & safe drinking water)	To attain 90 % water coverage from the current 72%	>90%	Increase connectivity to unserved areas	72%
	Sewerage Coverage (% of population with adequate Sanitation Facilities)	To attain 30% sewerage coverage	50%	Increase sewerage Connectivity. This will be fully achieved when the Gatundu town Sewerage system is fully implemented.	5%
	Water Quality (Total number of tests carried out/number of tests planned according to Guideline and standards)	To attain a 100 % water quality.	>95%	Increase on the number of tests	97%

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KPI Cluster	Strategic Pillar	Objective	KPI	Activities	Achievements
	Hours of Supply (Total Hours of Supply per month/30 days)	To attain 24 Hours of Supply	>22 Hours	Increasing water production.	20 Hours
Economic Efficiency	Personnel Expenditure as a percentage of O & M cost	To attain recommended 20% from the current 61%	<20%	Increase in water and sewerage distribution networks.	70%
	O & M Cost Coverage %	To attain 150 % from the current 99%.	>150 %	Increase in number of connections so as to increase on the monthly billing.	99%
	Revenue Collection Efficiency	To attain 98 % collection efficiency from the current 89%	>95%	Disconnection of non-paying customers as well as issuing them with payment demand letters.	90%
Operational Sustainability	Unaccounted for water (Water Produced/ Water Billed)	To attain a 25 % NRW for the current 34%	<25%	Replacement of dilapidated pipeline infrastructure, replacement of old consumer meters.	33%
	Staff Productivity (Staff per 1000 connections)no.	To attain a staff productivity of 5 employees per 1,000 connections.	<5	Increase the number of active water & sewerage connections.	8
	Metering Ratio (Number of metered and operational ratios/ total number of connections)	To retain a meter ratio of 100%	100%	Ensuring all new connections are metered	100%

CORPORATE GOVERNANCE STATEMENT

As from January 2018 the county Government of Kiambu resolved to merge all the water companies into one. The Governor organized for an extra ordinary Annual General Meeting in all the companies on 19th January 2018 where resolution to merge the companies into one and start dissolution of the existing one to commence. All the eight companies held the extra ordinary meeting the same day. An interim board was appointed to be incharge of the seven companies, the directors provide a report to shareholders on the performance of the company and its

future plans. The objects of the company are defined in the Memorandum of Association and regulations are laid out in the Articles of Association. The board of directors' key purpose is to ensure the company is meeting its obligations by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues, the BOD deals with challenges the company is facing, and issues relating to corporate governance, corporate social responsibility and corporate ethics.

Below is a schedule of the Board meetings held during the year;

	MEETING	DATES	AGENDAS
1	FULL BOARD		
	7TH	9 th JULY 2020	1. Presentation of the Finance Committee Report 2. Presentation of the Human Resource & Administration Committee Report 3. Presentation of the Technical Committee Report 4. presentation of the risk and audit committee report corporate governance statement 5. Presentation of the Adhoc committee 6. Confirmation of Minutes of the 6th Full Board held on 30th September 2019 7. Confirmation of Minutes of the 4th Special Board Meeting held on 31st October 2019 8. Confirmation of Minutes of the 5th Special Board meeting held on 2nd June ,2020 9. Confirmation of Minutes of the 6th Special Board meeting held on 24th June 2020 10. Confirmation of Minutes of the 7th Special Board meeting held on 30th June 2020

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Retreat	9 th – 11 th SEPTEMBER 2020	1. An overview of the Mwongozo code 2. Constitution, function, roles and liabilities of the Board and Board Committees 3. Managing the relationship between the Board and Management 4. The Company Secretary (governance professional) as the conscience of the board 5. Enhancing governance through Governance Audit, Board 6. Evaluation and Governance Awards 7. Ethical leadership 8. Managing Board dynamics and personality conflicts 9. Effective management of meetings
Retreat	17 th – 20 th November 2020	
9 th	10 th December 2020 21 st December 2020	1. Presentation of the Finance Committee Report 2. Presentation of the Human Resource & Administration Committee Report 3. Presentation of the Technical Committee Report 4. Presentation of the Risk and Audit Committee Report 5. Presentation of the Adhoc committee 6. Confirmation of Minutes of the 8th Full Board meeting held on 28th September 2020
8 th Special	12 th January 2021	1. Request to open a dedicated bank account by the Regions for the Water sector trust fund grants 2. Application to borrow from Customer deposit by Kikuyu Region 3. Handover Report by Eng Phillip Gichuki
County assembly members	27 th to 28 th January 2021	
10 th Continuation	12 th April, 2021 15 th April, 2021 6 th May, 2021	1. Presentation of the Finance Committee Report 2. Presentation of the Human Resource & Administration Committee Report 3. Presentation of the Technical Committee Report 4. Presentation of the Risk and Audit Committee Report 5. Presentation of the Adhoc committee 6. Confirmation of Minutes of the 9th Full Board meeting held on 9th December, 2020
Bosch Consultant	3 rd June, 2021	1. Presentation of the Consultant Report
2 FINANCE		

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4 th Special	3 rd July 2020	1. Presentation of the proposed 2020/21 consolidated budget 2. Presentation of the proposed 2020/21 Committee work plan
5 th	21 st July 2020 17 th August, 2020 18 th August, 2020	1. Presentation of the proposed 2020/21 Cnsolidated procurement plan 2. Presentation of the proposed Procurement Policy 3. Confirmation of Minute of the 4th Finance committee meeting held on 25th September, 2019 4. Confirmation of 3rd Special Finance committee meeting held on 7th October 2019 5. Confirmation of Minute of the 4th Special Committee meeting held on 3rd July, 2020
6 th	19 th August , 2020 1 st September , 2020	1. Cosnider, adopt and recommend to the Board the Regions Annual Statement for the 2019/20 FY a) Ruiru region b) Githunguri region c) Kiambu region d) Limuru region e) Karuri region f) Gatundu region g) Kikuyu region 2. Consider, adopt and recommend to the Board for approval the Regions Physical Inventory report as at 30th June 2020 as follows: a) Ruiru region b) Githunguri region c) Kiambu region d) Limuru region e) Karuri region f) Gatundu region g) Kikuyu region 3. Consider, adopt and recommend to the Board the implementation of the billing system, status and impact 4. Confirmatin of Minutes of the 5th Finance Committee meeting 5. In addition, the management intends to make a request to introduce the following new items to said agenda to To the meeting as follows: a) Consideration, adoption and recommendation to the full Board the 2020/21 Budget for the Companys headquarter b) Application to borrow from Customer deposit by Kikuyu, Karuri and Githunguri Regions c) Consideration on the implementation of the

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			performance rewards by Regions
7 th	19 th OCTOBER, 2019		1. Consider, adopt and recommend to the board the Regions 1st Quarter (ended 30th September 2020) Financial report for the 2020-21 Financial year (a) Ruiru Region (b) Kiambu Region (c) Karuri Region (d) Githunguri Region (e) Limuru Region (f) Kikuyu Region (g) Gatundu Region 2. Consider, adopt and recommend to the board for approval the Regions 2020-21 1st Quarter (ended 30th September 2020) Report on the implementation of the procurement plan (a) Ruiru Region (b) Kiambu Region (c) Karuri Region (d) Githunguri Region (e) Limuru Region (f) Kikuyu Region (g) Gatundu Region
8 th	22 nd February, 2021 23 rd February, 2021		1. Consider, adopt and recommend to the board the Regions half year (2020-21 FY) Financial statement (a) Ruiru Region (b) Kiambu Region (c) Karuri Region (d) Githunguri Region (e) Limuru Region (f) Kikuyu Region (g) Gatundu Region 2. Consider, adopt and recommend to the board the Regions half year (2020-21 FY) implementation of the procurement plan (a) Ruiru Region (b) Kiambu Region (c) Karuri Region (d) Githunguri Region (e) Limuru Region (f) Kikuyu Region (g) Gatundu Region

