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OFFICE OF THE AUDITOR-GENERAL

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REPORT

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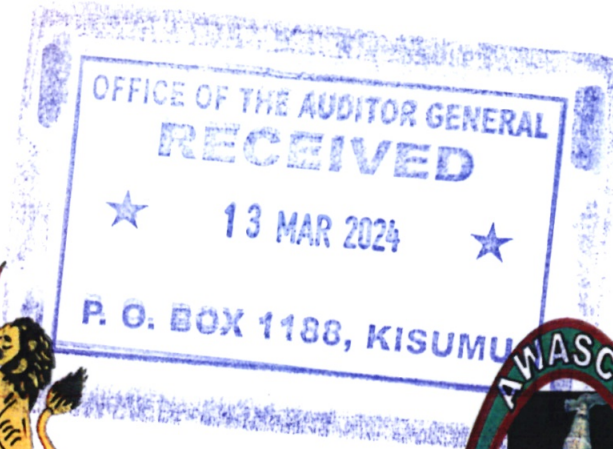
OF

THE AUDITOR-GENERAL

ON

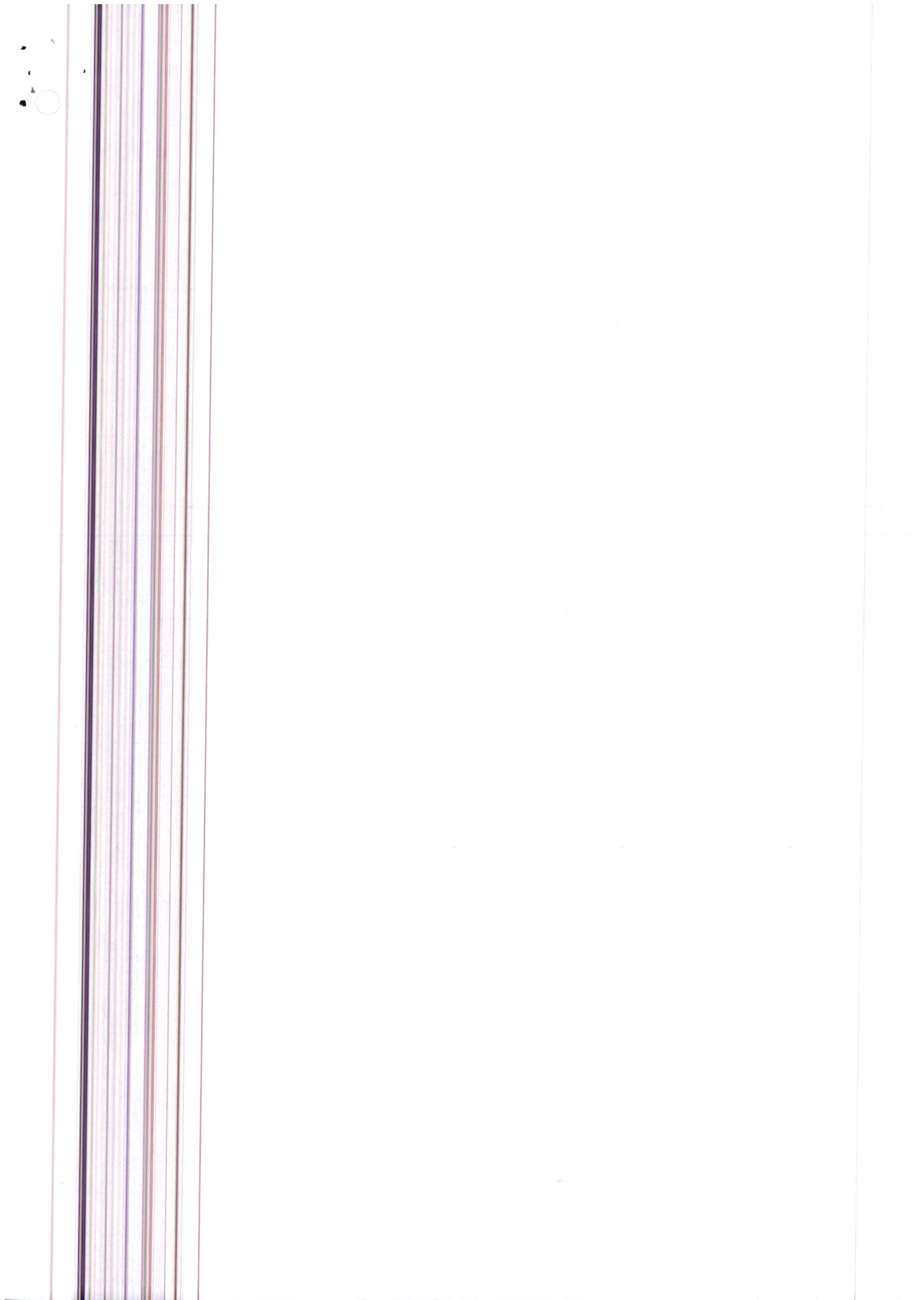
**AMATSI WATER SERVICES COMPANY
LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**



