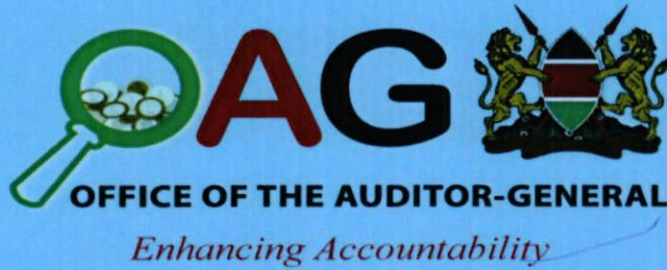


REPUBLIC OF KENYA

Scanned 11/02/2022



PARLIAMENT
OF KENYA
LIBRARY

REPORT

PAPERS LAID	
DATE	10/02/2022
TABLED BY	SENATE MAJORITY LEADER
COMMITTEE	
CLERK AT THE TABLE	GETRUPB

OF

THE AUDITOR-GENERAL

ON

ISIOLO WATER AND SEWERAGE
COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2019

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30034 - 00100, NAIROBI
REGISTRY
24 FEB 2020
RECEIVED



International Financial Reporting Standards (IFRS)

ISIOLO WATER & SEWERAGE CO.LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019

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

OFFICE OF THE AUDITOR - GENERAL
EMBU HUB P. O. Box 113 - 60100, EMBU
REGISTRY
15 JAN 2020
3308
RECEIVED

10

23 24

○

○

○

3 4 5 6

ISILOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements For the year ended June 30, 2019

Table of Contents	Page
KEY ENTITY INFORMATION.....	iii
KEY ENTITY INFORMATION (Continued).....	iv
THE BOARD OF DIRECTORS	v
MANAGEMENT TEAM.....	vii
CHAIRMAN'S STATEMENT	ix
REPORT OF THE MANAGING DIRECTOR.....	x
CORPORATE GOVERNANCE STATEMENT	xi
MANAGEMENT DISCUSSION AND ANALYSIS	xiii
CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xiv
REPORT OF THE DIRECTORS.....	xv
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xvi
REPORT OF THE INDEPENDENT AUDITORS.....	xvii
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	1
STATEMENT OF FINANCIAL POSITION.....	2
STATEMENT OF CHANGES IN EQUITY	2
STATEMENT OF CASH FLOWS	4
CASH FLOWS FROM OPERATING ACTIVITIES	5
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
FOR THE PERIOD ENDED 30 JUNE 2018.....	5
NOTES TO THE FINANCIAL STATEMENTS.....	8
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	23
APPENDIX 2: PROJECTS IMPLEMENTATED BY THE COMPANY	24

ISIOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements

For the year ended June 30, 2019

KEY ENTITY INFORMATION

Background information

The Company is incorporated in Kenya under Cap. 486 of the laws of Kenya.

The company has a valid signed service provision agreement with the Northern Water Services Board as a water service provider.

Principal Activities

The principal activity of Company is the provision of water and sewerage services within Isiolo Town and its environs.

Vision: To be the leading company in provision of water and sanitation services in Kenya.

Mission: To improve quality of life by providing safe, reliable, adequate and affordable water and sanitation services through commercially and environmentally sustainable approaches to the satisfaction of our customers and other stakeholders.

Directors

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

No	Name	Position	Date of Appointment
1	Mr. WachuAbdi	Chairman	13/8/2018
2	Ms. AsiliSode	Director	13/8/2018
3	Mr Wilson Lomilian	Director	13/8/2018
4	Mrs. RehemaAbdikadir	Director	13/8/2018
5	Mr. Hassan Diba	Director	13/8/2018
6	Mr. AgustinoLaibon	Director	13/8/2018
7	Mr. AbdullahiSora	Managing Director	15/8/2018
8	Mr.Hussein Ali	Director	13/8/2018
9	Mr. Peter Ngechu	Director	13/8/2018
10	Mr.Yusuf Mohamed	Director	13/8/2018

Registered Office

Airport Road
P.O. Box 491-60300
ISIOLO, KENYA

CorporateHeadquarters

P.O. Box 491-60300
Near County Water Department
Airport Road
Isiolo, KENYA

ISILO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements
For the year ended June 30, 2019

KEY ENTITY INFORMATION (Continued)

Corporate Contacts

Telephone: (254) 064-52283
E-mail: isiolowater@yahoo.com
Website: www.iwasco.or.ke

Corporate Bankers

Equity Bank Isiolo Branch P.O Box 197- 60300 Isiolo	Consolidated Bank Isiolo Branch P.O Box 30238- 60300 Isiolo	Co-operative Bank Isiolo Branch P.O Box 30238- 60300 Isiolo
------------------------------------------------------------------------	--------------------------------------------------------------------------------	--------------------------------------------------------------------------------