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			- Proposed 2021-22 FY consolidated budget - Confirmation of Minutes of the 7th Finance Committee meeting held on 19th October, 2020
	5 TH SPECIAL	9 th April,,2021 12 th April,2021	- Consider,adopt and recommend to the board the 2021/22 Consolidated budget - Consider,adpt and recommend to the board the 2021/22 Consolidated procurement plan.
3	HUMAN RESOURCE		
	5 TH SPECIAL	3 RD JULY ,2020	Presentation of the committee Annual work plan
	6 TH	23 RD JULY 2020	- Discuss the 2019/20 financial year performance Contract evaluation Report and make recommendations to the Board - Consider and recommend to the Board the 2020/21 financial year performance Contract Targets for the following levels - Chairman of the Board with the Executive Committee Member - Chairman of the Board with the Managing Director - Managing Director with the Regional Directors - Confirmation of 5th Human Resource & Administration Committee held on 26th September 2019 - Confirmation of Minute of the 4th Special Human Resource and Administrative Committee held on 23rd June 202 - Confirmation of Minutes of the 5th Human Resource & Administrative Committee held on the 3rd July 2020
		24 TH AUGUST, 2020	- Receive reports from the Finance and technical Committee on the 2019/20 financial year performance Contract evaluation report and make recommendations to the Board. - Consider and recommend to the Board the 2020/21 financial year performance Contract target For the following levels in the line with the recommendations from the Financial and technical Committee of the Board - Chairman of the Board with the Executive Committee Member - Chairman of the Board with the Managing Director - Managing Director with the Regional Directors

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		3. Confirmation of 5th Human Resource & Administration Committee held on 26th September 2019 4. Confirmation of Minute of the 4th Special Human Resource and Administrative Committee held on 23rd June 202 5. Confirmation of Minutes of the 5th Human Resource & Administrative Committee held on the 3rd July 2020
	9 TH OCTOBER	1. Consider adopt and recommend to the Board the Managing Director report n staff recruitment 2. Consider, adopt and recommend to the Board for approval the Respective Region's Human Resource Department report for the 1st quarter ended on 30th September,2020 on the general staff Performance, welfare and disciplinary issues a) Ruiru Region b) Kiambu Region c) Karuri Region d) Githunguri Region e) Limuru Region f) Kikuyu Region g) Gatundu Region 3. To discuss the Contract extension for the Finance manager Kikuyu Region 4. Confirmation of Minutes of the 6th Human Resource & Administration Committee
7 TH	26 th OCTOBER	1. Consider adopt and recommend to the Board the Managing Director report n staff recruitment 2. Consider,adopt and recommend to the Board for approval the Respective Region's Human Resource Department report for the 1st quarter ended on 30th September,2020 on the general staff Performance, welfare and disciplinary issues a) Ruiru Region b) Kiambu Region c) Karuri Region d) Githunguri Region e) Limuru Region f) Kikuyu Region g) Gatundu Region 3. Confirmation of Minutes of the 6th Human Resource & Administration Committee

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8 TH	31 ST MARCH 2021 4 TH APRIL 2021 5 TH APRIL 2021 7 TH APRIL 2021 8 TH APRIL 2021	1. Staff movement Report 2. Consider, adopt and recommend to the board the managing director report on staff recruitment 3. Consider, adopt and recommend to the board the Company Career Guidelines 4. Consider, adopt and recommend to the Regions staff simulation in the new Career guideline and salary Harmonisation framework. 5. Confirmation of Minutes of the 7th Human Resource Committee meeting held on 26th October.
RETREAT	9 TH TO 11 TH JUNE 2021	
4	TECHNICAL	
2 ND SPECIAL	2 ND JULY 2020	1. Discussion of the proposed Consolidated Capital Budget 2. Discussion of the Proposed Committee work plan for 2020/21 Financial year
4 TH	17 TH JULY 2020	1. Discuss the status report of the on-going internal funded projects for all the Regions a) Ruiru Region b) Kiambu Region c) Karuri Region d) Githunguri Region e) Limuru Region f) Kikuyu Region g) Gatundu Region h) Thika Region 2. Consider the current performance and give directions to each Region in respect to Performance contract Target a) Optimisation of the water production capacity b) Enhancement of water quality c) Improvement on the coverage both water and sewerage d) Reduction of non-revenue water and e) Water meter management 3. Confirmation of Minutes of the 2rd Technical Committee meeting held on 11th April 2019 4. Confirmation of Minutes of the 2nd Special Technical Committee meeting held on 2nd July 2020
3 RD SPECIAL	20 TH AUGUST 2020	1. Consideration of the 2019/20 Performance Contract Analysis
5 TH	4 TH SEPTEMBER	

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		2020	
	FIELD VISIT	5 TH TO 7 TH OCTOBER 2020	1. Consider, adopt and recommend to the Board the field report 2. Confirmation of Minutes of the 5 th Committee meeting held on the
		14 TH TO 15 TH OCTOBER 2020	
		2 ND TO 4 TH NOVEMBER 2020	
	6 TH	25 TH TO 26 TH FEBRUARY 2020	1. Presentation of the status of projects presented during the 5 th Technical Committee 2. Presentation of the on-going projects for the period f July – December 2021 3. Presentation of the status of Community water project 4. Discussion on the report of the Technical committee field visits 5. Analysis of Half year Performance 6. Confirmation of Minutes of the 5 th Technical Committee meeting
	7 TH	6 TH APRIL 2021	
5.	RISK AND AUDIT		
	1 ST SPECIAL	2 ND JULY 2020	1. Presentation of the proposed Committee Annual Work Plan
	4 TH	15 TH JULY 2020 10 TH AUGUST 2020	1. Discussion of the Thika water and sewerage Company Audit Report 2. Briefing on the circular and laws guiding the Audit Committee 3. Confirmation of Minutes of the 3 rd Risk and Audit committee meeting held on 5 th March 2019 4. Confirmation of Minute of the 1 st pecial and Audit Committee Meeting held on 2 nd July 2020
	5 TH	23 RD SEPTEMBER,2020	1. Update Report on implementation of the audit committee and Board recommendations in respect to previous audit and recommend to the board further follow up action 2. Consider, adopt and recommend to the board internal audit report for Karuri Region 3. Confirmation of minutes of the 4 th Risk and Audit committee meeting held on 15 th July 2020
		27 TH OCTOBER,2020	1. Discuss and adopt the Monitoring and evaluation template for implementation 2. Consider, adopt and recommend to the board the internal audit report for Gatundu Region 3. Consider, adopt and recommend to the board the internal

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			audit for Limuru Region 4. Consider, adopt and recommend to the board the internal audit for Githunguri Region 5. Confirmation of Minutes of the 4 th Risk and Audit Committee meeting held on 15 th July and 10 th August 2020 6. Confirmation of Minutes of the 5 th Risk and Audit Committee meeting held on 23 rd September and 27 th October 2020
6 TH			
6	ADHOC	10 TH MAY 2021 11 TH MAY 2021	1. Presentation of the proposed Adhoc Committee work plan 2. Presentation of the proposed 2020/21 annual work plan for the full Board
1 ST		6 TH JULY 2020	1. Presentation of the proposed merger checklist and adhoc committee work plan 2. Confirmation of minutes of the 1 st adhoc committee meeting held on 6 th July 2020
2 ND		3 RD AUGUST 2020	1. Consider the merger option and recommend to the Board for adoption 2. Consider and approve the list of key stakeholders to the merger option and proposed date of meeting With the stakeholders 3. Consider and recommend to the Board for approval the Company's strategic plan
3 RD		12 TH AUGUST 2020	1. Receive reports from the regions on the preparedness on the merger process 2. Confirmation of Minutes of the 3 rd Adhoc Committee
		13 TH AUGUST 2020	1. Receive update report on policy implementation and preparedness to launch the strategic plan 2. Update on the merger checklist 3. Confirmation of Minutes of the 3 rd and 4 th committee meeting
		23 RD SEPTEMBER 2020	1. Discussion and adoption of the stakeholder engagement proposal (a) Between the Board and the Governor- preparation of the Cabinet paper and status report on the merger (b) Review of the other stakeholders list 2. Discussion of the Gatundu Report and propose the way forward

