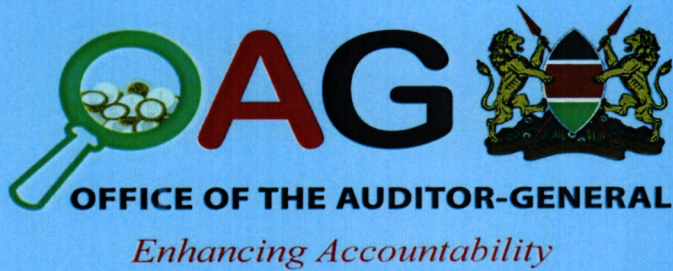


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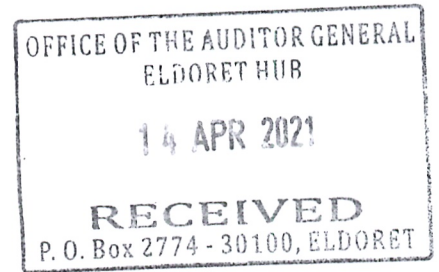
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THE AUDITOR-GENERAL

ON

**ITEN TAMBACH WATER AND
SEWERAGE COMPANY LIMITED**

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



ITEN TAMBACH WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2020

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

Iten Tambach Water and Sewerage company limited
Reports and Financial Statements
For the year ended 30 June 2020

Table of Contents	Page
1. KEY ENTITY INFORMATION	ii
1.1. Background information	ii
1.2. Principal Activities.....	ii
1.3. Directors	ii
1.4. Addresses	iii
2. THE BOARD OF DIRECTORS	iv
3. MANAGEMENT TEAM.....	v
4. CHAIRMAN'S STATEMENT	vi
5. MANAGING DIRECTORS' STATEMENT.....	vii
5.1. Customer Charter	vii
5.2. Zoning Management Systems	vii
5.3. WSTF Grants.....	vii
5.4. The New Sabor Water Project	vii
5.5. ICT Environment.....	vii
5.6. Outstanding water debts.....	vii
CONCLUSION	viii
6. CORPORATE GOVERNANCE STATEMENT	ix
7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xi
7.1. Stakeholder Awareness.....	xi
7.2. Our Human Capital	xi
7.3. Stakeholders	xi
7.4. Education	xi
8. REPORT OF THE DIRECTORS	xii
8.1. Appointment of Directors	xii
8.2. Principal activities	xii
8.3. Results	xii
8.4. Auditors	xii
9. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xiii
10. REPORT OF THE AUDITOR-GENERAL.....	xiv
11. STATEMENT OF COMPREHENSIVE INCOME	1
12. STATEMENT OF FINANCIAL POSITION	2
13. STATEMENT OF CHANGES IN EQUITY	3
14. STATEMENT OF CASH FLOWS	4
15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5-7
16. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	8-13
17. NOTES TO THE FINANCIAL STATEMENTS	14-23
18. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	24-31

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

1. KEY ENTITY INFORMATION

1.1. Background information

The *Company* was established on 1st July, 2003 through the Water Act of Parliament of 2002 and incorporated on 1st July, 2008. At cabinet level, the *company* is represented by the Cabinet Secretary for Water and Irrigation who is responsible for the general policy and strategic direction of the *company*.

1.2. Principal Activities

The principal activities of the company are provision of Water and Sewerage services (sanitation) within the area under jurisdiction of Iten and Tambach Towns in Elgeyo Marakwet County.

1.3. Directors

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

No	Name	Position	Date of appointment
	Mr. Fredrick K. Kiyeng	Chairman	19 th June 2018
	Dr. Christopher Saina	Member	19 th June 2018
	Mr. Felix Rotich	Member	19 th June 2018
	Ms. Madgaline Karia	Member	19 th June 2018
	Mr. Benson Cheboswony	Member	19 th June 2018
	Mr. Paul Yator	Secretary	Managing Director

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

1.4. Addresses
Registered Office

Iten Treatment- Works,
Behind Iten Post Office,
Next to Iten Primary
P.O. Box 700-30700
Iten, KENYA

Corporate Contacts

Telephone: 0743286175/0743286720
E-mail: [itenwater@yahoo.com/](mailto:itenwater@yahoo.com) infoitwasco@gmail.com

Corporate Bankers

Kenya Commercial Bank
P.O. Box 456,
Iten- Kenya

Equity Bank-Iten Branch
P.O. Box 75104-00200
Nairobi

Independent Auditors






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

Principal Legal Advisers

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

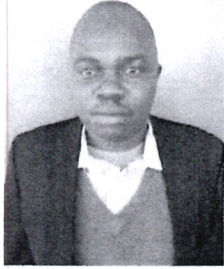


Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

2. THE BOARD OF DIRECTORS

PASSPORT	NAME	PROFESSION	QUALIFICATION
	Mr. Fredrick K. Kiyeng	-Water Technologist by Profession -Currently working in Uasin Gishu County	-BSC in Science (Chemistry) -Diploma in Chemical Engineering.
	Dr. Christopher K. Saina	-Teacher by profession -Currently Lecture at University of Eldoret -Representing professional	D.Phil. Environmental Studies; MPhil – Environmental Studies
	MR. JOSPHAT K. TANUI	-Surveyor by profession -Director water services, Water Lands and Natural Resources Elgeyo Marakwet County -Nominee from County Government	Bachelor of Science degree in Surveying; University of Nairobi.
	Ms Magdaline Karia	-Nursing Officer by profession -Executive Member of Cheboror/ Irong Community Association clans -Vice Chairperson National Council of Women of Kenya -HON Secretary Shalon Club of Embassy Isreal -Regional coordinator National Council of Women of Kenya.	-Higher Diploma In psychiatric Nursing. - Diploma in Kenya Registered Community Health Nurse
	Mr. Benson Cheboswony	-Hydrological Engineer by profession -Member of Hydrological Society of Kenya	-Post graduate Diploma in Hydrological Engineering -BSC in Hydromet.

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

3. MANAGEMENT TEAM

PASSPORT	NAME	Qualification	Area of Responsibility
	Mr. Paul Yator	-Degree in PPM -Diploma in Water Engineering -Higher diploma in HRM -Higher diploma in Entrepreneurship	Managing Director
	Mr. Jeremiah K. Kigen	-CPA Part III	Commercial Manager
	Mr. Joshua K. Kibet	-Diploma in Water engineering	Ag. Technical Manager.

**Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020**

4. CHAIRMAN'S STATEMENT

It gives me great pleasure to present to you the annual report and financial statements for the year ended 30th June 2020. The year under review was a challenging one, however the solid foundation built in the last years, and commitment by employee's ensured marked improvement in performance. The integrity, responsiveness and sheer determination of the company and its employees was integral in meeting the needs and the expectations of our interested parties in the provision of our product and services. The company was able attend to all its financial requirements and obligations in a timely manner despite budgetary constraints.