Independent Auditors

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

Principal Legal Advisers






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

THE BOARD OF DIRECTORS

1.	 Abdikarim Wachu, Chairman	Mr.WachuAbdi aged 35 years, joined the Board in 2018. He is a director representing faith based organizations. He holds certificate in IT from Mersburn Institute. He has led in Islamic preaching for over 15 years. He is a businessman too.
2.	 Rahima Abdikadir, Director	Ms. RahimaAbdikadir aged 46 joined the Board in 2012. She is a Director representing Chamber of Commerce. Ms Rahima is currently working with Action Aid Kenya Isiolo office as a warehouse supervisor. She holds degree in development studies from Mt. Kenya University.
3.	 Hussein Ali, Director	Mr Hussein aged 53, joined the board in2018. He is a director representing NGOs. He is a former councillor. He holds a certicate. He is an ardent agitator for social and human rights.
4.	 Yusuff Mohamed, Director	Mr.Yusuf aged 49, joined the board in 2018. He is a director representing the Isiolo County government. He is currently the chief officer of water and Irrigation for Isiolo county government. He holds bachelor's degree in business administration. We has previously worked as chief officer in various county government departments.
5.	 AgostinoMukuciaLaibon, Director	Mr.AgostinoLaibon62, joined the board in 2018. He is a director representing professionals. He holds a bachelor degree in leadership and management from Strathmore University. He is currently a lecturer at Kenya school of revenue administration

ISIOLO WATER & SEWERAGE CO.LTD




Annual Reports and Financial Statements For the year ended June 30, 2019

6.		AsliSode, Director	<p>Ms Asli aged 63, joined the board in 2018. She is a director representing women organisations. She is currently the chairperson maendeleoyawanawakeorganisatio (MYWO), Isiolo county. She has extensive experience in mass media having worked with the voice of kenya for more than a decade.</p>
7.			<p>Mr Wilson aged 35, joined the board in 2018. He is a director representing Non-governmental organisations. He holds certificate in tour guiding and administration. He has vast experience in conservation affairs having worked as conservancy manager for many years.</p>
8.		Hassan DibaKumpa, Director	<p>Mr Hassan aged 46, joined the board in 2018. He is a director representing users/consumers. He holds a diploma in social studies. He is a former member of Isiolo county assembly. He is a successful businessman and renown social worker.</p>
9.		Peter Ngechu, Director	<p>Mr Ngechu aged 43, joined the board in 2018. He is a director representing the isiolo County government. He is currently the chief officer of finance and economic planning for Isiolo county government. He holds bachelor's degree in business administration/CPA. He has previously worked for many years in a government's regional development agency.</p>
10.		Abdullahi Sora, Managing Director	<p>Mr Abdullahi aged 46, is the current Managing Director. He has been the company's administrative manager for many years. He has vast knowledge of the company's operations. He holds Masters degree in purchase and supplies.</p>

ISILO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements
For the year ended June 30, 2019



MANAGEMENT TEAM

<p>1.</p>  <p>Name: Abdullahi Sora Qualifications: Master Degree in purchase and supplies, undergraduate degree in purchase and supplies, Diploma in business administration, registered member KISM</p>	<p>Managing Director</p>
<p>2.</p>  <p>Name: Nura Bonaya Qualifications: Undergraduate Degree in Finance, Masters Degree in Finance (on-going), CPA.</p>	<p>Finance and Commercial Manager</p>
<p>3.</p>  <p>Name: Joseph Waciuri Qualification: Undergraduate Degree in Business Administration, Diploma in Civil Engineering</p>	<p>Technical Manager</p>

ISILO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements

For the year ended June 30, 2019

<p>4. </p> <p>Name: Mariam Dida Qualifications: Undergraduate Degree in Human Resource(ongoing), Diploma in IT</p>	<p>Human Resource and Administrative Manager</p>
<p>5. </p> <p>Name: Cathrine Mwendwa Qualifications: Master Degree in project Management, Bachelor degree in business administration, CPA</p>	<p>Internal Auditor</p>

ISILO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements For the year ended June 30, 2019

CHAIRMAN'S STATEMENT

Once more, I am honoured to present the 2018/2019 annual report and accounts ending June 2019, for Isiolo Water and Sewerage Company ltd in line with the company's Act and the service provision Agreement(SPA).

Isiolo Water and Sewerage Company ltd has grown from strength to strength over the years and is now a reference institution for the whole county in terms of efficient and effective water services provision.

This company faces many challenges including the scarcity of water sources, stiff competition with farmers upstream the river, especially so during dry periods of the year and repetitive droughts.

The demand for water surpasses the production i.e the current demand for water in Isiolo town and its environs stand at 10,000m³/day against the daily production of about 5000m³/day.

However, the company has reached out to the county government, national government through the Northern water works Agency and Development partners to realize increase in supply to mitigate on the shortages.

The company enjoys an over whelming support from the stakeholders, customers and other bilateral organizations. The Board of Directors is trained on corporate governance, their roles and responsibilities hence adding value to the operations of the company.

Finally may I thank the Managing Director, the Board of Directors of IWASCO for the good work, they have done over the years. It is my hope that sooner or later we shall avail more water to the residents of Isiolo. It is my hope and believe that this report reflects the financial status of the company



WachuAbdi

Chairman Board of Directors

Isiolo Water And Sewerage Company

ISIOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements
For the year ended June 30, 2019

REPORT OF THE MANAGING DIRECTOR

It is with great pride that I once again present the Annual report and financial statement for the year ending 30th June 2019.

According to the Northern Water services Board and even WASREB reports, this company is among the few, that are well managed, progressive and result oriented. Over the years we have maintained high standard of integrity, efficiency and effectiveness in managing our resources.

We have involved the community we are serving and all our stakeholders in the decision making process of the company, hence effective communication with all those concerned.