The duties and role of the Board of Directors are as stipulated in the Board Charter which includes the following:

- Strategic Management
- Identification and management of risks

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- Company's financial oversight
- Succession planning and evaluation of management performance
- Oversight of communications and public disclosure
- In charge of corporate Governance

The following Board committee have been established with specific duties and meet quarterly as minimum

- Audit & Risk Management Committee
- The Finance and ICT Committee
- Technical Committee;
- Human Resource and Administration Committee

The remuneration of Directors is determined by the annual general meeting within the maximum approved by shareholders guided by the Government of Kenya Regulations (Water Services Regulatory Board) from time to time. The Chairman will be paid a monthly honorarium of Kshs. 80,000/-, monthly telephone allowance of Kshs. 20,000/-. The Chairman will be paid a sitting allowance of Kshs. 25,000 while attending Board meetings and other functions, workshops and trainings sponsored by the Company. While attending a meeting or such function within Kiambu County and its environs, the Chairman will be paid a lunch allowance of Kshs. 3,000 and transport allowance of Kshs. 2,000/-. Directors will be paid a sitting allowance of Kshs 20,000.00 while attending Board and committee meetings, and other functions, workshops and trainings sponsored by the Company. Where the meeting or function is within Kiambu County, the Directors will be entitled to a lunch allowance of Kshs 3,000.00 (where no lunch is provided) and transport allowance of Kshs 2,000.00.

MANAGEMENT DISCUSSION AND ANALYSIS

PROJECTIONS/PROPOSALS AND WAY FORWARD

- a) The Management is in its final term on its technical strategic plan. We have analyzed specific proposals as detailed above and we strongly feel that we are on the right track.
- b) Other than improving on domestic water supply, the company intends to
- i) Construct Gatundu Sewerage works where AWWDA have contracted Runji Consulting Engineers to offer consultancy.
- ii) We initiated design for Kamwangi and Gatukuyu Sewerage works but there is a challenge on land ownership.

DEVELOPMENT PROJECTS

- a) Africa Development bank in partnership with Government Of Kenya through Athi Water Works Development Agency is implementing a project under the Kenya Towns Programme.

Under the programme, we have the following projects as one project:

- Gatundu Sewerage project
- Handege water project
- Ruabora water project
- Ngenda water project

We are at 8% implementation stage.

- b) Still through AWWDA and in partnership with AXIM bank, the GOK is doing Karimenu II dam.

We are at 45% implementation stage.

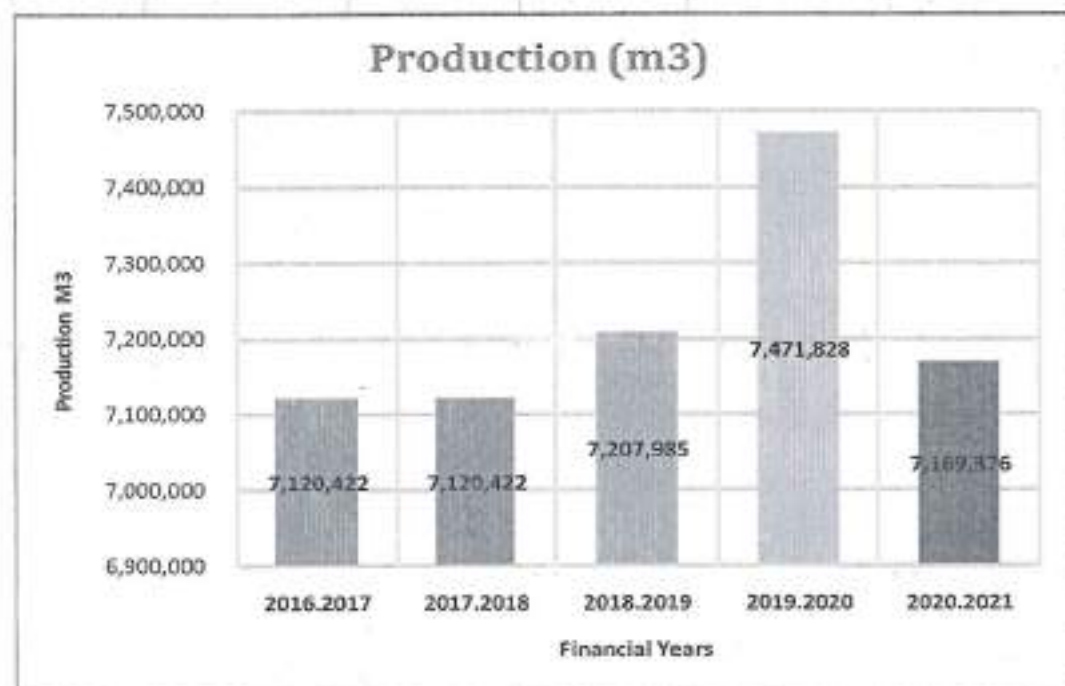
- c) Through AWWDA, we have reinstated pipelines of HDPE and sizes ranging from 160mm to 25mm in areas that were destroyed during roads construction works. These areas include Ruburi, Ritho, Karinga, Wamwangi and Ituru.

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REVENUE AND BILLING

Comparative Analysis: Below is a five-year analysis of Gatundu Water Financial performance as well as water production analysis.

Five Year - Water Production Analysis					
Year	2016.2017	2017.2018	2018.2019	2019.2020	2020.2021
Production	7,120,422	7,120,422	7,207,985	7,471,828	7,169,376