**AMATSI WATER SERVICES COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2023**

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



AMATSI WATER SERVICES COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank
VC	Vice Chancellor

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

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2. Key Entity Information

a) Background information

Amatsi water services company ltd was established by the 2002 Act of Parliament on 13th November 2005. At County level, the company is represented by the county executive member responsible for water, who together with the Board of Directors are responsible for the general policy and strategic direction of the company. The company is domiciled in Kenya, Vihiga County and has branches/regions in Mbale, Sosiani, Vihiga, Maseno, Kaimosi, Bumbo, Chango and Eburnangwe.

b) Principal Activities

The principal activity of the company is to provide water services to urban and rural areas of Vihiga County.

c) Key Management

i) Board of Directors

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

- | | | | |
|----|-------------------------------|---------------|---|
| 1. | Mrs Josephine Vijehe Nyambasi | - Chairperson | - Appointed on 5 th May 2021 |
| 2. | Dr. Robert Omula Kati | - Director | - Appointed on 5 th May 2021 |
| 3. | Mrs Florence Janika Mbaya | -Director | - Appointed on 5 th May 2021 |
| 4. | Mr Wycliff Obuhuma Imende | -Director | -Appointed on 5 th May 2021 |
| 5. | Mr Tom Musungu | -Director | -Appointed on March 2023 |
| 6. | Ms Ann Desma Chirande | -Director | -Appointed on November 2022 |
| 7. | Dr. Jairus Amayi | -Director | -Appointed on November 2022 |

d) Fiduciary Management

- | | | | |
|----|----------------------|----------------------------|--------------------------|
| 1. | Mr. Edward Luvusi | Ag. Managing Director | -Appointed on March 2023 |
| 2. | Mr. Naftali Agalomba | Head of Technical Services | -Appointed on April 2022 |
| 3. | CPA. Tom Akolo | Head of Corporate Services | -Appointed on April 2022 |

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e) Fiduciary Oversight Arrangements

- Audit and Risk Committee
- Finance committee
- Parliamentary Oversight Committees
- Development partner

f) Registered Office

Lunyerere Water Station
Mbale- Chavakali Road
P.O. Box 740-50300-Maragoli,
Vihiga Kenya

g) Corporate Headquarters

Telephone (254)799945300
E-mail:amatsiwaterco@gmail.com.
Website://amatsiwater.co.ke