The management team is mainly concerned with daily service delivery, which they do with outmost dedication, professionalism and efficiency.

Finally I would like to thank the Board of Director's through the chairman for their strong support, understanding and guidance in all our operations, the staff of IWASCO for their courage, effectiveness and creativity.



Abdullahi Sora

Managing Director

CORPORATE GOVERNANCE STATEMENT

Isiolo Water and Sewerage Company is committed to the standard of world class corporate governance practice as set by Regulatory Authority and in accordance with international best practice.

The Board of Directors is responsible for the long-term strategic direction that will ensure the profitable growth of the company whilst being accountable to the stakeholders for legal compliance and maintenance of the highest corporate governance standards and business ethics. The Board formulates policies and strategies that enhance transparency and accountability and seek to conform to set guidelines on Corporate Governance practices provided by the Regulator. The company operates under a wide regulatory and legal control and supervisory framework.

The Board of Directors, duly cognizant of its role in safeguarding stakeholders' interests and ensuring a clean, safe and affordable drinking water for Isiolo residents and it's environ, reaffirms its commitment to upholding policies and strategies that enhance transparency and accountability as part of the company's continuing and operations.

BOARD OF DIRECTORS.

The current Board consists of nine directors elected from the Profession Bodies, Women group and Non-Governmental Organization. The Board composition draws on a good mix of skills, experience and competencies in various fields. The Directors are appointed by the stakeholders for a three year term and are bound by the Company's code of Conduct.

The Management maintains effective overall control over strategic, financial, operational, policy and compliance issues. Accurate, appropriate and timely information is provided to the Board to enable it to fulfill this role. The Chairman is responsible for managing the Board and providing leadership to the company, while the Company Chief Executive Officer is responsible to the Board for running the Company in accordance with instructions given by the Regulator and Board. Nonetheless, the management team retains responsibility for establishing and maintaining the company's comprehensive internal control of financial, operational, and compliance issues so that its objectives of increased growth in coverage and customers value are realized.

The company maintains a policy of open communication between the Board and management ensuring the Board is fully informed about all major matters concerning the company. The Board and management interact on a regular basis allowing the directors to contribute their knowledge particularly in relating the company's target market to the company operations.

Members of the Company's senior management attend board meetings by invitation to ensure informed and efficient decision making by the Board. In addition, the Board invites third party professionals to attend meetings and provide opinions and advice as necessary to enable the Board to discharge its fiduciary mandate.

ISIOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements

For the year ended June 30, 2019

BOARD MEETINGS

The Board meets regularly at least four times a year to, amongst other things, agree on the company's objectives and strategies to realize the objectives, review performance against agreed targets and consider and approve the annual and interim financial statements. The Board in achieving its mandate is guided by the Board Manual.

BOARD COMMITTEES

The Board has created three committees which meet regularly under clearly defined and materially delegated terms of reference set out by the Board. The committees operate under clearly defined mandates which spell out their responsibilities, scope of authority and procedures for reporting to the Board. The Committees have access to company information and are to obtain independent professional advice on matters within their scope.

AUDIT AND RISK COMMITTEE

The Committee's main purpose is to assist the Board in discharging its duties regarding the safeguarding of assets, the operation of adequate systems, control processes, and the preparation of accurate financial statements and reporting in compliance with all applicable legal requirements and accounting standards. The scope of this committee includes risk management as well as compliance with the regulatory requirements. The committee is guided in its functions by a comprehensive Audit Committee Charter and Internal Audit Department Charter. These are designed to provide a comprehensive framework for the audit function within the company.

ISIOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements

For the year ended June 30, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

The management is pleased to report that the company's operational efficiency has improved significantly during the period under review. The non-revenue water has reduced from 30.3% to 30.02%.

There were additional 497 clients that were connected for the services. The company has employed latest technologies like extending services using HDPE pipes which are better than UPVC pipes.

The company realized increase in sales having risen by 9.2%. The company met its financial obligations without defaulting. The budgetary expectations were exceeded.

There was no staff turnover during the year. The company took section heads for refresher training during the period under review. This has really improved staff morale and performance levels.

The company fully complied with statutory requirements, both financial and legal. This excites as the company faces no risk of invalid business operations.

The year was generally a success.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Isiolo water and sewerage company believes there is no better way to create a lasting positive impact on the society than through targeted social responsibility programs. This is why as we address the needs of our members, we are cognizant of the fact that we have a duty to improve the general wellbeing of the community.

In line with one of the company's strategic objectives, which is to promote the welfare of women and youth, the company picked a corporate Social responsibility (CSR) initiative.

So far Ksh.60,000 has been invested in 2018/2019 in the corporate social responsibility to attract the youth and women to impart much needed leadership skills while promoting cultural integration.

Through the project the company believes it will make a distinct contribution to the advancement of the society by going beyond the core business serving the interest of communities.

Initiatives being implemented under this phase are to create relevance and interact with the communities and give support and empowering youths and women groups.

The expected outcomes include: the generation of information, improvement of livelihoods, enhanced environmental conservation, capacity building and the formation of new youth co-operatives and women groups as well as strengthening of existing ones.

ISIOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements

For the year ended June 30, 2019

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Isiolo Water and Sewerage Co. Ltd's affairs.

Principal activities

The principal activity of the Company is provision of water and sewerage services within Isiolo Town and its environs.