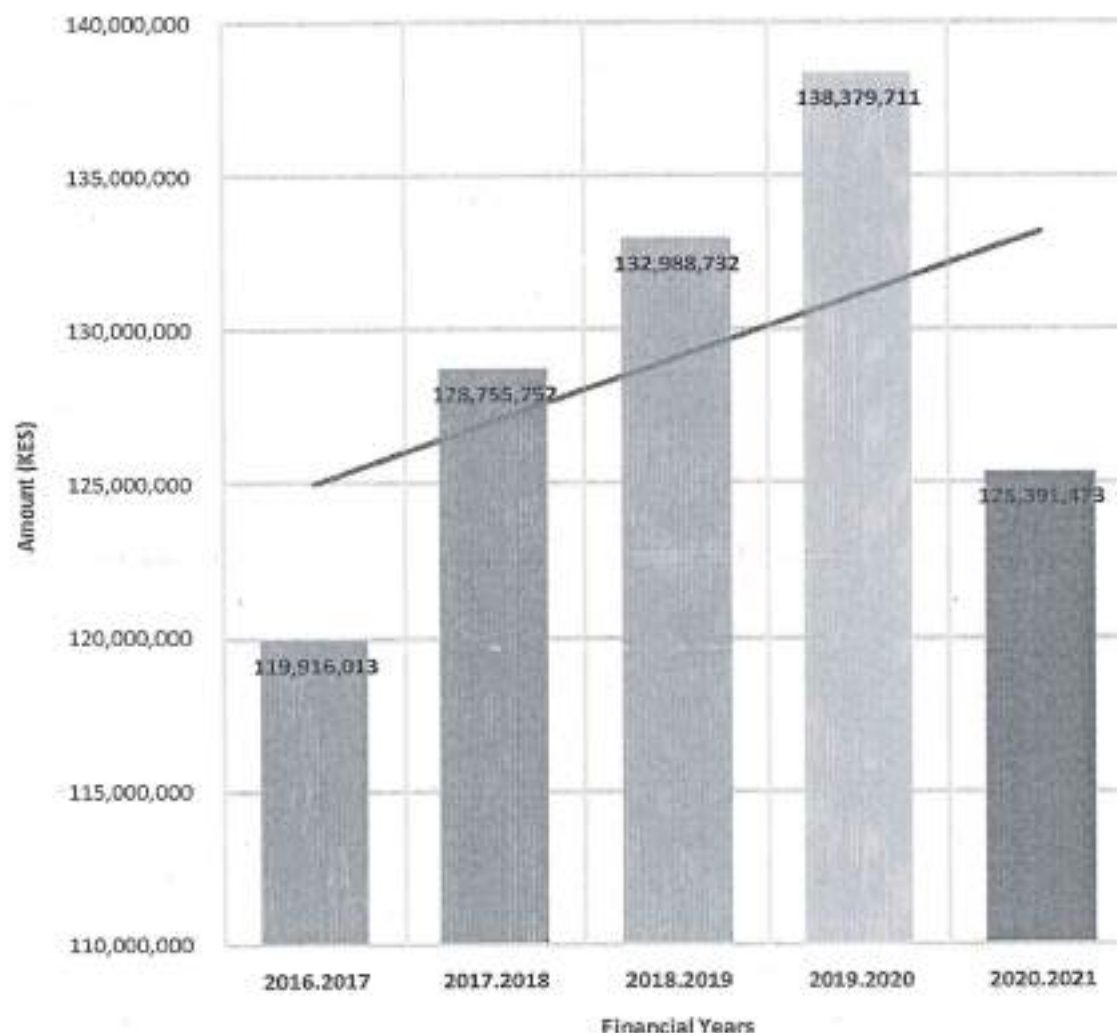


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Five Year - Billing Analysis

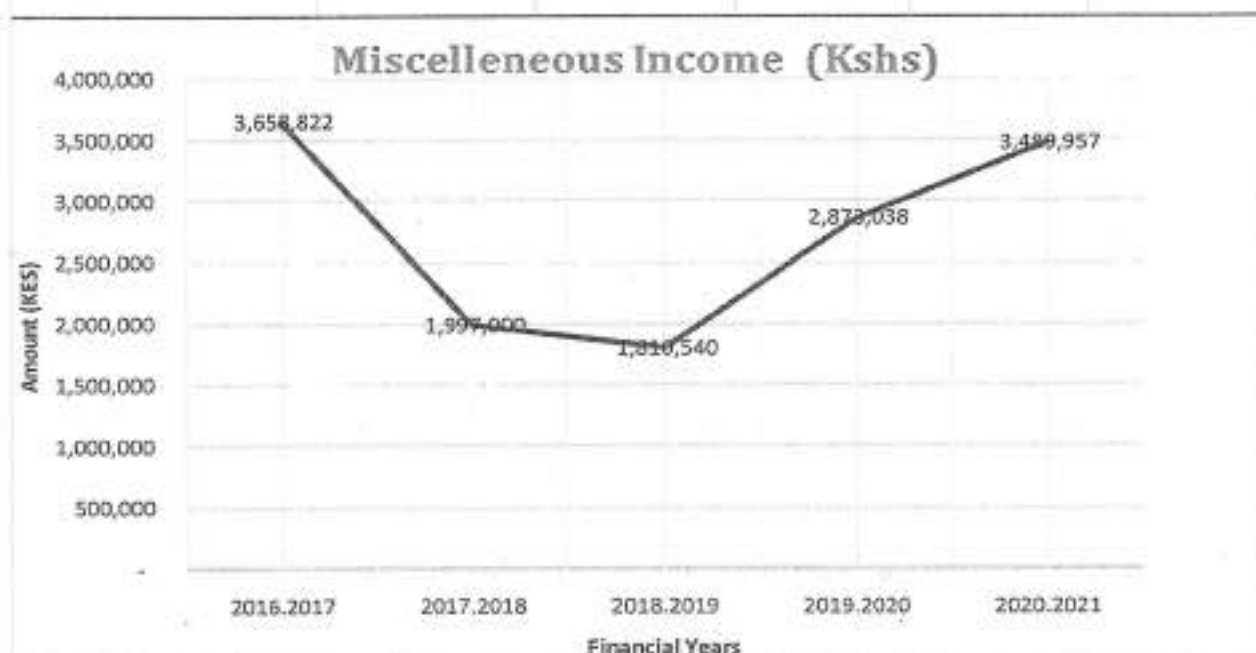
Year	2016.2017	2017.2018	2018.2019	2019.2020	2020.2021
Billing (Ksh)	119,916,013	128,755,752	132,988,732	138,379,711	125,391,473

Billing (Kshs)



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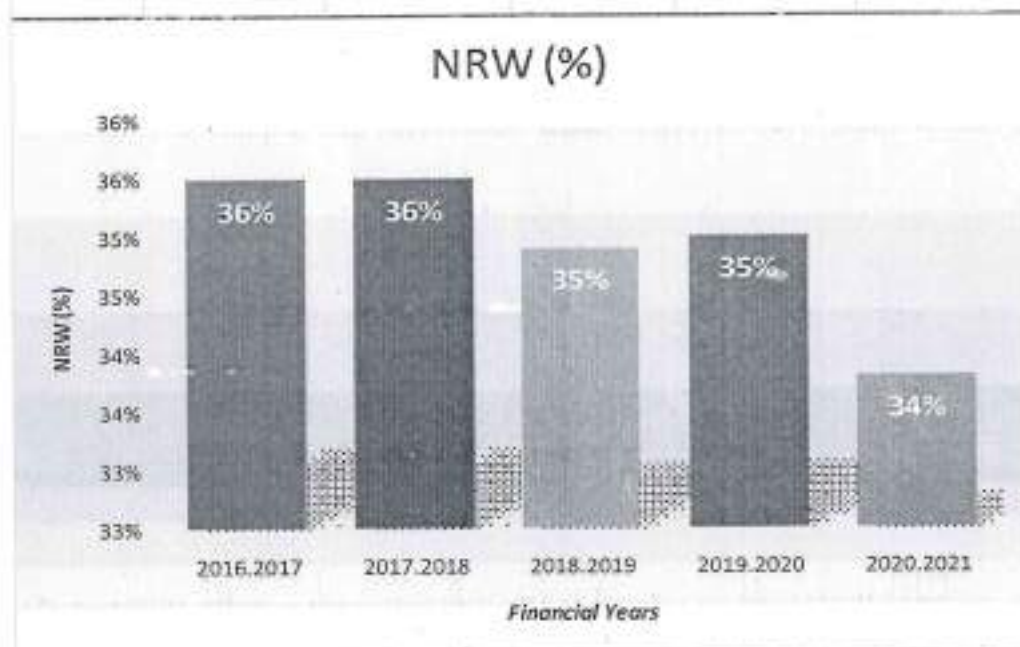
Five Year Miscellaneous Income Analysis					
Year	2016.2017	2017.2018	2018.2019	2019.2020	2020.2021
Miscellaneous Income	3,658,822	1,997,000	1,810,540	2,873,038	3,489,957



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Five Year Non Revenue Water Trend Analysis

Year	2016.2017	2017.2018	2018.2019	2019.2020	2020.2021
NRW (%)	36%	36%	35%	35%	34%



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Five Year Operational Expenditure Analysis					
Year	2016.2017	2017.2018	2018.2019	2019.2020	2020.2021
Operation	133,172,067	129,076,985	136,860,077	142,247,966	136,367,667



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Despite interruptions due to ongoing road construction we have had a steady increase in revenue collection during the year under review.