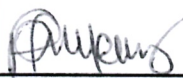
ITWASCO being water services providers operates in a regulated environment and keenly follows provisions of water Act of 2016, WASREB guidelines, Public Finance Management Regulations 2015 and other applicable statutory laws and regulations. The company has operated in a stable environment within its area of jurisdiction. The company has aligned itself to the new provisions as envisioned in the constitution and continued to operate as regulated by WASREB, Water Works Development Agencies (WWDA) and the County Government of Elgeyo Marakwet in ensuring commercial viability of its role in Water and sewerage services.

The company will continue contributing towards the provision of Water and Sewerage services, which is central to the social and economic development of the country. The availability, or lack of water and sanitation services, thereof, impact on the quality of life of individuals. The key sectors of agriculture, livestock and fisheries, manufacturing and tourism depend on the availability and reliability. The company understands its strategic role to the achievement of the sustainable Development Goals in water and Sewerage by the year 2030 and government in attainment of the big four (4) agendas. On behalf of the Board I would particularly like to thank the National and County Governments and Regulatory bodies for their continuous guidance, training & support during the period.

I am confident that with your continued support, we will once again steer the Company through another successful financial year.

While the future is bright, the task ahead is huge and the challenges are enormous. I must, however, say that each new day offers us a chance to work together, pursue new opportunities and improve upon the past. I can confidently say we are up to the task, proud of where we are, and even more optimistic about the future.

Thank you & God bless you all.



MR. FREDRICK K. KIYENG
CHAIRMAN

DATE 13/04/2021

5. MANAGING DIRECTORS' STATEMENT

I am pleased to present my report for the 2019/2020 financial year which ended on 30th June, 2020. Indeed, since the inception of the company in 2008, the Company has been undergoing challenges due to inadequate supply of water within its area of jurisdiction and has continued to sustain the supply throughout the period. However, because of our dedication and commitment with all stakeholders, we have tried to manage despite rationing.

I wish to sincerely appreciate the Board members, Management and the entire staff of the Company for the achievement. I also extend my gratitude to our esteemed consumers and our development partners example the Water Sector Trust Fund, the Elgeyo Marakwet County Government, National Government, Water services Regulatory Board and Rift Valley Water works development agency for their continued commitment in the development of the company.

5.1. Customer Charter.

During the year, 2012 the Company formulated a Customer Charter, which describes in a clear, concise and simplified way, the service standards customers can expect from us. The formulation of the Charter is a demonstration of the great importance we place on the provision of the highest quality service to customers. The charter expresses ITWASCO commitment to giving a courteous, efficient, professional, high quality customer service.

One of the cornerstones of our company's success is customer satisfaction, continuous improved operational efficiency and effectiveness. This calls for a clear understanding and appreciation of the flow and interaction of the process in our company, together with the outcome and parties involved at each stage.

5.2. Zoning Management Systems

The company has developed Zoning System which came in effect in July 2012.

The Zoning Management System is expected to reduce Non-Revenue Water, enhance revenue collection, and improve efficiency in delivery of service to the customer in water distribution such as quick leakage repairs, disconnections & reconnections.

5.3. WSTF Grants

Water Sector Trust Fund (WSTF) has been in progress since the start of 3rd Call whereby in the year 2012 for the last financial was kshs 17,149,407 2014/15 FY for the last financial year; we did not receive any funding from Water Sector Trust Fund. We expect to receive for this subsequent financial year.

5.4. The New Sabor Water Project

The company received the completion of the Iten Tambach Sabor Water project phase I and II in December 2017. This enhanced a continual supply of water in Iten. At the completion of this project later last year, the Company managed to increase water production from 900 m³ to 2,460 m³ daily. The management through the Board of Directors employed extra security water quality personnel and water operator who were deployed to Sabor Treatment plant, Sabor intake and water tank opposite the Kenya Police post County Headquarters Iten

5.5. ICT Environment

Pickpay ERP Software for billing and customer relationship management purpose.

5.6. Outstanding water debts

The net outstanding water debts stood at kshs 22,895,027 during the reporting period compared to kshs 16,886,528 in the last financial year. This rise in the debt portfolio was mainly due to global outbreak of Corona virus (COVID-19) which raised a concern on the likely impact on water supply and provision of sewerage services. The cabinet secretary Ministry of Water and Irrigation

**Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020**

gave out protocols and guideline and directs all the WSPs to provide free water to informal settlements and vulnerable groups for three months April to June 2020. Also directed that WSPs to suspend disconnection on water for three months that is April to June 2020. Uncollected debts are being provided at 10% of outstanding debts.

CONCLUSION

As we look into the future, our resolve to continue to strive and enhance shareholder's value, expand our customer base and improve the quality of supply to our customers. To the Board of Directors, Management Team, all Staff and Esteemed Customers I wish to sincerely thank them for their continued support exhibited throughout the year.

I wish to recognize the role of the County government of Elgeyo/Marakwet, Board of Directors, and ITWASCO Management and staff members for their contribution in making the financial year a successful one.


**PAUL YATOR
MANAGING DIRECTOR**

13/04/2021
DATE

6. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure used to direct and manage the business affairs of the Company towards enhancing prosperity and corporate accounting with the ultimate objective of realising shareholders' long-term value while taking into account the interest of other stakeholders. Directors are responsible for corporate governance practices of the Company. This statement sets out the main practices in operation during the year under review, unless otherwise indicated.

Directors and Management of the Company regard corporate governance as pivotal to the success of the business and are unreservedly committed to ensuring that good governance is practiced so that the company remain sustainable and viable business of the community stature. As part of this commitment, the Board fully supports best practices in corporate governance and has adhered to the Guideline Governance.

BOARD OF DIRECTORS

The Board consists of five Directors and a Managing Director. The Directors' biographies are on page 4. Directors possess a broad range of skills, qualifications and experience required to direct the Company.

At least one third of the Board members are required to submit them for re-election each year during the Annual General Meeting. Any Director appointed by the Board during the year is required to retire and seek re-election at the next Annual General Meeting.

Business transactions with all parties, Directors or their related parties are carried out at arm's length.

RESPONSIBILITIES

The primary responsibilities of the Board include: establishment of short and long-term goals of the Company and strategic plans to achieve those goals; ensuring preparation of the annual financial statements; approval and review of the annual budgets; setting and periodically reviewing key performance indicators and management performance; managing risks by ensuring that the Company has adequate systems of internal controls together with appropriate monitoring of compliance activities; and working with management to realise shareholders' value. To enable the Board to function effectively the Board is given full and timely access to relevant information. New Directors are also inducted through provision of necessary information pertinent to the Company's business, meetings with Management and training so as to enhance their understanding of the Company's legislative framework, its governance processes and the nature of the business and operations of the Company. Continuous training is provided. Towards this, six Directors have been trained on corporate governance by the Rift Valley Water works development agency. The Board meets at least once a quarterly or more often in accordance with requirements of the business.