Results

The results of the entity for the year ended June 30, 2019 are set out on page 9. Below is summary of the profit or loss made during the year.

Directors

The members of the Board of Directors who served during the year are shown on page vi

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board

ISILO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements

For the year ended June 30, 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the public finance management act, 2012 and section 164 of the water act 2016, require the directors to prepare financial statements in respect of Isiolo water and Sewerage Co. Ltd, 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 company for the period. The directors are also required to ensure that Isiolo water and Sewerage Co. Ltd keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The directors are also responsible for safe guarding the assets of the company. The directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on 30th June 2019. These responsibilities include:

1. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
2. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.
3. 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.
4. Safeguarding the assets of the company.
5. Selecting and applying appropriate accounting policies
6. Making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with international financial reporting standards (IFRS),and in the manner required by the PFM act and the state corporations act.

The directors are of the opinion that the company's financial statements give a true and fair view of the company's transactions during the financial year ended 30th June 2019, and of the company's financial position as at that date. The directors further confirm the completeness of the accounting records maintained for the company which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements were approved by the board on12/9/.....2019 and signed on its behalf by;



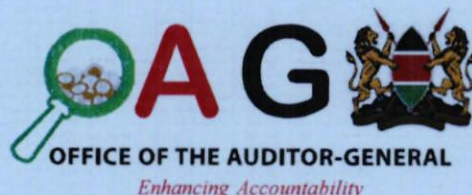
.....
Director



.....
Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON ISILOLO WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Isiolo Water and Sewerage Company Limited set out on pages 1 to 25, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Isiolo Water and Sewerage Company Limited as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016 and the Companies Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Isiolo Water and Sewerage 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 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. I have determined that there are no key audit matters to report in the year under review.

Other Matter

1.0 Budgetary Control and Performance

1.0.1 Revenue Analysis

The statement of comparison of budget and actual amounts reflects an approved revenue budget totalling Kshs.82,220,000 and actual receipts totalling Kshs.86,851,552 resulting to an over-collection of Kshs.4,631,553.

1.0.2 Expenditure Analysis

The statement of comparison of budget and actual amounts reflects budgeted and actual expenditure totalling Kshs.87,632,290 and Kshs.85,732,900 respectively resulting to under-expenditure of Kshs.1,899,390 or 2% of the budget.

1.0.3 Unbalanced Budget

The statement of comparison of budget and actual amounts reflects budgeted revenues totalling Kshs.82,220,000 and expenditures totalling Kshs.87,632,290 resulting to a deficit of Kshs.5,412,290. The deficit is contrary to Section 31(c) of the Public Finance Management (County Government) Regulations, 2015 which requires Management to prepare balanced budgets.

2.0 Inadequate Disclosure

The financial statements do not reflect the Institute of Certified Public Accountants of Kenya (ICPAK) membership number for the Head of Finance Department contrary to the reporting template issued by the Public Sector Accounting Standards Board (PSASB).

3.0 Prior Year Issues

Appendix I to the financial statements on progress made in following-up on auditor recommendations indicates that matters on unaccounted-for water raised in the audit report for year 2017/2018 were resolved. However, the actual status of this and other matters raised in the report shall be confirmed after they are deliberated upon by the Legislature.

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, I confirm that, except for the matter discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, 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 of Conclusion

Non-Revenue Water (NRW)

The statement of financial performance reflects revenue from water sales totalling Kshs.81,865,064 in the year under review. Water records indicated that, the Company produced 1,704,674 cubic meters (m³) of water in the year at a cost of Kshs.19.11 per cubic meter or Kshs.32,576,320 in aggregate.

However, only 1,192,799 cubic meters (m³) were distributed and billed to customers. The balance totalling 511,875 m³ or approximately 30% of the total volume produced and billable at Kshs.68.32 per cubic metre (m³) or Kshs.34,971,300 in aggregate was classified as non-revenue water. The service performance standards set by the Water Services Regulatory Board (WASREB) prescribe 25% of volume of water produced as the maximum allowable loss. Therefore, only 426,169 m³ of the 1,704,674 m³ output for the year was allowable loss. The excess amounting to 85,706 (m³) produced at a cost of Kshs.1,637,842 and billable at the imputed price of Kshs.68.32 per cubic metre (m³) or Kshs.5,882,002 in aggregate was non-allowable loss.

The large volume of unbilled water indicates that some of the water produced by the Company is lost during distribution, through leakage or consumption by unbilled customers. In the circumstance, the loss is a significant drain on the Company's profitability and could, if not reversed, hamper its ability to sustain its services.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that Internal Controls, Risk Management and Governance were not operating in an effective way.

Basis of Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

the Company's ability to continue as a going concern, or 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 or to sustain its services.