h) Corporate Bankers

i. Kenya Commercial Bank

Mbale Branch
Po Box 344-50300
Maragoli

ii. Co-operative bank

Mbale Branch
Po Box 960
Maragoli

iii. Equity Bank

Mbale Branch
Po Box -50300
Maragoli

iv. Safaricom Kenya Ltd

Paybill no 803783

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i) Independent Auditors

Auditor-General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Advisers

The County Attorney

County Government of Vihiga



County Headquarters

P.O. Box 344- 50300

Maragoli, Kenya

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3. The Board of Directors





	NAME & PASSPORT PHOTO	DESIGNATION	QUALIFICATIONS
1	<p>Mrs. Josephine Vijehe Nyambasi</p> 	Chairman of the Board	<p>Date of Appointment;05.05.2021 D.O.B 1961 Gender: Female Qualifications -Bachelor Degree in Development Studies -Diploma in County Governments Working experience Over 30yrs in education sector.</p>
2	<p>Mr. Wycliff Imende Obuhuma</p> 	Chairperson – Finance, HR & Administration Committee	<p>Date of Appointment;05.05.2021 D.O.B:1954 Gender; Male Qualifications -Bachelor of Education Working experience Over 30 yrs in the education sector where he rose through the ranks to become school Principal.</p>
3	<p>Mrs. Florence Janika Mbaya</p> 	Director	<p>Date of Appointment;05.05.2021 D.O.B:1960 Gender; Female Qualifications -Bachelor of Arts-Literature Governance Working experience Over 30yrs in the Education sector.</p>
4	<p>Dr Kati Omula Robert</p> 	Chairperson – Technical & Audit Committee	<p>Date of Appointment;05.05.2021 D.O.B :1977 Gender: Male Qualifications -Doctorate degree in Philosophy-Pedagogy (Mathematics) -Masters of Science degree in Mathematics Education -Bachelor of Education science Working experience Over 20 yrs. in Education sector. Currently Lecturer Kibabii University</p>
5	<p>Mrs. Anne Desma Chilande</p> 	Director-CECM Water, Environmental and Natural resource – Technical committee	<p>Date of Appointment; November 2022 Gender; Female D.O.B 1981 Qualifications MA (Counselling Psychology) MA (Theology Biblical studies) BA (Counselling psychology) Advanced Diploma/Degree in biblical studies Working experience Over 10 yrs. working experience in the education sector.</p>

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6	<p>Mr. Tom Musungu</p>  <p><small>TOM MUSUNGU LAKE VICTORIA NORTH WATER WORKS DEVELOPMENT AGENCY REPRESENTATIVE</small></p>	<p>Director – Representative of LVNWWDA</p>	<p>Date of Appointment; March 2023 Gender; Male Qualification - Masters of Business Administration (Marketing) -Bachelor of Sociology and Geography Working Experience Over 20yrs experience in the Public sector. Currently the Chief Manager- Corporate services at LVNWWDA</p>
7	<p>Dr. Boston Jairus Amayi</p>  <p><small>DR. JAIRUS BOSTON AMAYI CECM: FINANCE & ECONOMIC PLANNING</small></p>	<p>Director – CECM Finance and Economic planning – Finance, HR & Administration Committee</p>	<p>Date of Appointment; November 2022 Gender; Male Qualification -Ph.D. in Economics -MA from Gandhigram Rural University -Bsc in Economics -Post graduate diploma in Business Management. Working Experience Over 20 Yrs working in the public sector, currently the CECM Finance and Economic Planning ,County Government of Vihiga</p>
8	<p>Mr. Edward Luvusi</p> 	<p>Ag Managing Director</p>	<p>Date of Appointment; March 2023 D.O.B: 1968 Qualifications -Bachelor Degree in Arts and Higher National Diploma in Human Resource Management from Railway Training Institution Working Experience Over 20 years working experience</p>
9	<p>Shijenje Teresiah Mutola</p> 	<p>Company Secretary</p>	<p>Date of Appointment; March 2023 Gender: Female Qualifications -Bachelor Degree in Law (LL. B) -Postgraduate Diploma in Law Working experience Over 5yrs working experience.</p>