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

BOARD WORK PLAN AND MEETINGS

The Board work plan and calendar of meetings is prepared annually in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. The Board held a total of 4 meetings during the year, which were very well attended.

Board Committees

A number of standing committees exist in order to assist the Board and management fulfil their responsibilities. Each committee operates within the ambit of defined terms of reference assigned to it by the Board.

During the year, the Board had the following standing committees.

Finance/ Technical and General-purpose committee.
Audit committee.

7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In recognition of its obligations as a responsible corporate entity, the Board of Directors and management sustained the Company's participation in corporate activities that enhance the social, economic and environmental interests that affect its internal stakeholders.

The Environment Our business has been a major beneficiary of wood products. We have, therefore, undertaken to contribute towards national afforestation initiatives in collaboration with the Forest Department. Since 2012, the Company has sustained a tree-planting programme at Sabor Forest Block-Kitany area water catchment area and Yokot Water catchment Forest where our main source of water is coming with seedlings propagated at Singore Zonal office tree nursery of Kenya forest service (KFS). Also, further encouragement to individual farmers to planted trees along the upstream.

7.1. Stakeholder Awareness.

Operate and, consequently, we have endeavoured to contribute to initiatives that impact on improvement of their social well-being.

In order to facilitate awareness and understanding of various aspects and nature of our service, we carried out various awareness campaigns through print and electronic media and also organised face-to-face meetings with a view to reach a wide cross section of our customers and other stakeholders.

7.2. Our Human Capital

It is in our interest to continue investing in the development of our human capital as a prerequisite to meeting expectations of our employees and customers. Consequently, we continued to offer various groups of our employees training opportunities to learn new skills and develop careers, locally. All employees also undergo an annual performance appraisal, which includes identification of training and development needs.

7.3. Stakeholders

As a service provider that is well aware of its obligations to its customers, we drafted a Customer Charter detailing our obligations to them. We invited customers under the umbrella of resident associations and other interest groups to a meeting to debate and suggest how to enhance our services. Consequent to this interaction and in recognition of the value of partnerships and dialogue in order to better understand the needs of our customers.

7.4. Education

Our support to education-related initiatives stems from the fact that the pool of skilled manpower that help to drive the success of our Company are a product of the country's education system. We, therefore, continued to provide opportunities for attachment for Kenya Water Institute, Rift valley Technical institute of science and Technology students and those from tertiary institutions, to enable them acquire a hand- on experience and fulfil a requirement for graduation. During the year under review, 30 students went through the attachment programme at ITWASCO, but it was disrupted by Covid-19.

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

8. REPORT OF THE DIRECTORS- MANAGEMENT DISCUSSION ANALYSIS

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

8.1. Appointment of Directors.

Under the Corporate Governance Guidelines which informs the recruitment of Directors for all Water Service Companies in the Country and the regulations issued by the Water sector regulator, Water Services Regulatory Board (WASREB), it is a requirement that only two categories of directors should be appointed to sit in the boards of water companies. These are:

Two directors to be appointed from Executive arm of the County Governments.
The other stakeholders' directors to be recruited competitively from the stakeholders.

For Iten Tambach Water and Sewerage Company Limited, the only vacancies available and which were advertised to be filled competitively by the stakeholders' directors were three. The other two directors to be appointed from the Executive arm of the County Government.

8.2. Principal activities

The principal activities of the company are Water and Sewerage Services (Sanitation) within the area under jurisdiction of Iten and Tambach Towns.

8.3. Results

On the financials, ITWASCO reported an increase in turnover, decrease in administrative expenses and decrease in production cost by 10%, (-2) % and (-49) % respectively. The net profit/ (loss) increased by kshs 5,273,214.

The above increased turnover, increase in administrative cost and increase in production has resulted because of constant supply of water and increase in area of coverage, the production in Iten increased from 900 cubic per day since the year 2012 to 2460m³ per day because of completion of Sabor iten-Tambach gravity Water project and consumers have increased. The challenge above is associated with Corona virus experienced from March 2020 to update which affected the operations of the company.

Also, operational and maintenance increased due to pressure variance exerted on the old polyvinyl pipe (UPVC) pipes in relation to the high density polyethylene pipe (HDPE) pipes and roads upgrading by the county government, furthermore the area of coverage increased hence increase in the cost of transport.

The company managed to comply with all statutory requirements and maintained a positive balance in the bank accounts.

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

8.4. Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with Section 149 (2) k of the Public Finance Management (PFM) Act, 2012.


Paul Yator
Board Secretary
Iten Tambach Water & Sewerage Company Ltd.

Date: 13/04/2021

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

9. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 149 (2) k of the Public Finance Management Act, 2012 and section 194 of the State Corporations Act, require the Directors to prepare financial statements in respect of that *company*, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

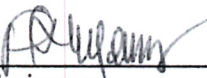
The Directors are responsible for the preparation and presentation of the company financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *company*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *company's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the 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 state of *company's* transactions during the financial year ended June 30, 2020, and of the *company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *company*, which have been relied upon in the preparation of the *company's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *company's* financial statements were approved by the Board on 13/4/2021 and signed on its behalf by:


Chairman


Director.

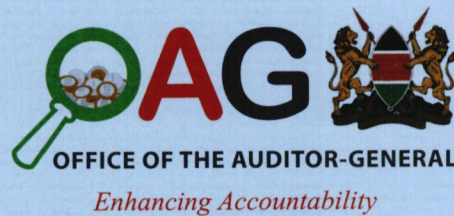

Director.

**Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020**

REPORT OF THE AUDITOR –GENERAL FOR YEAR ENDED 30TH JUNE 2020

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON ITEN TAMBACH WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Iten Tambach Water and Sewerage Company Limited set out on pages 1 to 31, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 the Iten Tambach Water and Sewerage Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act, 2015 and the Public Audit Act, 2012

Basis for Qualified Opinion

1. Property Plant and Equipment

As disclosed in Note 6(a) to the financial statements, the statement of financial position as at 30 June, 2020 reflects property, plant and equipment balance of Kshs.4,983,626. The balance includes an amount of Kshs.1,391,841 relating to buildings. As previously reported, the latter does not include the value of the one (1) acre land on which the Sabor forest tanks in Yokot, Tambach and Kamariny treatment works building stands. Further, ownership documents such as title deeds, leases or allotments were not provided for audit verification.