- 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 Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 January, 2022

ISIOLO WATER & SEWERAGE CO.LTD**Annual Reports and Financial Statements****For the year ended June 30, 2019**

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 Ksh	2018 Kshs
Turnover	6	81,865,064	74,210,626
Other Income	7(a)	5,050,239	4,409,064
Gain /Loss in investment	10	(63,750)	286,875
Grant from County Government	7(b)	0	631,429
Total operating Income		<u>86,851,553</u>	<u>79,537,994</u>
<u>EXPENSES</u>			
Administration	8(a)&(c)	53,151,114	52,870,669
Operation, Maintenance & distribution	8(b)	32,581,786	28,574,644
		<u>85,732,900</u>	<u>81,445,313</u>
Surplus/ (Deficit) After Taxation		<u>1,118,653</u>	<u>-1,907,319</u>

ISIOLO WATER & SEWERAGE CO.LTD
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Non-Current Assets			
Property, plant & equipment	9	15,142,146	14,717,556
Investments	10	1,190,000	1,253,750
		16,332,146	15,971,306
<u>CURRENT ASSETS</u>			
Inventory	11	1,902,760	1,195,414
Receivables & prepayments	12	1,059,421	901,733
Cash & cash equivalents	13	9,783,990	8,219,633
TOTAL CURRENT ASSETS		<u>12,746,171</u>	<u>10,316,780</u>
<u>CURRENT LIABILITIES</u>			
Consumer deposits	14	7,665,451	6,919,951
Payables and accruals	15	1,111,164	424,990
Overdrawn Cash balance	16	1,368,744	1,337,416
TOTAL CURRENT LIABILITIES		10,145,359	<u>8,682,357</u>
NET CURRENT ASSETS		2,600,812	1,634,423
TOTAL ASSETS		<u>18,932,958</u>	<u>17,605,729</u>
REPRESENTED BY:			
<u>EQUITY & RESERVES</u>			
Grants Reserve Fund	17	36,354,563	36,354,563
Revenue Reserve Fund		(17,521,605)	-18,848,834
Share Capital	18	100,000	100,000
TOTAL EQUITY RESERVES		<u>18,932,958</u>	<u>17,605,729</u>

Financial statements were approved by the Board on 12/9/2019 and signed on its behalf by:



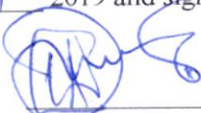
Managing Director

Name: Abdullahi Sora



Head of Finance

Name: Nura Bonaya



Chairman of the Board

Name: Wachu Abdi

ISILOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	<u>Note</u>	<u>Grants</u>	<u>Share Capital</u>	<u>Revenue Reserves</u>	<u>Total</u>
As at 1/7/2016		35,354,563	100,000	-13,186,049	22,268,514
Grants during the year		0	0	0	
Grants issued in the year		0	0	0	
Surplus/Deficit for the year		0	0	-3,546,890	-3,546,890
As at 30.6.2017		<u>35,354,563</u>	<u>100,000</u>	<u>(16,732,939)</u>	<u>18,721,624</u>
As at 1/7/2017		35,354,563	100,000	-16,732,939	18,721,624
Grants during the year		1,000,000	0	0	1,000,000
Grants issued in the year		-	0	0	
Prior Year adjustment (Audit Fees)				-208,576	-208,576
Surplus/Deficit for the year		-		-1,907,319	-1,907,319
As at 30.6.2018		<u>36,354,563</u>	<u>100,000</u>	<u>-18,848,834</u>	<u>17,605,729</u>
As at 1/7/2018		36,354,563	100,000	-18,848,834	17,605,729
Grants during the year		-	-	0	0
Grants issued in the year		-	-	0	0
Reversal of Audit fees*		-	-	208,576	208,576
Surplus/Deficit for the year		-	-	1,118,653	1,118,653
at 30/6/2019		36,354,563	100,000	(17,521,605)	18,932,958

**The audit fees for the Fy2016-2017 had no provision done hence direct debit was done in Fy2017-2018 which was a wrong treatment, now being reversed. A provision for two years (2016-2017 and Fy2018-2019) of Kshs. 417,152 (208,576 x 2) is included in Administration Expenses for Fy2018-2019.*

ISIOLO WATER & SEWERAGE CO.LTD

**Annual Reports and Financial Statements
For the year ended June 30, 2019**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	<u>Notes</u>	2019 <u>Kshs</u>	2018 <u>Kshs.</u>
Cash flows from Operating Activities			
Net profit after tax		1,535,805	-1,907,319
Adjusted for:-			
Provision for Audit Fees		625,728	208,576
Depreciation	9	1,725,738	1,702,884
Gain/Loss in investment	10	(63,750)	286,875
Surplus before changes in working capital		3,823,521	291,016
Cash from Operating Activities			
Increase/decrease in inventory	11	-707,346	454,006
Increase/Decrease in receivables	12	-157,688	100,863
Increase in deposits	14	745,500	1,155,000
Increase /(decrease) creditors & accruals	15	<u>269,022</u>	<u>527,815</u>
Net cash from Operations		149,488	<u>2,237,685</u>
<u>Cash flows from Investing Activities</u>			
Purchases of fixed assets	9	<u>(2,150,328)</u>	<u>(2,085,280)</u>
		(2,150,328)	<u>(2,085,280)</u>
Net Cash from Investing Activities			
Cash flow From Financing Activities			
Increase in Overdrawn Cashbook Balance		<u>31,328</u>	1,337,416
Cash flow from Financing Activities		31,328	1,337,416
Net increase in cash and cash equivalent		1,564,357	1,780,837
Cash and cash equivalents at the beginning of the year		<u>8,219,633</u>	<u>6,438,796</u>
Cash and cash equivalents at the end of the year	16	<u>9,783,990</u>	<u>8,219,633</u>