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4. Key Management Team

	NAME	POSITION	QUALIFICATIONS
1	Mr. Edward Luvusi 	Ag Managing Director	-Bachelor Degree in Arts and Higher National Diploma in Human Resource Management from Railway Training Institution
2	Mr. Naftali Agalomba 	Head of Technical Services	Higher National Diploma- Water Engineering Diploma in water technology
3	CPA Tom Akolo 	Head of Corporate services	MBA (Strategic Mgt), Bachelor of Commerce (Accounting), CPA(K)CPS(K)
	Shijenje Teresiah Mutola 	Company Secretary	Date of Appointment; March 2023 Gender: Female Qualifications -Bachelor Degree in Law(LL.B) -Postgraduate Diploma in Law Working experience Over 5yrs working experience

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5. Chairman's Statement

I am greatly honored to present the statement for the financial year ending 30th June 2023 as the Chairperson of Amatsi Water Services Company. Despite the uncertainty brought about by the Covid-19 pandemic and the political environment, the business remained resilient during the year. Of concern were creeping inflation that has significantly increased our average production costs, in that; general increase in prices of our key operating supplies that in turn lead to high cost of sales, operating and maintenance costs. The other key concern is the high non-revenue water percentage that affects our rating in the WASREB impact reports. I'm however happy to report that despite these challenges we are confident that we are better placed to manage the shifting economic landscape.

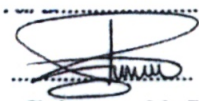
Corporate Governance

There has been a renewed focus on corporate governance and the Board has spent a significant proportion of its time examining and strengthening processes throughout the organization. Having a solid governance framework is key to rebuilding trust and transparency.

The Board and I feel we have the right balance of skills, experience and backgrounds to support and challenge the Management team.

Appreciations

I wish to acknowledge and appreciate the immense and unequivocal goodwill and leadership that has been demonstrated by His Excellency the Governor as we undertake these important and transcendental reforms. I would also like to appreciate the support offered by the abled and committed Board members, our shareholders, customers, partners and staff. We are committed to building on the recent achievements to continuously improve our operations and products, ensure efficiency, financial stability and viability, and offer world class services to our esteemed customers.



Chairperson, Board of Directors

Josephine Vijehe Nyambasi.

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6. Report of the Managing Director

It is my obligation to present to you the business performance highlights for the year ended 30th June 2023 and give insights to key areas of our operations that underlies the reported financial performance. Some of the key highlights during the financial year 2022/2023 include;

Performance Indicator	Management Intervention	Impact
Enhanced Partnership with the County Government and other stakeholders	The management has created an environment that has enhanced partnership with the County Government of Vihiga, WASREB, WSTF and other stakeholders	This has led to financial support and goodwill from the County government, WSTF for water infrastructure development
Enhanced Corporate Governance	The Board is committed to ensure that there is increased transparency and accountability	Improved transparency and accountability
Enhanced Internal Controls	The management has enhanced internal controls in Billing departments by implementing a robust enterprise resource Planning system (ERP)	This has led to increased operational efficiency
Tariff review	The company has applied for a new tariff awaiting public participation	Improved billing amount
Creditors management	The management has come up with a payment plan for all long outstanding creditors and the current ones	Restored suppliers confidence in the Company and reduced creditors

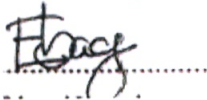
Conclusion

On behalf of management, I wish to thank the Board of Directors of Amatsi water services company for its prudence, guidance and direction to the business and employees. I wish to express my appreciation to the entire staff for their dedication and support to the Company and its processes.

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I also appreciate our trade customers and suppliers for the unwavering support to the business. Let's continue working as a team to ensure that AWASCO achieves its goals as envisaged in our Mission and Vision.

Yours faithfully,



Edward Luvusi

Ag. Managing Director

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7. Statement of Performance against Predetermined Objectives for FY 2022/2023

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government company's performance against predetermined objectives.