Consequently, the ownership and completeness of property, plant and equipment balance of Kshs.4,983,62 as at 30 June, 2020 could not be confirmed.

2. Work in Progress

As disclosed in Note 6(b) to the financial statements, the statement of financial position as at 30 June, 2020 reflects work in progress balance of Kshs.16,880,122. The amount has been outstanding in the financial statements for years and relates to construction of masonry tanks which were completed in the year 2016 and put in use and therefore not qualifying as work in progress.

Consequently, the validity, accuracy and completeness of work in progress balance of Kshs.16,880,122 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Iten Tambach 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 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 are no key audit matters to report in the year under review.

Other Information

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

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

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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. Excess Non-Revenue Water

The statement of profit or loss and comprehensive income reflects water sales of Kshs.28,802,676 for the year ended 30 June, 2020. However, available records indicate that the Company produced 1,117,859 cubic meters of water out of which, only 760,199 cubic meters was billed to customers resulting in 357,660 cubic meters of the water unaccounted for or 32% of the produced water, which is 7% over the acceptable level of 25% set by the Water Services Regulatory Board (WASREB) Guidelines.

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

2. Lack of Service Provision Agreement

As previously reported, the Company did not have a Service Provision Agreement from Rift Valley Water Works Development Agency during the year under review. This is contrary to the provisions of Section 78(1) of the Water Act No.43 of 2016 which require a company providing water services within a specified geographical area to obtain an operating license.

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

3. Non-Compliance with National Cohesion and Integration Act, 2008

An audit review of personnel records revealed that the Water Company had as at 30 June, 2020, a staff establishment of seven (7) permanent employees, two (2) officers on contract and forty (40) temporary employees all of whom were from the same ethnic community. This contravenes Section 7 of the National Cohesion and Integration Act, 2008 which states that, 'all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.'

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

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

REPORT ON EFFECTIVENESS 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(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my

report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Payable Provision and Accruals - Regulatory Levies

Included in payable provision and accruals balance of Kshs.22,980,053 in Note 13 to the financial statements are regulatory levies amounting to Kshs.16,158,794 out of which Kshs.14,918,620 relate to financial year 2018/2019 and earlier years. However, Management has not provided explanations for failure to pay the levies which continues to attract penalties.

In the circumstances, the existence of an effective mechanism to monitor and manage creditors as and when the falls due could not be established.

2. Trade Receivables

The statement of financial position as at 30 June, 2020 reflects trade receivables balance of Kshs.22,895,027 after deducting specific provision for bad and doubtful debts of Kshs.2,543,892. Included in the trade receivables balance of Kshs.22,895,027 are receivables totalling Kshs.21,600,130 which had been outstanding for more than two months

In the circumstances, the recoverability of the outstanding receivables could not be confirmed.

3. Weakness in Internal Controls

During the year under audit, the Company had an Internal Audit Unit which was manned by one member of staff only. The understaffing in the Internal Audit Unit may lead to weak internal controls resulting in fraud and loss of funds in the operations of the Company.

Further, the Company does not have a formally approved ICT Policy in place to guide ICT operations. The non-existence of a formally approved ICT Policy could lead to misalignment of ICT resources with the organization's overall strategic goals.

In addition, the Company does not have a fire, fraud and risk management policies in place. Consequently, there is no formal way for identifying and mitigating fire or fraud risks that could impact on the performance of the Company.

In the circumstances, the existence of an effective system of internal control, Risk management and ICT policies to ensure optimum utilization of resources could not be confirmed

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 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, 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 accounting records; and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015, and for maintaining effective internal control the 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 going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 noncompliance. 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 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 use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 February, 2022

Iten Tambach Water and Sewerage company limited
Reports and Financial Statements
For the year ended 30 June 2020

10. STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2020

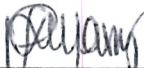
	Note	2020 Kshs	2019 Kshs
REVENUES			
Water sales	1	28,802,676	25,905,988
Other income	2	2,188,840	1,836,994
Grant from County Government.	3	<u>550,040.00</u>	<u>825,510</u>
TOTAL REVENUE		31,541,556	28,568,492
		<u>31,541,556</u>	<u>28,568,492</u>
OPERATING EXPENSES			
Cost of operation	4	1,793,234	3,487,377
Administration Cost	5	<u>27,026,643</u>	<u>27,632,650</u>
TOTAL OPERATING EXPENSES		<u>28,819,877</u>	<u>31,120,027</u>
OPERATING PROFIT/LOSS		<u>2,721,679</u>	<u>(2,551,535)</u>

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020


11. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2020 Kshs	2019 Kshs
ASSETS			
Non-Current Assets	6		
PPE	(a)	4,983,626	5,430,721
W.I.P (Un-transferred)	(b)	<u>16,880,122</u>	<u>16,880,122</u>
Intangible Asset			
Billing software	(c)	<u>644,620</u>	<u>1,287,310</u>
Total Non-current assets		<u>22,508,368</u>	<u>23,598,153</u>
Current Assets			
Trade Receivables	7 (a)	22,895,027	16,886,528
Prepayments	(b)	91,357	216,006
Cash & cash Equivalent	8	<u>1,078,323</u>	<u>1,626,733</u>
Total current assets		<u>24,064,707</u>	<u>18,729,267</u>
Total Assets		<u>46,573,075</u>	<u>42,327,420</u>
EQUITY & LIABILITIES			
Capital & Reserves			
Ordinary share capital (5000 shares each kshs 20)	9	100,000	100,000
Capital Reserves	10	3,976,885	3,976,885
WSTF Grants	11	17,149,407	17,149,407
Retained Earnings	12	<u>2,366,730</u>	<u>(354,949)</u>
Non-Current Liabilities		<u>23,593,022</u>	<u>20,871,343</u>
Current liabilities			
Payable Provision & accruals	13	<u>22,980,053</u>	<u>21,456,077</u>
Total Equity & Liabilities		<u>46,573,075</u>	<u>42,327,420</u>

The financial statements were approved by the Board on 13/4/2020 and signed on its behalf by:



 Chairman Board



 Director.



 Director.