ISIOLO WATER & SEWERAGE CO.LTD
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Sale of water	62,000,000	0	62,000,000	65,692,881	-3,692,881
Sale of sewer	16,000,000	0	16,000,000	16,172,183	-172,183
Other Income					
Meter Rent	2,100,000	0	2,100,000	2,294,750	-194,750
Exhauster Hire	520,000	0	520,000	682,000	-162,000
Investment income	40,000	0	40,000	44,413	-4,413
Water boozer	50,000	0	50,000	36,556	13,444
Owner's request	5,000	0	5,000	3,600	1,400
Meter testing	15,000	0	15,000	12,500	2,500
Sewer connection fees	50,000	0	50,000	60,500	-10,500
Other miscellaneous income	1,150,000	0	1,150,000	1,915,920	-765,920
Gain on Investment	290,000	0	290,000	-63,750	353,750
Grant from County Government		0	0	0	0
Total income	<u>82,220,000</u>	0	<u>82,220,000</u>	<u>86,851,552</u>	<u>-4,631,552</u>

ISIOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements

For the year ended June 30, 2019

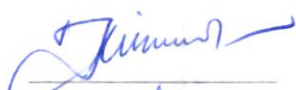
Expenses		Administration		Total Administration Costs	
Salaries, wages and allowances	29,220,500	28,761,124	459,376	54,330,950	1,179,836
Staff welfare	1,380,000	1,356,074	23,926		
Office supplies	2,000,000	1,884,271	115,729		
Training	200,000	227,960	-27,960		
Telephone and Email	700,000	694,460	5,540		
Professional fees	120,000	121,200	-1,200		
Travelling and subsistence	2,500,000	2,488,400	11,600		
Board expenses	1,136,000	1,039,200	96,800		
Other Expenses	579,450	154,721	424,729		
Casual wages	3,000,000	2,938,800	61,200		
Postage and delivery	105,000	101,740	3,260		
Leave allowances	500,000	495,500	4,500		
Printing and reproduction	350,000	345,098	4,902		
Social responsibility	70,000	60,000	10,000		
stationery	240,000	225,955	14,045		
Sewer line maintenance	2,000,000	1,806,052	193,948		
NSSF	850,000	834,165	15,835		
Pension	8,300,000	8,277,805	22,195		
Gratuity	950,000	812,117	137,883		
Audit Fees Provision	0	417,152	-417,152		
Total	54,200,950	53,041,793	1,159,157		
Net Finance cost					
Bank Charges	130,000	109,321	20,679		
Total Administration Costs	54,330,950	53,151,114	1,179,836		

ISIOLO WATER & SEWERAGE CO.LTD
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Non-Current Assets			
Property, plant & equipment	9	15,142,146	14,717,556
Investments	10	1,190,000	1,253,750
		16,332,146	15,971,306
<u>CURRENT ASSETS</u>			
Inventory	11	1,902,760	1,195,414
Receivables & prepayments	12	1,059,421	901,733
Cash & cash equivalents	13	9,783,990	8,219,633
TOTAL CURRENT ASSETS		12,746,171	<u>10,316,780</u>
<u>CURRENT LIABILITIES</u>			
Consumer deposits	14	7,665,451	6,919,951
Payables and accruals	15	1,111,164	424,990
Overdrawn Cash balance	16	1,368,744	1,337,416
TOTAL CURRENT LIABILITIES		10,145,359	<u>8,682,357</u>
NET CURRENT ASSETS		2,600,812	1,634,423
TOTAL ASSETS		<u>18,932,958</u>	<u>17,605,729</u>
REPRESENTED BY:			
<u>EQUITY & RESERVES</u>			
Grants Reserve Fund	17	36,354,563	36,354,563
Revenue Reserve Fund		(17,521,605)	-18,848,834
Share Capital	18	100,000	100,000
TOTAL EQUITY RESERVES		<u>18,932,958</u>	<u>17,605,729</u>

Financial statements were approved by the Board on 12/9/ 2019 and signed on its behalf by:


 Managing Director


 Head of Finance


 Chairman of the Board

Name: Abdullahi Sora

Name: Nura Bonaya

Name: Wachu Abdi

ISIOLO WATER & SEWERAGE CO.LTD**Annual Reports and Financial Statements****For the year ended June 30, 2019**

Operation, Maintenance and Distribution

Capacity building	1,270,450	0	1,270,450	1,034,300	236,150
Chemicals	5,205,120	0	5,205,120	5,401,495	-196,375
Laboratory Chemicals	45,200	0	45,200	38,974	6,226
License and permits	200,000	0	200,000	118,000	82,000
Regulatory fees	2,550,450	0	2,550,450	2,421,442	129,008
Water abstraction levy	770,000	0	770,000	767,607	2,394
Subscriptions	125,500	0	125,500	175,000	-49,500
Motor vehicle running expenses	6,725,470	0	6,725,470	6,567,494	157,976
Motor vehicle insurance	170,000	0	170,000	164,214	5,786
Pipes and fittings	8,275,650	0	8,275,650	8,070,859	204,791
Production cost	25,000	0	25,000	20,000	5,000
Repairs	1,438,500	0	1,438,500	1,404,420	34,080
Electricity	4,500,000	0	4,500,000	4,468,728	31,272
Depreciation	1,800,000	0	1,800,000	1,725,738	74,262
Billing	200,000	0	200,000	203,516	-3,516
	<u>33,301,340</u>	0	<u>33,301,340</u>	<u>32,581,786</u>	<u>719,554</u>
TOTAL EXPENDITURE	<u>87,632,290</u>	0	<u>87,632,290</u>	<u>85,732,900</u>	<u>1,899,390</u>

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Isiolo Water & Sewerage Co. Ltd is established by and derives its authority and accountability from Company's Act cap 486. The entity is wholly owned by the Isiolo County Government and is domiciled in Kenya.