Amatsi Water Services Company has 8 strategic pillars/ themes/issues and objectives within the Strategic Plan for the 2021/2022- FY 2026/2027. These strategic pillars/ themes/ issues are as follows:

- i. Enhanced and sustainable quality water sources, production and storage
- ii. Optimized transmission and equitable distribution of quality water
- iii. Reduction of Non-Revenue Water
- iv. Waste water management
- v. Revenue growth and customer loyalty
- vi. Financial stewardship
- vii. Human resource management
- viii. Brand equity and institutional strengthening

Amatsi water Services Company develops its annual work plans based on the above 8pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2022/2023 period for its 8 strategic pillars.

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8. Corporate Governance Statement

Corporate governance is the process and structure by which Companies are directed, controlled and held accountable in order to achieve long term value to stakeholders

For effective governance the Board recognizes that even though it has delegated the daily running of the business to the management team, the Board is ultimately and fully responsible for the way the Company is managed. The Board is therefore actively engaged in leading the Company and is confident that there is an effective system of Corporate Governance in place.

The Board of Directors of Amatsi Water Services Company (hereinafter AWASCO) is responsible for the governance of the Company and is accountable to the shareholders and stakeholders in ensuring that the Company complies with the laws and the highest standards of business ethics and corporate governance. Accordingly, the Board attaches high importance to generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined. The Board comprised of eight (7) Directors Four (4) of whom are non-executive directors including the Chairman. Alternate Directors from the parent ministry (Water, environment and Natural resource) and County Treasury also sit in the Board. The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Directors bring a wealth of experience and knowledge in various fields of expertise.

Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Company and assumes responsibilities for effective control over the Company.

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Board Meetings

The Board holds meetings on a quarterly basis while special meetings are called when it is deemed necessary to do so in order to handle a back log or an urgent matter that cannot otherwise await a normal Board meeting.

Committees of the Board

The Board has set up the following Board Committees which meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in the discharge of its mandate and obligations;

(i) Audit and Risk Committee

The Board Audit Committee by extension is mandated to ensure the fulfillment of corporate governance practices as outlined in the Mwongozo code of governance for Companies. The members of the committee are:

- Dr Robert Kati Chair person
- Mr . Wycliff Obuhuma Member
- Mr. Tom Musungu Member
- Mrs Anne Desma Member
- Dr Jairus Amayi Member

(ii) Finance, Hr, Admin and Legal Committee,

The committee assists the Board in fulfilling its oversight responsibilities relating to the Company's finance, procurement, investment strategies, monitor project implementation and related activities. The members of the committee are:

- Mr Wycliff Obuhuma Chair person
- Dr Robert Kati Member
- Mr Tom Musungu Member
- Mrs Anne Desma Member
- Dr. Jairus Amayi Member

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(iii) Technical Committee

The Committee assists the Board in fulfilling its oversight activities such as Non-Revenue Water, Water quality, monitor production, network expansion and maintenance and related activities. The members of the committee are:

- Dr Robert Kati Chair person
- Mr. Tom Musungu Member
- Mrs. Anne Desma Member
- Dr. Jairus Amayi Member

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9. Management Discussion and Analysis

Budget Absorption for FY 2022/2023

Description	Budgets 2022/2023	Actual 2022/2023	% Absorption
Kshs	78,436,242	110,244,201	140.6%

The absorption rate of the estimated budget compared to the actuals for the year was 140.6%. This was attributed to inflation hence increase in commodity prices during the financial year.

Net Profit / (Loss) for FY 2022/2023

Description	2023 (Kshs)	2022 (Kshs)	Decrease(Kshs)
Net Profit/(Loss)	(10,867,009)	9,993,152	(873,857)

The Net loss in the FY 2022/23 is **Kshs (10,867,009)** majorly attributed to increase in cost of chemicals, electricity and decrease in grants received from WSTF.

Sales

Description	2022/2023 (Kshs)	2021/2022 (Kshs)	Growth(Kshs)
Sales	60,430,536	54,254,710	6,175,826

The Sales realized in the Financial year 2022/2023 increased by Kshs 6,175,826 representing a 11.38% improvement compared to the previous Financial year.