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

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

	Ordinary share capital	Capital reserves	Retained earnings	WSTF Grants	Total
Notes					
At July 1, 2018	100,000	3,976,885	2,176,586	17,149,407	23,402,878
Profit and loss for the year	-	-	<u>(2,531,535)</u>	-	<u>(2,531,535)</u>
WSTF Grants	-	-	-	-	
At June 30, 2019	<u>100,000</u>	<u>3,976,885</u>	<u>(354,949)</u>	<u>17,149,407</u>	<u>20,871,343</u>
At July 1, 2019	100,000	3,976,885	<u>(354,949)</u>	17,149,407	20,871,343
Profit and loss for the year	-	-	<u>2,721,679</u>	-	<u>2,721,679</u>
At June 30, 2020	<u>100,000</u>	<u>3,976,885</u>	<u>2,366,730</u>	<u>17,149,407</u>	<u>23,593,022</u>

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

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

	Notes	2020 Kshs	2019 Kshs
OPERATING ACTIVITIES			
Cash generated from/ (used in) operation	13	(548,410)	(773,958)
Cash Changes in Working Capital		<u>(548,410)</u>	<u>(773,958)</u>
Investing activities			
Billing software		-	(1,930,000)
Mobile phones		-	(85,794)
Thermal printer		-	(28,000)
Net Cash generated from investing activities		<u>(548,410)</u>	<u>(2,043,794)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Net Cash Flow from Financing Activities			
INCREASE/ (DECREASE) IN CASH & CASH EQUIVALENT		<u>(548,410)</u>	<u>(2,817,752)</u>
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR.		1,626,733	4,444,485
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR.		<u>1,078,323</u>	<u>1,626,733</u>

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

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

2019/2020						
APPROVED BUDGET						
ITEM	APPROVED BUDGET 2019/20	ADJUSTMENT	Actual	BALANCE	% cha nge	Remarks
REVENUE	KSHS	KSHS	kshs	kshs		
Water Sales	28,500,000		28,802,676	(302,676)		
Other Income	3,000,000		2,188,840	(811,160)		
Total Income	31,500,000		30,991,516	(1,113,836)		
EXPENSES						
1) Production cost						
a) Electricity	1,500,000		355,284	1,1447,716	24%	There no water pumping during the year
b) Water Chemicals	2,000,000		1,437,950	562,050	72%	
1) Staff Costs	11,173,757		11,703,913	(530,156)	(5%)	The figure of kshs 550,040 is salary to staff seconded to the company from the ministry.
2) Directors allowance	2,240,000		1,869,556	370,444	99%	
3) Communication services and supplies	500,000		487,010	12,990	95%	
4) Transport, Travelling,	2,500,000		2,277,493	222,507	100%	

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

Fuel and oil						
5) Publicity and Advertising	500,000		431,715	68,285	86%	
6) Hospitality supplies, services, Bonus and weekend allowance	850,000		800,545	49,455	95%	
7) Auditor Remuneration	232,000		0	232,000	0%	
8) Insurance	50,000		38,000	12,000	76%	
9) Transport Repairs & water supply maintenance	4,000,000		4,165,337	(165,337)	-4%	
10) Provision for Regulatory levies	1,674,349		1,689,336	(14,987)	(1%)	Under provision
11) Annual subscription	360,000		356,000	4,000	99%	
12) Ground maintenance	200,000		228,910	(28,910)	-14%	
13) Training fee	315,000		125,000	190,000	40%	
14) Covid 19		250,000	232,500	17,500	93%	
15) Stake holder	300,000		256,900	43,100	86%	
16) Electrical maintenance	100,000		74,010	25,990	74%	
17) Environmental Conservation / Research	150,000		130,000	20,000	87%	
18) Kplc Deposit		35,000	35,000	0	100%	
Total Expenses	28,645,106		25,805,013		90%	

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

Surplus/ Deficit for the year						
CAPITAL EXPENDITURE						
1. Photocopies/ Printer	150,000		-	70,000	97%	
2. Computer Hardware	100,000		-	14,206	86%	
3. Provision for borrowed money	500,000		-	500,000	93%	

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR

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

A) Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis. 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 *company's* accounting policies.

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

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

B) New and revised standards

i) Adoption of new and revised standards

IAS 19-Defined benefits plan-employee contributions

IAS 32- Offsetting of Financial Assets and Financial Liabilities

IAS 36- Recoverable amount disclosures for non-financial assets

IAS 39- Novation of derivatives and continuation of hedge accounting

IFRS 10, IFRS 27 and IAS 27- Definition of investment entities.

The above revised standards and interpretations have become effective for the first time on Financial Period beginning on or after 1st January 2014 and have been adopted by the company where relevant to its operations.

ii) New and revised standards and interpretations which have been issued but are not effective yet

The following revised standards and interpretations have been published and will be effective for the first time in the years after the current Financial Year (31st December 2014). The Company has not early adopted any of these amendments or interpretations.

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effective for annual periods beginning on or after 1st July 2014 issued 12 December 2013

IAS 40- Investment Property
IAS 16- Property Plant and Equipment

IAS 24- Related Party Disclosures
IAS 38- Intangible Assets
IFRS 1- First-time adoption of IFRS
IFRS 2- Share-based combinations (with consequential amendments to other standards)

IFRS 3- Business Combinations
IFRS 8- Operating Segments
IFRS 13- Fair Value Measurement
IFRIC 21- Levies

Effective for annual periods beginning on or after 1st July 2016 issued 25th September 2014

IFRS 5- Non- current Assets held for sale and discontinued operations.

IFRS 7- Financial Instruments disclosures

IAS 39- Employee Benefits
IAS 34- Interim Financial Reporting
New Standards

IFRS 9- Financial Instruments. Effective on or after 1st January 2018

IFRS 14- Regulatory deferred accounts. Effective on or after 1st January 2016

IFRS 15- Revenue from contracts with customers. Effective on or after 1st January 2017

iii) Change in Presentation

The Company reviewed the Presentation of the Financial Statements from its previous format for better understanding by the Stakeholders. The reclassification has been effected on both the current and comparative amounts. No loss in monetary value for the comparative amounts has occurred during reclassification.

This disclosure is as required by IAS 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Revenue recognition

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

- I. **Revenue from the sale of water** is recognised in the year in which the *company* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- II. **A government grant income** is recognised when there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received also grants are recognised in the statement of comprehensive income on systematic basis over the period in which the entity recognises as expenses the related cost for which the grants are intended to compensate
- III. **Other income** is recognised on accrual basis.

D) Property Plant and Equipment.

All categories of Property Plant and Equipment (*PPE*) 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.

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) 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 on-going 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:

Furniture	12.5% (8 years)
Computers and Printers	33.3% (3 years)
Motor cycle	25 % (4 years)
Network extension	2.5% (40 years)
Tools	33.3% (3 years)
Meters & Equipment	12.5% (8years)
Graded Filter	10% (10 years)
Building	2.5% (40 years)

A full year's depreciation charge is recognised in the year of asset purchase but not in the year of asset disposal.

Full life of computer software of three years.

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.

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

G) 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.

H) 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.

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 financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

J) Trade and other payables

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

K) Comparative figures

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

L) Subsequent events

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

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M) Risk Management Policies

The financial risk management objectives and policies are as outlined below:

- **Credit risk**

The Company's credit risk is primarily attributable to its trade receivable and bank deposits. The amounts presented in the balance sheet 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.