Billings summary against payments per quarter FY 2020/2021

	JUL-SEPT	OCT-DEC	JAN-MAR	APR-JUNE	TOTAL
GATUKUYU	3,875,823	3,140,235	3,516,050	3,550,455	14,082,563
GATUNDU TOWN	6,965,460	7,592,500	7,113,845	8,303,945	29,975,750
GITUAMBA	3,974,410	3,531,955	3,685,625	3,266,384	14,458,374
KAMWANGI	5,137,997	3,832,235	3,274,640	3,942,640	16,187,512
NDARUGU	4,148,960	3,737,860	3,611,580	4,798,185	16,296,585
RUABORA	3,930,925	3,671,655	1,007,160	2,405,250	11,014,990
THIRIRIKA	4,360,613	7,051,020	5,177,350	6,746,266	23,335,249
					-
PAYMENTS					-
GATUKUYU	3,605,456	3,163,313	4,162,751	3,278,529	14,210,049
GATUNDU TOWN	7,572,981	7,732,440	8,419,288	8,606,949	32,331,658
GITUAMBA	3,590,634	4,140,944	3,472,787	3,431,965	14,636,330
KAMWANGI	3,675,827	3,854,812	3,907,314	3,348,193	14,786,146
NDARUGU	3,454,917	3,342,168	3,277,371	3,651,321	13,725,777
RUABORA	2,433,865	3,652,967	3,259,271	3,046,305	12,392,408
THIRIRIKA	3,470,489	5,312,648	4,624,192	4,594,266	18,001,595

HUMBLE APPEAL

Kenya is a water scarce country. Use the valuable resource sparingly. Report any water leakage and never leave your tap running. Please remember, everybody lives downstream.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Sustainability strategy and profile –

To enhance Sustainability, the GATWASCO has been able to achieve the following over time:
The company through AWWDA has been able to:

- Construct intake works on Thiririka river and lay 5km of 250mm upvc (inter basin water transfer) to Theta dam
- Upgraded Ruabora intake and laying 2.5km of 160mm and 110mm
- Improved Gacharage intake through desilting and expanding washout arrangements and construction Mwonothia intake.
- Construction of Marigoiti intake, laying 3.0Km of 110mm HDPE pipe line and two number composite filtration units and backwash tank arrangement.
- Lay over 270km of HDPE pipe of diameters ranging from 160mm to 25mm to reinstate the areas that were destroyed due to the ongoing roads construction works.
- Through AWWDA, three water projects are ongoing ie Ngenda, Ruabora(Wamuguura) and Handege and Gatundu town sewerage works.
- Improved working conditions for staff

However, the company is faced by the below mentioned challenges;

- Old and delapidated pipes that requires regarding
- Water theft (Illegal connections)
- Inadequate funds for pipeline extensions
- Mass destruction of pipes due to ongoing roads construction works.
- Vandalism

Environmental performance

- Our Organisation always ensure that the water given to consumers meets the required standards by undertaking daily jar tests and taking water samples to registered laboratories.
- We ensure that leakages and bursts are attended to immediately reported so as to avoid waste and occurrence of land slides
- During rainy seasons, we partner with WRUAS to do tree planting near the water sources
- We always ensure that the backwashing water does not enter directly to the river but passes through a lagoon

During the year the company partnered with the community and Water Resource Users Associations (WRUAs) on planting of indigenous tree seedlings in an effort to conserve the environment and protect the catchment areas.

Employee welfare

The company is guided by the Human Resource Policy. The documents take into account the hiring process where gender ration is well explained. The company also pays for short courses in collaboration with other institutions to improve on the employees' skills. The company also organises for medical clinics where the medical test for respective employees are done at will.

Market place practices-

The company always ensures steady supply of clean and treated water to the customers. The company engages with the suppliers having followed all the necessary required procurement procedures and also maintains a good supplier relationship where the supplies are paid within 90 days upon delivery of good and services.

Community Engagements-

During the year the company supplied the community with tanks and established various washing points as directed by the Ministry of Health to curb the spread of Corona Virus.

Corporate social responsibility / community engagements

The company also ensures it promotes and is sensitive on preservation and protection of the environment by involving the youth in trees planting and cleaning the market places.

Tree planting

During the financial year, the company engaged in an exercise of securing and conservation of Kiambu County water catchment areas at Kinare forest. The company purchased indigenous trees and bamboo seedlings amounting to Ksh(98,600).Ninety Eight Thousand Six Hundred only.

Children support

During a workshop hosted by Assistant Chief Kirangari and PCEA Rev. Marima church (Gatundu Parish) for the 2020 class 8 and form 4 leavers children, the company provided mineral water during the function.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited 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 to ensure and efficient and effective provision of water and sanitation Services in its area of jurisdiction.

Results

The results of the entity for the year ended June 30, 2021 are set out on page 2-6

Directors

The Chairman of the Board of Directors who served during the year is shown on page 5 In accordance with Regulation of the company Articles of Association.

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the Section 15 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors are required to prepare financial statements in respect of Gatundu Water and Sanitation 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 Gatundu Water and Sanitation 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 Gatundu Water and Sanitation Company financial statements, which give a true and fair view of the state of affairs 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 GATWASCO; (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 GATWASCO (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Gatundu Water and Sanitation Company 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). The Directors are of the opinion that Gatundu Water and Sanitation Company financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2021, and of the financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for GATWASCO 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

Gatundu Water and Sanitation Company financial statements were approved by the Board on 30th August 2021 and signed on its behalf by:

CHAIRMAN

Sign  Date 17-5-22

SECRETARY

Sign  Date 17/5/22

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Gatundu Water and Sanitation Company Limited set out on pages 2 to 36, which are comprised of the statement of

financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Gatundu 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 the accrual basis of accounting method under the International Financial Reporting Standards (IFRS) and comply with the Public Finance management Act, 2012, Companies Act, 2015 and Water Act, 2016.

Basis for Qualified Opinion

1.0 Fixed Assets

The statement of financial position as at 30 June, 2020 reflects fixed assets totalling Kshs.27,573,304 which include the following assets that records provided for audit indicated were not owned by the Company:

1.1 Motor Cycles

The Company operated seventeen (17) motor cycles in the year under review, thirteen (13) of which were owned by the Company and four (4) were registered as property of Karimenu Water and Sanitation Company Limited. Further, records on eight (8) motor vehicles and two (2) other motor cycles operated by the Company indicated that the assets were owned by Athi Water Works Limited.

1.2 Land

The asset records further included land and buildings with a book value of Kshs.9,796,058. However, titles to the land indicated that the assets were owned by Karimenu Water and Sanitation Company Limited.

Further, verification of assets indicated that the Company operated eight (8) water treatment plants in the year under review which were, however, owned by Athi Water Works Limited. Further official search records for three (3) office buildings indicated that they were owned by the defunct County Council of Thika.

In the circumstances, the ownership of the motor vehicles, motor cycles, water treatment plants and the land and buildings could not be confirmed.

2.0 Trade and Other Payables

The statement of financial position as at 30 June, 2021 reflects trade and other payables totalling Kshs.82,623,958, as further disclosed in Note 18 to the financial statements.

Included in the balance are long outstanding payables totalling Kshs.60,521,148 owed to the Water Services Board and the Water Services Regulatory Board. However, demand notices or other records explaining how the outstanding balances were arrived at were not provided for audit review. Further, Management did not provide any explanation for the failure to pay the balances.

As a result of these anomalies, the accuracy, completeness and validity of the trade and other payables balance totalling Kshs.82,623,958 could not be confirmed.

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

Various issues raised in the audit report for the year ended 30 June, 2020 had not been resolved as at 30 June, 2021, as disclosed in report on follow up of auditor's recommendations appended to the financial statements for the year under review. Management has not provided reasons for the delay in resolving the issues.

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

1.0 Non-Revenue Water

Water production records indicated that during the year under review, Company produced 7,169,376 cubic metres (m³) of water that was billed to customers at Kshs.125,391,473. However, only 4,741,952 cubic metres (m³), was sold to customers with the balance totalling 2,427,424 cubic metres (m³) or 34% of the annual output denoted as Non-Revenue Water (NRW) with an estimated value of Kshs.64,188,391.