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 in Note xx.

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

The financial statements have been prepared in accordance with the PFM Act, the water act 2016, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

iii) Early adoption of standards

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

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ISIOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements

For the year ended June 30, 2019

- ii) **Grants from National Government** are recognised in the year in which the *entity* 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 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, the company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

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

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

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:

Buildings	2.5%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and printers	30%
Office furniture and fittings	12.5%
Sewer Extension	12.5%
Water Extension	12.5%
Tools and equipment	12.5%
Water meters and equipment	12.5%

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) 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.

f) Inventories

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

g) 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.

h) Taxation

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.

i) Taxation (Continued)

Current income tax (Continued)

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

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

i) Taxation (Continued)

Deferred tax (Continued)

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.

i) Cash and cash equivalents

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

j) 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

k) 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.

l) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2017. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act.

m) 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.

n) Budget information

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. 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.

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

State all judgements, estimates and assumptions made: e.g

Estimates and assumptions

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

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 Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

ISIOLO WATER & SEWERAGE CO.LTD**Annual Reports and Financial Statements
For the year ended June 30, 2019****NOTES TO THE FINANCIAL STATEMENTS****6 SALES/TURNOVER**

6 Turnover	2019	2018
	Kshs	Kshs
Water revenue		
Water charges for July	5,486,635	5,296,775
Water charges for August	5,514,990	5,159,760
Water charges for September	5,521,160	4,664,230
Water charges for October	5,424,005	4,827,650
Water charges for November	5,594,530	4,485,265
Water charges for December	5,482,265	3,956,980
Water charges for January	5,691,245	5,521,790
Water charges for February	5,522,273	5,248,600
Water charges for March	5,372,395	4,578,165
Water charges for April	5,041,700	4,922,505
Water charges for May	5,442,915	5,258,785
Water charges for June	5,598,768	5,196,125
Sub-Total	<u>65,692,881</u>	<u>59,116,630</u>
Sewer revenue		
Sewer revenue for July	1,292,491	1,302,189
Sewer revenue for August	1,349,440	1,368,165
Sewer revenue for September	1,368,560	1,212,579
Sewer revenue for October	1,462,727	1,231,779
Sewer revenue for November	1,254,739	1,238,504
Sewer revenue for December	1,387,308	1,026,322
Sewer revenue for January	1,240,702	1,267,661
Sewer revenue for February	1,479,653	1,372,982
Sewer revenue for March	1,142,291	1,179,257
Sewer revenue for April	1,408,689	1,364,196
Sewer revenue for May	1,322,639	1,244,572
Sewer revenue for June	1,462,945	1,285,790
Sub-Total	<u>16,172,183</u>	<u>15,093,996</u>
Total Sales/Turnover	<u>81,865,064</u>	<u>74,210,626</u>

ISIOLO WATER & SEWERAGE CO.LTD

**Annual Reports and Financial Statements
For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 (a) OTHER INCOME

	2019	2018
	Kshs	Kshs.
Miscellaneous income	1,915,920	1,348,550
Meter rent	2,294,750	2,110,050
Investment income	44,413	39,164
water boozer	36,556	160,500
Owners request	3,600	5,800
meter testing	12,500	14,000
sewer deposit	60,500	143,000
Exhauster hire	682,000	588,000
TOTAL	<u>5,050,239</u>	<u>4,409,064</u>

7 (b) Grants from County Government 0 **681,000**

8 (a) ADMINISTRATION COSTS

	2019	2018
	Kshs	Kshs.
Salaries, wages and allowances	28,761,124	29,952,772
Staff welfare	1,356,074	1,123,432
Office supplies	1,884,271	1,128,653
Training	227,960	53,420
Telephone & email	694,460	529,550
Professional fees	121,200	87,000
Travelling & Subsistence's	2,488,400	3,126,438
Board expenses	1,039,200	631,429
Casual wages	2,938,800	3,308,450
Postage & delivery	101,740	90,550
Leave allowances	495,500	526,500
Printing & reproduction	492,818	755,630
Social responsibility	60,000	31,600
Stationery	225,955	333,190
Sewer line maintenance	1,806,052	2,178,466
NSSF	834,165	766,800
Pension	8,284,805	6,769,565
Gratuity	812,117	1,145,757
Audit Fees Provision	417,152	208,576
TOTAL	<u>53,041,793</u>	<u>52,747,778</u>