In addition, the Company has no significant concentration of credit risk, with exposure spread over a large number of customers.

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

- **Liquidity risk**

The risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments has been and continues to be addressed by Management, by re-negotiating with water regulators' bodies for tariff adjustment, county and national government for grants.

N) Retirement Benefits Obligations (IAS 19)

The Company does operate a defined retirement benefits scheme for all employees. Company contributes to the statutory National Social Security fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently at Kshs. 200 per employee per month. The company contributes to Local Authority Provident Fund. These operate and are defined contribution schemes registered under the RBA Act. The company's obligation under the schemes is limited to specific contributions legislated from time to time.

O) BAD DEBT PROVISION

Annual provisions for bad debts shall be an equivalent to the proportion of debts aged above three (3) years or 10% of the outstanding debts whichever is higher.

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

16. NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR

1. Water Sales

	2020	2019
	Kshs	Kshs
Water Sales	<u>28,802,676</u>	<u>25,905,988</u>
Total	<u>28,802,676</u>	<u>25,905,988</u>

2. OTHER INCOME

Water meter Rent	1,379,350	1,027,010
Reconnection fees	413,500	219,200
Water charge	80,000	181,000
Bulky water	<u>315,990</u>	<u>409,784</u>
Total	<u>2,188,840</u>	<u>1,836,994</u>

3. GRANTS FROM COUNTY GOVERNMENT OF ELGEIYO MARAKWET AND NATIONAL GOVERNMENT

Grants are in the form personnel.

Salaries for seconded staff	<u>550,040</u>	<u>825,510</u>
Total	<u>550,040</u>	<u>825,510</u>

4. COST OF OPERATION

Electricity	355,284	1,516,002
Chemicals	<u>1,437,950</u>	<u>1,971,375</u>
Total	<u>1,793,234</u>	<u>3,487,377</u>

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. ADMINISTRATION COSTS

	2020	2019
	Kshs	Kshs
Staff costs 5 (a)	11,703,913	11,611,867
Directors' allowance 5 (b)	1,869,556	1,981,745
Communication services and supplies 5 ©	487,010	619,218
Transportation, travelling and subsistence 5 (d)	2,277,493	2,219,242
Advertising and publicity 6 €	431,715	132,472
Development of company policies	-	513,508
Hospitality supplies and services 5 (f)	800,545	646,867
Bank charges and commissions	126,022	88,790
Legal fee	-	5,000
Social corporate responsibility	-	50,000
Auditors' remuneration	232,000	232,000
Depreciation 6 (a)	447,095	472,932
Amortisation	642,690	642,690
KRA and NHIF penalty	10,000	4,246
Insurance	38,000	24,500
Repairs and maintenance 5(g)	4,165,337	3,040,640
Increase on allowance for uncollectable debts 5 (h)	667,611	802,803
Provision for Regulatory Levies 5 (i)	1,689,336	4,524,130
Warma assessment fee	-	20,000
Annual subscription	356,000	
Ground maintenance	228,910	-
Training fee	125,000	-
Covid 19	232,500	-
Stakeholder	256,900	-
Electrical maintenance	74,010	-
Environmental research /conservation	130,000	-
Kplc Deposit	35,000	-
Total	<u>27,026,643</u>	<u>27,632,650</u>

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Staff Costs

	2020	2019
	Kshs	kshs
Salaries for permanent staff	3,261,372	2,955,538
Wages of temporary employees	7,348,788	6,704,424
Compulsory national security scheme	88,800	88,200
Top up for seconded staff	36,000	46,000
Gratuity	-	727,092
Salaries for seconded staff	550,040	825,510
Provision for pension scheme	290,712	202,963
Acting allowances	<u>128,202</u>	<u>62,140</u>
Total	<u>11,703,913</u>	<u>11,611,867</u>

b) Director's allowance

Directors allowance	1,629,556	1,765,745
Chairman Honoraria	<u>240,000</u>	<u>216,000</u>
Total	<u>1,869,556</u>	<u>1,981,745</u>

(c) Communication services and supplies

Communication services and supplies	377,010	619,218
Office maintenance	110,000	
Total	<u>487,010</u>	<u>619,218</u>

(d) Transportation, travelling and subsistence

Travelling and subsistence	1,121,000	1,388,650
Fuel and oil	<u>1,156,493</u>	<u>830,592</u>
Total	<u>2,277,493</u>	<u>2,219,242</u>

(e) Advertising and publicity

Advertising	431,715	132,472
Total	<u>431,715</u>	<u>132,472</u>

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(f) Hospitality supplies, services & weekend allowances

	2020	2019
	Kshs	Kshs
Entertainment and Miscellaneous	174,595	171,767
Staff weekend allowance	355,950	311,100
Staff Bonus	<u>270,000</u>	<u>164,000</u>
Total	<u>800,545</u>	<u>646,867</u>

(g) Repairs & maintenance

Operational & maintenance of water supplies	3,699,187	2,786,638
Motor cycle repairs	<u>466,150</u>	<u>254,002</u>
Total	<u>4,165,337</u>	<u>3,040,640</u>

(h) Other operating expenses

Regulatory Levies WARMA, RVWSB & WASREB	1,689,336	4,524,131
Total	<u>1,689,336</u>	<u>4,524,131</u>

(i) Allowance for uncollectable debts

Accumulated allowance B/F	1,876,281	1,073,478
Accumulated allowance C/F	<u>2,543,892</u>	<u>1,876,281</u>
Increase / Decrease in allowance		
Total	<u>(667,611)</u>	<u>(802,803)</u>

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. NON-CURRENT ASSETS

a) Property Plant and Equipment

2020 NON-CURRENT ASSETS	Filter Media	Network extension	Meters & equipment 's	Computers and related equipment	Office equipment furniture & fittings	Building	Total
COST	Kshs	Kshs	Kshs	kshs	Kshs		Kshs
At July 1 2018	752,000	3,605,720	1,281,755	-	630,056	1,546,490	7,816,021
Addition	-	-	-	113,794	-	-	113,794
As at 30 June 2019	752,000	3,605,720	1,281,755	113,794	630,056	1,546,490	7,929,815
Addition	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
At 30 June 2020	752,000	3,605,720	1,281,755	113,794	630,056	1,546,490	7,929,815
DEPRECIATION	382,267	298,098	986,304	-	243,506	115,987	2,026,162
At July 2018							
Depreciation for the year	75,200	90,143	160,219	37,932	70,776	38,662	472,932
At 30 June 2019	457,467	388,241	1,146,523	37,932	314,282	154,649	2,499,094
Depreciation for the year.	75,200	90,143	135,233	37,931	69,926	38,662	447,095
Disposal 2020	-	-	-	-	-	-	-
At 30 June 2020	532,667	478,384	1,281,756	75,862	384,208	193,311	2,946,189
NET BOOK VALUES	219,333	3,127,336	-	37,931	245,848	1,353,179	4,983,626
at 30 June 2020							
At 30 June 2019	294,533	3,217,479	135,232	75,862	315,774	1,391,841	5,430,721

Note: Non-Current Assets

- The office equipment, furniture and fittings of kshs 59,996 have been fully depreciated to zero but have not been revaluated.
- The plastic chairs of kshs 3,850 have been fully depreciated to zero but have not been revaluated
- The bulk meters and weighing machine of kshs 197,520 and 2,375 have been fully depreciated to zero but have not been fully revaluated or disposed
- Tender and quotation boxes of kshs 6,800 have been fully depreciated to zero but have not been revaluated or disposed.

**Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b)) Work in Progress (Un-Transferred)

WORK IN PROGRESS- Water Services Trust Fund

	2020	2019
	Kshs	kshs
Cost as At July 2017	16,880,122	16,880,122
Addition	-	-
Transfer	-	-
As at June 2018	16,880,122	16,880,220
Addition	-	-
Transfer	-	-
As at June 2019	16,880,122	16,880,220
Addition	-	-
Transfer	-	-
As at June 2020	16,880,122	16,880,122

c) Intangible Assets

	2020	2019
	Kshs	kshs
Cost	1,930,000	1,930,000
Addition	-	-
Total	1,930,000	1,930,000
Less amortisation for year	642,690	642,690
Accumulated amortisation	1,285,380	642,690
Net book value	644,620	1,287,310

- Billing software was financed by customers' deposit which supposed to be refunded within a period of 5 years.

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7a) RECEIVABLES

Trade receivables	25,438,919	18,762,809
Less specific provision for bad and doubtful debts	<u>(2,543,892)</u>	<u>(1,876,281)</u>
Total	<u>22,895,027</u>	<u>16,886,528</u>

b) PREPAYMENT

Electricity	-	172,696
Fuel and Oil	86,817	43,310
Telkom	<u>4,540</u>	<u>-</u>
Total	<u>91,357</u>	<u>216,006</u>

8. Analysis of cash and cash equivalents

KCB Customers Deposit	524,685	1,173,816
KCB Revenue account	36,197	61,296
KCB Expenditure	203,182	203,182
M-Pesa utility account	302,193	181,760
Equity revenue	<u>12,066</u>	<u>6,679</u>
Total	<u>1,078,323</u>	<u>1,626,733</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. ORDINARY SHARE CAPITAL

Authorised:

5000 ordinary shares of Kshs 20 par value each 100,000 100,000

Issued and fully paid:

5000 ordinary shares of Kshs20 par value each 100,000 100,000

10. Capital Reserve

The capital reserve is kshs 3,976,885

11. Water Service Trust Fund of kshs 17,149,407

12. RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the *company's* shareholders. Undistributed retained earnings are utilised to finance the *company's* business activities.

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

13. PAYABLE PROVISION AND ACCRUALS

	<u>2020</u>	<u>2019</u>
	<u>kshs</u>	<u>kshs</u>
Regulatory levies	16,158,794	14,918,620
Provision for audit fees	2,088,000	1,856,000
Customers deposit	534,300	1,191,000
Internal borrowing (customers deposit)	3,847,200	2,930,000
Research services	-	100,000
Electricity	234,956	421,685
Prepaid water sales	116,803	38,772
Total	<u>22,980,053</u>	<u>21,456,077</u>

- Water services regulatory board percentage was increased from 1% to 4% of the billings with effect from 1st November 2019.
- Customers deposit was used to finance billing software from Pickpay ERP and procure chemicals.

**Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. STATEMENT OF CASH FLOWS

Reconciliation of operating profit/ (loss) to
Cash generated from/ (used in) operations

	2020	2019
	kshs	kshs
Operating profit/loss		
Operating profit/loss	2,721,679	(2,531,535)
Add depreciation	447,095	472,932
Amortisation	642,690	642,690
Operating profit before working capital changes	3,811,464	(1,415,913)
Increase /Decrease in trade and other receivables	(5,883,850)	(4,107,001)
Increase /Decrease in trade and other payables	1,523,976	4,748,956
Cash generated from operation	<u>(548,410)</u>	<u>(773,958)</u>

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. RELATED PARTY DISCLOSURES (IAS 24)

a) County Government of Elgeyo Marakwet

The company was incorporated by the defunct Iten Tambach Town Council which has transited to Elgeyo Marakwet County.

Elgeyo Marakwet County has 51% stake in the Company while Rift Valley Water Services Board was having 49%.

During the year 2019/20 Company sold water equivalent to kshs. 3,431,080 (2018/19 kshs 2,866,480)

As at 30th June 2020 Elgeyo Marakwet County owed the company kshs 1,208,795

b) Rift Valley Water Services Board

- The defunct Rift Valley Water Services Board, as per Service Provision Agreement the company was supposed to remit 18% of total collection of revenue to the board before the enactment of water act 2016.

The outstanding balance as at 30th June, 2020 was kshs 13,590,269

c) Employees

The *company does not* provide certain qualifying employees with car and housing loans on terms more favourable than available in the market.

14. CONTINGENT LIABILITY

The company has no any possible obligation at the moment.

15. INCOPORATION

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

16. CURRENCY

These financial statements are prepared in Kenya shillings (ksh)

Iten Tambach Water and Sewerage company limited
Reports and Financial Statements
For the year ended 30 June 2020

17. 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)
Basis for Qualified Opinion					
1.0 Trade Receivable	<p>Finding The statement of financial position reflects trade receivables figure of Kshs.12, 782,005 net of specific provision for bad and doubtful debts of Kshs.1, 073,478. However, the policy on specific provision for bad and doubtful debts has not been disclosed in the financial statements. Further trade receivables figure of Kshs.12, 782,005 include outstanding debts of Kshs.3, 638,249 which have been outstanding for between nine (9) months and 32 years (since 1984). The management has not provided any documentary evidence of the measures being taken to ensure that the long</p>	<p>It is true that there was an oversight during audit exercise concerning measures to collect debts, but at the moment the Company Management has negotiated with Metropol Credit Reference Bureau Limited who are licensed by Central Bank of Kenya (CBK) to enhance the company to comply with CRB Regulation 2013 and Finance Act 2016 as mandated by law to all public utility companies to share credit information with licensed CRB.</p> <p>The partnership with Licensed CRB will enhance collection effort of the company because the mechanism compels borrowers to honor their maturing financial obligations due to the eminent financial exclusion faced by the adversely listed debtors.</p> <p>Also, the company will benefit from online referencing services where they can assess the credit risk profiles of their</p>	Paul Yator (Managing Director Office)	Not Resolved	Continuous exercise