Guidelines on NRW issued by the Water Services Regulatory Board (WASREB) allow a maximum loss of 25% of the quantity of water produced. Therefore, out of the 7,169,376 cubic metres produced by the Company, only 1,792,344 cubic meters was allowable loss whereas the 635,080 cubic meters whose sale value amounted to Kshs.3,400,628 was not allowable. Management did not provide a satisfactory explanation for the high NRW ratio which implied that the Company's water supply system was inefficient. Should the NRW losses not be controlled, the profitability and sustainability of the Company's operations is likely to be curtailed.

2.0 Low Debt Collection Rate

Examination of the Company's debtors' records indicated that debtors totalling Kshs.118,568,228 or 73% of the sum of Kshs.134,477,833 outstanding as at 30 June, 2021 were trade receivables that were two or more months old. No explanation was provided by Management for the failure to collect the receivables on time. Further, the trade and other receivables included a debt amounting to Kshs.12,869,571 outstanding for several years. No explanation was provided by Management on why the debt was not written off as required by the Company's accounting policies.

In view of the long outstanding debt balances, the Company's debt management policies may not be effective.

3.0 Lack of Ethnic Diversity in Staffing

Examination of personnel records indicated that out of the total establishment of 155 employees, 152 or 98% were drawn from the dominant ethnic community in Kiambu County where the Company's operations are located. As a result, the establishment was contrary to Section 7(2) of National Cohesion and Integration Act, 2008 which requires the staff establishments of public entities to reflect the diversity of the people of Kenya. In the circumstance, the Company was in breach of the law.

4.0 Irregular Appointment of Board of Directors

Section 79(1) of the Water Act, 2016 provides that each water service provider should have a Board of Directors constituted in accordance with the Companies Act, 2015 and any other written law. However, contrary to the Act, the Company's did not have a regular

Board as oversight on its operations was done by a caretaker Board. Further, the following records and information on the Board were not provided for audit review:

- i. The legislation or authority and Gazette Notice through which the caretaker Board was appointed.
- ii. The professional profiles and other qualifications of the Board members.
- iii. Records indicating that the Managing Director of the Company attended and participated in the meetings and other activities of the Board.

In addition, the report on key entity information appended to the financial statements names of twelve (12) directors in office during the year under review. However, records provided for audit indicated that the directors were appointed to oversee Kiambu County Water and Sewerage Company Limited, which is a separate entity from Gatundu Water and Sanitation Company Limited. No satisfactory explanation was provided for the anomaly.

Further, Note 6 to the financial statements indicates that Board expenses in the year under review totalled Kshs.1,886,800. However, information on the rates of allowances due or paid to the Board members was not disclosed.

In the circumstances, the Company was in breach of the law and the validity of expenditure totalling Kshs.1,886,800 incurred on Board in the year under review could not be confirmed

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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 matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Delay in Approval of Key Management Policies

Audit review of the Company's policies including Information Communication and Technology (ICT), Human Resource Manual, Strategic Plan, Debt Policy and Finance Manual indicated that the policies were in draft form pending approval by Management

and the Board. Management did not provide a satisfactory explanation for the delay in finalizing the documents for use in the managing the affairs of the Company.

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 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 Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) 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.

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 money is applied in an effective manner.

The Board of Directors is responsible for overseeing the company 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 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 ability to continue to sustain its services. 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 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 Gatundu, CBS
AUDITOR-GENERAL

Nairobi

14 July, 2022

Gatundu Water & Sanitation Company Limited
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For the year ended June 30, 2021

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

		2020/2021	2019/2020
	Notes	Kshs	Kshs
REVENUE:			
Water Sales	1	125,391,473	138,379,711
Cost of Sales	2	(6,973,737)	(9,430,749)
Gross Profit		118,417,736	128,948,962
Other Incomes:			
Miscellaneous Income	3	8,842,774	2,873,038
TOTAL REVENUES		127,260,510	131,822,000
EXPENSES:			
Operation Cost	4	13,560,852	23,167,269
Staff Cost	5	95,609,297	87,312,425
Administrative Cost	6	15,358,409	15,800,055
Board Expenses	7	1,886,800	-
General Expenses	8	3,334,834	6,537,468
Total Expenditure		129,750,192	132,817,217
OPERATING PROFIT		(2,489,682)	(995,217)
Extra Ordinary Income	15	18,070,582	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		15,580,900	(995,217)

Gatundu Water & Sanitation Company Limited
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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

ASSETS		2020/2021	2019/2020
Non-current assets	Notes	Kshs	Kshs
Fixed Assets	9	27,573,304	29,360,883
Intangible Assets	10	41,080	58,686
Total Non Current Assets		27,614,384	29,419,569
Current assets			
Debtors	11	134,477,833	131,291,771
Cash and Bank Balances	12	60,830,353	42,678,333
Inventory	13	3,750,640	1,949,061
Total Current Assets		199,058,826	175,919,165
TOTAL ASSETS		226,673,210	205,338,734
EQUITY AND RESERVES			
Share Capital	14	19,542,952	19,542,952
Reserves	15	18,070,582	-
Retained Income	16	68,441,410	70,931,092
Shareholders' funds		106,054,944	90,474,044
Current liabilities			
Customer Deposits	17	37,994,308	36,071,587
Trade & Other payables	18	82,623,958	78,793,104
Total current Liabilities		120,618,266	114,864,691
TOTAL CAPITAL AND LIABILITIES		226,673,210	205,338,734

The financial statements were approved by the Board on 15 May 2022 and signed on its behalf by:

Managing Director

PATRICK N. MWANGI

SIGNATURE.....

Head of Finance

EMMA W. CHEGE

ICPAK M/NO: 7827

SIGNATURE.....

Chairman of the Board

SAMUEL GATAMA NJUGUNA

SIGNATURE.....

Gatundu Water & Sanitation Company Limited
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary Share	Capital	Reserve	Revenue	
	Capital			Reserve	Total
As at 1.7.2018	100,040	19,442,912		68,894,143	88,437,095
Profit(Loss) for the year				(2,060,805)	(2,060,805)
Prior year Adjustment				5,092,970	5,092,970
Reststed balance As at 30.6.2019	100,040	19,442,912		71,926,309	91,469,261
As at 1.7.2019	100,040	19,442,912		71,926,309	91,469,261
Profit(Loss) for the year				(995,217)	(995,217)
As at 30.6.2020	100,040	19,442,912	-	70,931,092	90,474,044
As at 1.7.2020	100,040	19,442,912	-	70,931,092	90,474,044
Profit(Loss) for the year				(2,489,682)	(2,489,682)
Reserves			18,070,582		
As at 30.6.2021	100,040	19,442,912	18,070,582	68,441,410	87,984,361

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD
ENDED 30 JUNE 2021**

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE
Total income	200,582,000	57,282,000	143,300,000	134,234,247	9,065,753
Operation cost	43,360,000	17,500,000	25,860,000	20,534,589	5,325,411
Staff cost	95,673,000	-	95,673,000	95,609,297	63,703
Administrative cost	34,438,000	12,978,000	21,460,000	15,358,407	6,101,593
Board expenses	1,782,000	(368,000)	2,150,000	1,886,800	263,200
General expenses	6,200,000	1,950,000	4,250,000	3,334,834	915,166
Total expenditure	181,453,000	32,060,000	149,393,000	136,723,927	12,669,073
Surplus for the period	19,129,000	25,222,000	(6,093,000)	(2,489,680)	(3,603,320)

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Gatundu Water Company Ltd (GATWASCO) was incorporated under the Companies Act (Cap. 486) on 8th October 2014 is a child of the promulgation of the new constitution which devolved the water function.

Devolution transmitted the water function from national service boards to the county government.