10. Environmental and Sustainability Reporting

Amatsi water Services Company exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

Sustainability strategy and profile

An effective external monitoring system is necessary for directors and core management team, in order to ensure that sustainable development policies, objectives and management systems are appropriate for the complex and rapidly changing world in which their business operates. Awasco gathers Information on key subjects, including:

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- New and proposed legislation;
- Industry practices and standards;
- Competitors' strategies;
- Community and special interest group policies and activities;
- Trade union concerns;
- Technical developments, such as new process technologies.

i) Environmental performance

Awasco has developed an Environmental policy which contains laws and policies addressing water and air pollution, chemical and oil spills, smog, drinking water quality, land conservation and management, and wildlife protection, such as the protection of endangered species

ii) Employee welfare

Amatsi Water Company has a Human resource policy that guides the hiring process and whether company takes into account the gender ratio, stakeholder's engagements and the company usually has annual salary increment to improve welfare of its employees. The company also has an annual training plan to improve skills and managing careers of its employee. Appraisal is done on yearly basis and the company rewards employees who have shown great improvement. The company currently drafting a policy on safety and compliance with occupational Safety and Health Act of 2007, (OSHA)

iii) Market place practices-

The organization should outline its efforts to:

Responsible competition practice.

- a) The company recruits the right personnel, train to develop their skills and retain them through a competitive reward system to tame issues like anti-corruption. Staff are encouraged to be neutral politically, we ensure we provide fair competition and respect our competitors (i.e. water vendors water bowser) by selling and distributing water at fair prices

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b) Responsible Supply chain and supplier relations

The company maintains good business practices, treats its own suppliers responsibly by honoring contracts and respecting payment practices.

c) Responsible marketing and advertisement

AWASCO gives the market products that are of high quality and increased publicity that meet the standards set by various regulatory bodies. The company endeavors to reduce customer response time to complain.

Product stewardship

Awasco endeavors to use water in a way that is socially equitable, environmentally sustainable and economically beneficial. This is achieved through a stakeholder inclusive process that involves site and catchment based action

Corporate Social Responsibility / Community Engagements Community engagement is one of the key pillars of corporate social responsibility (CSR), alongside the concern with the workplace, the marketplace and the environment.

Awasco will involve itself in Community involvement by:

- support a local charity with financial contributions
- sponsor a local event
- organize clean-up events
- volunteer in local schools or community projects.

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11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended as at June 30th, 2023 which shows the state of Amatsi water services Company (AWASCO) affairs.

Principal activities of AWASCO

The principal activity of the company is to provide equitable access to safe and affordable drinking water, adequate and equitable sanitation and hygiene and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations in Vihiga County

Dividend

The board does not recommend the payment of dividend to shareholders in order to strengthen the Company's financial position and improve our growth prospects.

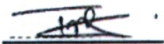
Directors

The directors who held office during the year are shown on page vi-viii in accordance with Regulation of the company Articles of Association. During the year, Mrs Josephine Nyambasi assumed the position of the chairperson of the BOD. Mrs Florence Mbaya resigned from the Board of Directors and her position has been advertised.

Auditors

The Auditor General is responsible for the statutory audit of AWASCO in accordance with article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the period ended June 30, 2023.

By Order of the Board



Shijenje Teresiah Mutola

Board Secretary

Date...28-9-2023

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12. Statement of Directors' Responsibilities

The Board recognizes its responsibility to present a balanced assessment of the Company's financial position and prospects. Financial information is prepared using appropriate accounting policies which are consistently applied. The Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, and audited in accordance with the recognized auditing standards.

This responsibility includes:

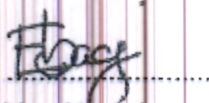
- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company;
- (iii) Designing, implementing 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 and 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 30th June 2023, 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.