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

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)
	outstanding debts are recovered. No explanation has been provided for failure to recover these debts. Consequently, the accuracy, validity and existence of trade receivable balance of kshs 12, 782.005 as at 30 June 2018 could not be confirmed.	potential clients hence limiting the chances of loses resulting from defaults and delinquencies. Our discussion with licensed company is at the peak stage only to forward to sub -committee and thereafter to full board for approval. Also, the company is in the process of doing billing software whereby we going to do away with handling cash in the office and collect through our banking institution and M-Pesa pay bill. Also, debts recovery policy is on process of development and there after implementation.			
Key Audit Matters					
1.0 Regulator y Levies	Included in payable provision and accruals figure of Kshs.16,707,121 reflected in the statement of financial position is regulatory levies amounting to Kshs.10,694,910 as shown in Appendix V out of which Kshs.7,351,050 relate to 2016/2017 and earlier years. Further, the management has not provided for explanations for failure to pay the	We concur with finding that we are not being paying regulatory levies to regulators of which attract some penalties. This resulted due to budget constraint; however, the management is committed to pay all outstanding balance in piecemeal of utmost three year.	Jeremiah K. Kigen (Accountant)	Not Resolved	Financial Year 2020/2021

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

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)
	levies as continued failure to pay the levies continue to attract penalties.				
2.0 Provision for Audit Fees	Included in the payables provision and accruals of Kshs.16, 707,121 reflected in the statement of financial position and note 12 to the financial statements is provision for audit fees of Kshs.1, 624,000 which include Kshs.1, 392,000 relating to 2016/2017 and earlier years. However, no explanation has been provided for not paying the audit fees.	It is true that there was an oversight during audit concerning provision for audit fees which has been increasing due non-payment, the management of Iten Tambach Water and Sewerage Company is committed to pay audit fees in this financial year 2019-2020. The managing director committed even having a standing order with the office of auditor general with agreed amount which could not constraint the budget.	Jeremiah K. Kigen (Accountant)	Not Resolved	Financial Year 2020/2021
3.0 Non-revenue Water	Records availed for audit review during the year indicated that the Company produced 807,091 cubic meters (M3) of water. However, out of this volume, only 548,822 (M3) was billed to customers. The balance of 258,269 (M3) or approximately 31.9 % of the total volume represented Non-Revenue Water which is 6.9% over and	It is true that during the year ITWASCO produced 807,091 cubic meters (m ³) of water. However, out of this volume, only 548,822 m ³ was billed to customers. The balance of 258,269 m ³ or approximately 31.9% of total volume represented Unaccounted for Water (UFW) which is 6.9% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The company was established under the	Joshua Kibet (Ag. Technical Manager) Jeremiah K. Kigen (Ag, Commercial Manager)	Not Resolved	Continuous Exercise

**Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020**

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)
	<p>above the allowable loss of 25% of the total production as per guidelines published by the Water Services Regulatory Board (WSRB). The significant level of Non- Revenue Water may negatively impact on the Company's profitability and its long-term sustainability. Effect The company losses the much-needed revenue through un - accounted for water and may not meet its obligations as and when they fall due.</p> <p>Recommendation Management should improve the monitoring of the water distribution systems distribution in order to reduce the quantity of un accounted for water.</p>	<p>licensee of Rift Valley Water Services Board (RVWSB). The water supplies which were being managed by the Ministry of Water were inherited by the company as a whole including customers in the area of jurisdiction of the Company. One of the targets of the company among others were to reduce the UFW to acceptable rate whereby this was reduced from 42% to 32% in the year under review this was managed under limited available resource in the year. The company is therefore still committed to reducing this by employing more resources to work on the challenges resulting in such un accounted for water and these challenges includes: -</p> <p>Proposals to Water Trust Fund to finance purchase of water meters through Urban Project Concept to reduce unmetered connection whose water consumption could not be controlled. The company in collaboration with the County Government of Elgeyo Marakwet has increased the number of metered connection and is planning to purchase more water meters to reduce UFW through average</p>			

**Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
		<p>connection. The company has put in place a system through a company managed hotline numbers for the public to report any leakages bursts and illegal connections and reconnections. In addition to maintaining the line, patroller team of pipefitter's repairs reported leakages, bursts and assists in eliminating illegal connections and reconnections promptly whenever identified and reported. More than fifteen illegal connections have been reported by staff and public for the past two months. The company has reviewed a UFW reduction plan which has been approved by the licensee RVWSB to assist in curbing water loss and trained staff of Water Demand Management to reduce on waste of water. For instance, the Company has started a pilot programme in Amani Zone (Kariobangi) in ensuring that bills are distributed to customers with attached information on different modes of payment and none adherence leads to disconnection without further notice by Disconnection Team. This prompted a turnover of 80% households paying their bills through the</p>			

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

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)
		<p>provided modes of payments (M-pesa, KCB Bank and at ITWASCO cash payment office). There is also a plan of collaborating with more financial institutions for ease of payment. The company already had received 3,000 meters from Sabor water projected which is funded by National Government that is under installation right now. Also, the county government already has installed master meter in each zone to account for the lost. In we are process of installing billing software which will enable the company to have an accurate meter reading.</p>			
<p>4.0 Failure to Observe One Third Rule Staff Establishment</p>	<p>Criteria Section 232. (1) (h) of the constitution of Kenya, 2010 states that the values and principles of public service include representation of Kenya's diverse communities Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008 states that all public establishments shall seek to represent the</p>	<p>We concur with the findings that one third diversity Rule on staff employment has not been complied in the Company as required by the National Cohesion integration Act 2008. The seven staff members were employed to permanent terms in the year 2013. And up to date the company has not employed any staff in permanent terms. The company established and developed the company's Human Resource Manual on 16th October 2015 which will be used as guide on employment. As</p>	<p>Paul Yator (Managing Director)</p>	<p>Not Resolved</p>	

**Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020**

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)
	<p>diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.</p> <p>Finding An audit review of personnel records availed for audit revealed that as at 30 June 2018 the Water Company had a staff establishment of seven (7) permanent staff, two (2) officers on contract and 36 (thirty-six) temporary employees all of whom are from the same ethnic community.</p> <p>Effect The management is in breach of law.</p> <p>Recommendation The management should ensure that they follow the law in the recruitment and selection of employees.</p>	<p>the management of ITWASCO, we would be contented to have a multicultural society at the company as we strive forward to excel. We are also in agreement that one third diversity rule promotes national unity and we assure you that we shall abide by the regulations.</p>			

Iten Tambach Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended 30 June 2020

Paul Yator



(Managing Director)

Date.....13/04/2021

Fredrick Kiyeng



(Chairman of the Board)

Date.....13/04/2021