GATWASCO was further derived from the merger of Gatundu South Water and Sanitation Company (GASWASCO) and Karimenu Water and Sanitation Company (KARIWASCO)

GATWASCO regional coverage includes Gatundu South, Gatundu North, parts of Githunguri sub-county and parts of Juja.

It is currently owned by County Government of Kiambu.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Title	Description	Effective Date
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

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Title	Description	Effective Date
	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.	

I.

Title	Description	Effective Date
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 — Provisions, Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods

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Title	Description	Effective Date
	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.	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.]

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

i) **Revenue from the sale of goods and services** 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 actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

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

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

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

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

b) In-kind contributions

In-kind contributions are donations that are made to the 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, GATWASCO includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

Freehold Land	Nil
Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years(12.5%)
Motor vehicles, including motor cycles	4 years(25%)
Computers and related equipment	3 years(30%)
Office equipment, furniture and fittings	12.5 years(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 amount.

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

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

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever GATWASCO incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

been exhausted. A provision of 10% on general debtors has been provided. A specific provision of doubtful debt amounting to Kshs.12, 869,571 has also been provided. These are part of debts inherited from Ministry of Water when GATWASCO was incorporated.

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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

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

The company has been making losses in the prior years and therefore going by the history of GATWASCO performance no advance tax (quarterly installments tax) was provided for or paid. The company made a Loss of Kshs.2, 489,682 the financial year 2020-2021

o) 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.

Deferred Tax

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the

deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) Cash and cash equivalents

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

r) 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.

s) 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 entity or not, less any payments made to the suppliers.

t) Retirement benefit obligations

GATWASCO adopted Lap Trust defined Pension's scheme for all its employees from January 1, 2016. The employees contribute 10% of the Basic salary and house allowance and the employer contributes 10% of the basic salary and house allowance.

GATWASCO also contributes to the statutory National Social Security Fund (NSSF) for employees on employed on casual basis and those on probation. This is a defined contribution scheme registered under the National Social Security Act. GATWASCO obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs 200 per employee per month.

u) 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.

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2020-2021 was approved by the Chairman of Board of Director. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the company upon receiving the respective approvals in order to conclude the final budget.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 6 of these financial statements.

a) Service concession arrangements

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

b) Comparative figures

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

c) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

	2020/2021	2019/2020
	Kshs	Kshs
1. WATER SALES	125,391,473	138,379,711
2. COST OF SALES		
Chemicals	5,919,210	7,786,875
Electricity operations	1,054,527	1,643,874
	6,973,737	9,430,749
3. MISCELLANEOUS INCOME		
Interest Received	2,188,284	1,555,216
Connection fees	1,235,073	1,069,422
Others	66,600	248,400
Grants		
AWSB	1,201,164	-
WSTF	4,151,653	-
	8,842,774	2,873,038

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EXPENSES			
4 OPERATION AND MAINTENANCE COST			
Water quality test	14,975	-	
Maintenance of plant and equipment	104,349	534,577	
Hire of plant and motor vehicle	36,000	11,500	
Fuel oil and lubricants	2,625,567	2,065,002	
Maintenance of motor vehicles	707,020	694,277	
Maintenance of motorcycles	159,660	28,475	
O&M of pipes	1,728,544	3,281,612	
O&M of tools	137,937	100,960	
O&M of fittings	1,955,852	1,436,833	
O&M of materials	672,268	574,986	
Casual wages	2,024,230	3,181,460	
License fees & Permits	3,394,450	2,954,805	
Lease Fees-AWSB		8,302,784	
	13,560,852	23,167,269	
5 STAFF COST			
Salaries	87,735,400	79,920,251	
Company pension / NSSF contribution	7,022,337	7,392,174	
Gratuity	851,560		
	95,609,297	87,312,425	

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6 ADMINISTRATION EXPENSES		
Electricity-office	233,435	172,601
Advertising and publicity	17,000	143,412
Entertainment and office tea	270,395	273,205
Printing and stationeries	351,998	398,220
Billing expenses	951,627	1,389,508
Bank & M pesa charges	422,379	335,707
Security services	1,701,215	1,708,606
Travelling lunch and accommodation	1,771,190	1,631,550
Postage and courier	9,450	37,926
Telephone Network and internet charges	990,119	960,881
Repairs and maintenance Office premises	332,876	332,195
Repairs and maintenance Computers and eq	59,850	114,292
Maintenance of intangible assets	85,500	87,008
Audit fees	232,000	232,000
Legal fees	236,919	-
Subscription fees	121,400	237,808
Regulatory Levies-WASREB	5,416,566	5,535,188
Conference & Workshops	126,000	-
Office general expenses	108,471	74,750
Tax Paid	24,336	-
Training & Education	297,350	252,900
Medical Expenses	-	6,100
Uniforms & WASCO Games	34,650	101,844
Staff Welfare	753,500	852,480
Staff Insurance	810,183	921,874
	15,358,409	15,800,055
7 BOARD EXPENSES		
B.O.D allowances	1,105,000	-
B.O.D other expenses	781,800	-
	1,886,800	-
8 GENERAL EXPENSES		
Insurance motorvehicle/motorcycle	136,816	68,709
Corporate social responsibility	100,700	25,440
Provision for bad debts	356,262	3,361,710
Depreciations/Amortization	2,741,056	3,081,608
	3,334,834	6,537,468

9) Property, Plant and Equipment at Cost

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10.INTANGIBLE ASSET					
COST/VALUATION					
2020/2021					
		0.30			
As At 1.07.20		531,500			
Additions		-			
Cost As At 30.06.21		531,500			
DEPRECIATION					
Acc Dep As At 1.07.20		472,814			
Charge for the Year		17,606			
Acc Dep as at 30.06.21		490,420			
NET BOOK VALUE					
As At 30.06.21		41,080			
As At 30.06.20		58,686			
COST/VALUATION					
2019/2020		0.30			
As At 1.07.19		531,500			
Additions		-			
Cost As At 30.06.20		531,500			
DEPRECIATION					
Acc Dep As At 1.07.19		447,663			
Charge for the Year		25,151			
Acc Dep as at 30.06.20		472,814			
NET BOOK VALUE					
As At 30.06.20		58,686			
As At 30.06.19		83,837			

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Notes	ASSETS	2020/2021 Kshs	2019/2020 Kshs
	Current Assets		
11	Debtors		
	Customer Debtors	162,141,207	158,578,583
	Specific provision for doubtful debts-Inherited	(12,869,571)	(12,869,571)
	General Provision for doubtful debts	(14,927,164)	(14,570,901)
	Net trade receivables	134,344,473	131,138,110
	Receivable Deposits	106,000	106,000
	Prepayments	27,360	47,661
		134,477,833	131,291,771
	As at June 30, the ageing analysis of the gross trade receivables was as follows		
	Less than 30 days	10,127,925	45,709,012
	Between 30 and 60days	22,992,495	100,000,000
	Over 60days	118,568,228	12,869,571
12	Cash & Bank Balances		
	Co-operative Expenditure (0113655560000)	20,021,784	2,008,580
	Equity Collection-GASWASCO(0660293772335)	436,104	949,279
	Equity Collection KARIWASCO(0660262913879)	344,487	618,186
	KCB Collection(1102762105)	24,549	370,185
	Co-op Collection(01100073009101)	1,072,450	11,635
	Mpesa(Pay Bill 893400)	103,685	449,941
	Petty Cash	12,310	1,877
	KCB Deposit(1102651109)		3,378,883
	Co-operative Deposits(01100073009100)	38,712,648	34,618,825
	Co-operative Expenditure Karimenu(01136073009100)	630	630
	KCB Expenditure GASWASCO(1102761990)	16	16
	Family Bank (004000030000)	101,690	270,296
		60,830,353	42,678,333
13	Inventory		
	Chemicals	1,446,198	613,496
	Upvc pipes & Fittings	468,846	455,246
	Stationery	246,246	220,751
	G I Pipe	324,931	418,445
	Water Meters	1,201,164	241,122
	Consumables	63,255	-
		3,750,640	1,949,061