	2019	2018
Bank Charges	109,321	122,891

ISIOLO WATER & SEWERAGE CO.LTD

**Annual Reports and Financial Statements
For the year ended June 30, 2019**

Total Administration Costs **53,151,114** **52,870,669**

b) OPERATION AND MAINTENANCE AND DISTRIBUTION

	2019	2018
	Kshs	Kshs.
Capacity building	1,034,300	1,065,603
Chemicals	5,401,495	4,358,479
Lab chemicals	38,974	149,363
Licenses & permits	118,000	5,000
Regulatory fees	2,421,442	867,134
Water abstraction levy	767,607	758,618
Subscriptions	175,000	130,000
Motor vehicle running expenses	6,567,494	6,506,496
Motor vehicle insurance	164,214	282,848
Pipes & fittings	8,070,859	6,925,819
Production cost	20,000	99,000
Repairs	1,404,420	1,387,583
Electricity	4,468,728	4,269,817
Depreciation(sch 1)	1,725,738	1,702,884
Billing	203,516	66,000
Total	<u>32,581,786</u>	<u>28,574,644</u>

ISIOLO WATER & SEWERAGE CO.LTD**Annual Reports and Financial Statements
For the year ended June 30, 2019****NOTES TO THE FINANCIAL STATEMENTS (Continued)****10 QUOTED INVESTMENTS**

INVESTMENTS	2019	2018
	Kshs	Kshs
Balance as at 1st July	1,253,750	966,875
Loss on investment	(63,750)	286,875
Balance as at 30th June	1,190,000	1,253,750

11 INVENTORY

	2019	2018
	Kshs	Kshs
Chemicals	936,422	669,927
pipes and fittings and stationeries	966,338	525,487
Total	1,902,760	1,195,414

**12 TRADE AND OTHER RECEIVABLES
RECEIVABLES & PREPAYMENTS**

	2019	2018
	Kshs	Kshs
Trade receivables	466,754	260,654
Employees advances	312,000	286,000
Other	177,937	177,937
Prepayments-Insurance	102,730	177,142
VAT Control	0	
Total	1,059,421	901,733

13 CASH AND CASH EQUIVALENTS

	2019	2018
	Kshs	Kshs
Cash at Bank-Equity	2,283,523	1,606,821
Co-operative bnk-current	7,496,630	6,608,975
Cash in Hand	3,837	3,837
Total	9,783,990	8,219,633

14 CONSUMER DEPOSITS

	2019	2018
	Kshs	kshs
Balance as at 1st July	6,919,951	5,764,951
Additions in the year	745,500	1,155,000
Balance as at 30th June	7,665,451	6,919,951

16 OVERDRAWN CASH BALANCE

	2019	2018
	Kshs	Kshs
less: Consolidated bank-overdraft	1,368,744	1,337,416

The bank overdraft relates to overdrawn cashbook balances.
 The company does not have a overdraft facility with consolidated bank

17 GRANT RESERVE FUND

	Balance 1 July 2018	Grants received in the Year	Transfer to SFP	Balance at 30th June 2019
	Kshs	Kshs	Kshs	Kshs
Year ended 30th June 2019				
Water	28,685,450	0	0	28,685,450
Sewer receivables	6,751,445	0	0	6,751,445
Chemicals	917,668	0	0	917,668
Total	36,354,563			36,354,563

18 ORDINARY SHARE CAPITAL

Share capital	NO. of ordinary Shares	Issued and Fully Shares
At 30th June 2018	5,000.00	100,000.00
At 30th June 2019	5,000.00	100,000.00

ISIOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements For the year ended June 30, 2019

19 FAIR VALUE ADJUSTMENT RESERVE

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in

profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

20 RELATED PARTY DISCLOSURES

(a) County government of Isiolo

The Isiolo county government is the principal shareholder of the company, holding 100% of the company's equity interest.

Other related parties include:

- i) Key management;
- ii) Board of directors;

RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties

	2019	2018
	Kshs	Kshs
a) Key management compensation		
i. Compensation to the CEO	1,890,000	1,932,000
ii. Compensation to key management	3,126,000	3,096,000
Total	5,016,000	5,028,000

21 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

The entity 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

ISIOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements

For the year ended June 30, 2019

equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

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

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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.

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

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

iv) 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. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

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

ISIOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements For the year ended June 30, 2019

v) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2018-2019	2017-2018
	Kshs	Kshs
Grant Reserve Fund	52,891,944	36,354,563
Revenue Reserve Fund	(36,942,096)	(18,848,834)
Share Capital	100,000	100,000
Total funds	16,049,848	18,948,834
Total borrowings	0	0
Less: cash and bank balances	9,783,990	8,219,633
Net debt/(excess cash and cash equivalents)	9,783,990	8,219,633

22 INCORPORATION

The company 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).

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100



ISIOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements For the year ended June 30, 2019

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Non-conformity with the standard financial reporting template.	The statements will be adjusted to conform.	Finance Manager	Resolved	
2.0	Inaccurate payables and accruals	The figures will be confirmed and adjusted to accuracy	Finance Manager	Resolved	Continuous
3.0	High unaccounted for water	The company will work in reducing the lost volumes to the acceptable levels	Technical Manager	Resolved	Continuous
4.0	Unapproved expenditure in acquiring property, plant and equipment	The company will provide documents to show that the expenditures were sanctioned by the Northern water services board	Managing Director	Not Resolved	
7.0	Not conforming presentation of financial statements	The management will avail the missing information to conform.	Finance Manager	Resolved	Continuous improvement.



ISIOLO WATER & SEWERAGE CO.LTD

Annual Reports and Financial Statements
For the year ended June 30, 2019

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

There was no project implemented by the company

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
N/A	N/A					

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds

Managing Director



Date..... 17/9/2019

Chairman



Date..... 17/9/2019