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	EQUITY AND LIABILITIES	2020/2021	2019/2020
14	Capital and Reserves	Kshs	Kshs
	Share Capital	100,040	100,040.00
	Capital Reserves	19,442,912	19,442,912.00
		19,542,952	19,542,952.00
	Ordinary share capital		
	Authorised:		
	5,000 ordinary shares of Kshs. 20.00 par value each	100,000	100,000.00
	Issued and fully paid:		
	2 ordinary shares of Kshs 20 par value each	40	40.00
	Capital Reserves		
	Capital reserve represents opening balance of trade debtors when the company started its operations in September 2006 which was inherited from Ministry of Water & Irrigation.		
15	Reserves	18,070,582	-
	Compensation from KERRA for road works activities		
16	Retained Income		
	Retained Income / (Accumulated Loss)	70,931,092	66,833,338.46
	Prior year adjustment KERRA	-	5,092,970.20
	Net Profit/Loss this year	(2,489,682)	(995,216.87)
		68,441,410	70,931,091.79
	Non-current Liabilities		
17	Customer Deposit	37,994,308	36,071,587.38
	Current Liabilities		
18	WSB&WASREB	60,521,147	55,104,581.75
	Suppliers Creditors	10,775,811	7,017,115.80
	Other Creditors	8,661,785	6,497,613.33
	Other Accrued Expenses	696,000	578,000.00
	Salaries Account	1,964,246	7,885,573.85
	KCSWSC Strategic plan development	4,969	4,969.00
	Payable KERRA	-	1,348,541.80
	GRN Accrual Account	-	356,708.00
		82,623,958	78,793,103.53

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Notes to the cash flow statement

	Notes	2020/2021 Kshs	2020/2019 Kshs
Operating activities			
Cash generated from operations		(2,489,682)	(995,217)
Adjustment for:			
adjustment on retained income			
Depreciation	9	2,741,055	3,081,608
Cash flow from operations before working capital changes		251,373	2,086,391
Working Capital Changes			
Increase in receivables		(3,206,362)	(30,255,393)
(Increase) Decrease in Inventory		(1,801,579)	(301,784)
(Increase) decrease in Prepayments		20,301	5,171,682
			5,092,970
Increase in Customer Deposit		1,922,721	1,615,000
Increase in payables		21,901,437	25,855,063
Net cash generated from operating activities		18,836,518	7,177,538
Investing activities			
Purchase of Office Equipments	9		(516,900)
Purchase of Computer Equipments	9		
Purchase of motor cycle			
Purchase of Water Meters	9	(935,871)	(3,325,889)
Net cash (used in) investing activities		(935,871)	(3,842,789)
Financing activities			
Share Capital			
Increase/(decrease) in cash and cash equivalents		18,152,020	5,421,140
Movement in cash and cash equivalents			
At start of year			
Increase/(decrease)		42,678,333	37,257,193
At end of year		60,830,353	42,678,333

20. Contingent Assets

Gatundu Water and Sanitation Company Ltd had an ongoing court case No. 163 of 2018 Joseph Gathecha Vs Gatundu Water and Sanitation Company Ltd. On the 17th September 2020, Gatundu Water and Sanitation Company Ltd had a judgement in its favour and was awarded the bill of costs amounting to Kshs 166,280.

21. Financial Risk Management

GATWASCO activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. GATWASCO 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. GATWASCO does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

GATWASCO financial risk management objectives and policies are detailed below:

(i) Credit risk

GATWASCO 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 GATWASCO maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Trade Receivables	162,141,207	134,344,472	14,927,163	12,869,571
Other Receivables	106,000	106,000		
Bank balances	60,830,353	60,826,632		
Total	223,077,560	195,277,104	14,927,163	12,869,571
At 30 June 2020				
Trade Receivables	158,578,583	131,138,110	14,570,901	12,869,571
Other Receivables	106,000	106,000		
Bank balances	42,678,333	42,678,333		
Total	201,362,916	173,922,443	14,570,901	12,869,571

Credit Risk

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

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

ii) Liquidity risk management

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

The table below represents cash flows payable by GATWASCO 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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	8,661,784.76	10,775,813.02	60,521,147.75	79,958,745.53
Total	8,661,784.76	10,775,813.02	60,521,147.75	79,958,745.53
At 30 June 2020				
Trade payables	78,793,104	7,885,574	356,708	70,550,822
Total	78,793,104	7,885,574	359,708	70,550,822

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. GATWASCO 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 GATWASCO deposits.

Management of interest rate risk

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

i) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.** This level includes listed equity securities and debt instruments on exchanges.
- ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).**
- iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).** This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

22. Incorporation

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

23. Events After The Reporting Period

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

24. Currency

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

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Financial year ended 30th June 2020 has been audited. We received a draft certificate from the Auditor General which had a qualified opinion.

The following is the summary of issues raised by the external auditor for financial statements ended 30th June 2020, and various management comments have been provided. 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)
1.1	Fixed Assets (a) Other fixed assets with undetermined values	The said assets were owned by Athi water services Board as indicated in our notes. Further as evidenced via a letter from the County Executive Committee Member in charge of water indicated that ownership of water facilities within Kiambu County belong to the Kiambu County.	County Government of Kiambu	Not resolved	June 2022
	b.) Land and Building	As stated in our management response the parcels of land in which the buildings were constructed are registered under the county council of Thika. Change of ownership from the county council of Thika to the county government was to be effected during the transition period for transfer of assets. The company had made available a list of all assets to the county government during this stage. The issue of valuation and	County Government of Kiambu	Not resolved	June 2022

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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)
		removing the said land and building from our accounts was presented to the board and it was resolved that the chief officer water and environment who represents the county government provide a direction in the hand over. It had previously been reported to the county P.A C for questioning.			
1.2	Trade and other payables	The said outstanding liabilities of Kshs 33,558,741 are the lease fee payable to Athi Water Works Development Authority. The company has had communications and a reminder on the long outstanding amount payable to Athi water Works Development Authority. We are yet to receive an assessor from them so as to settle on the correct amount payable.	AWWDA	Not resolved	June 2022
	Non-revenue water 2,511,846 cubic meter (m3)	Gatundu Water have always taken NRW with a lot of concern. This is the reason why we engaged experts from the regulator in 2013. WASREB has issued guidelines on conditions that form part of our service provision agreement. The conditions have given timelines where, the company should reduce the levels of NRW progressively and the company is within the required range. The company was able to	Board and Management	Not resolved	June 2022

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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)
		reduce UFW from 35% to 34%. These is as per our agreement with WASREB ((See attached conditions) The company has also put in place the following measures to reduce the unaccounted for water: 1. Immediate response to pipe bursts and leakages – less than 12hrs once reported 2. Replacing the old meters (more than 9 yrs old) 3. Relocation of consumer meters to just at the edge of property boundary. This will avoid water theft through bypassing of the meter and also making it easily accessible. 4. We have sub-divided our area of operation into schemes according to water supplies. These schemes are broken into zones, sub-zones and sub-lines. These sub-zones are manned by sub-zonal managers with an average of 350-400 consumers. This way, the field person will be able to monitor the service level. 5. We have embarked on fixing master meters at the water source, zonal and sub-zone meter along the supply system.			

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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)

APPENDIX II: INTER-ENTITY TRANSFERS

FY 2018/2019				
a. Direct Payments				
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>	
Gatukuyu perimeter wall	19 th December 2014	1,000,000	From 2014 to date	
Gatukuyu land for office construction	18 th July 2013	1,700,000	From 2013 to date	
	Total	2,700,000		
b. Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>	
KERRA	14-06-2021	14,378,520.00	From 2020 to date	
	22-06-2021	2,424,120.00	From 2020 to date	
	Total	16,802,640.00		