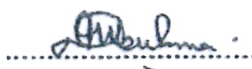
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company's financial statements were approved by the Board on 28-09-2023 and signed on its behalf



Managing Director



Chair Finance Committee



Chairperson of the Board

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 AMATSI WATER SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Amatsi Water Services Company Limited set out on pages 1 to 38, which comprise of the statement of financial

position as at 30 June, 2023, and the statement of 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Amatsi Water Services Company Limited as at June 30, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Public Finance Management Act, 2012, Companies Act, 2015 and the Water Act, 2016.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

The statement of financial position reflects an amount of Kshs.15,396,771, Kshs.2,681,509, Kshs.117,950,068 and Kshs.1,669,594 on property plant and equipment, intangible assets, trade and other receivables and cash and bank balances which differs with the amount of Kshs.13,109,223, Kshs.2,255,873, Kshs.99,015,041 and Kshs.1,722,150 reflected in the supporting schedules resulting in unexplained and unreconciled variances of Kshs.2,287,548, Kshs.425,636, Kshs.18,935,027 and Kshs.52,556 respectively. Further, the statement of financial position reflects an amount of Kshs.24,967,154 in respect of retained earnings. This amount was a decrease of Kshs.7,704,267 from the previous year's amount of Kshs.32,671,421. However, the loss for the year amounted to Kshs.10,867,009 resulting to unreconciled and unexplained variance of Kshs.3,162,742.

Further, the statement of cash flows reflects an amount of Kshs.3,162,742 described as prior year adjustment. However, although the amounts have been captured in the statement of changes in equity, the nature of the adjustment has not been disclosed in these financial statements and appear to have been made as a suspense account. The statement of cash flows is not supported with any disclosure notes.

In addition, the depreciation and amortization charges have not been disclosed in the statement of cash flows.

In the circumstances, the completeness and accuracy of the annual report and financial statements could not be confirmed.

2. Misstatement in Operating Income

The statement of financial performance reflects Kshs.60,430,536 in respect to operating revenue generated from the Company's nine (9) schemes and as disclosed in Note 6 to the financial statements. However, an analysis of the customer bill listing generated from

the Majisoft System reflected an amount of Kshs.60,002,648 resulting to a variance of Kshs.427,888 which has not been explained or reconciled.

In the circumstances, the accuracy of operating revenue amounting to Kshs.60,430,536 could not be confirmed.

3. Long Outstanding Receivables

The statement of financial position reflects an amount of Kshs.117,950,068 in respect to trade and other receivables and as disclosed in Note 18 to the financial statements. However, no significant efforts have been made to ensure recoveries of the receivables. In addition, the ageing analysis provided reflected a total of Kshs.124,157,965 resulting to a variance of Kshs.6,207,897 which has not been explained or reconciled.

In the circumstances, the accuracy and recoverability of receivables amounting to Kshs.117,950,068 could not be confirmed.

4. Unsupported Customer Deposits

The statement of financial position and Note 23 to the financial statements reflects customer deposits balance of Kshs.13,895,388 which represents an increase in customers deposits of Kshs.660,500 from Kshs.13,234,888 held by the Company as at 30 June, 2022. However, review of the bank statement for deposit account revealed a balance of Kshs.2,249,372 leading to a variance of Kshs.8,736,144 which has not been explained. Further, the reported balance was not supported with a list of customers who made the deposits.

In the circumstances, the accuracy and completeness of customers deposit balance of Kshs.13,895,388 could not be confirmed.

5. Unsupported Prior Year Adjustment

The statement of changes in equity reflects an amount of Kshs.3,162,742 in respect to a prior year adjustment under retained earnings. However, the adjustment were not supported.

In the circumstances, the accuracy of the statement of changes in equity could not be confirmed.

6. Unsupported Cash and Bank Balances

The statement of financial position reflects Kshs.1,699,594 in respect to bank and cash balances and as disclosed in Note 20 to the financial statements. The revenue account for Kenya Commercial Bank (KCB) had a closing balance of (660,212) as at 30 June, 2022. However, no bank reconciliation was provided for the amount.

In the circumstances, the accuracy of the bank and cash balances of Kshs.1,669,594 could not be confirmed.

7. Variances Between Financial Statements and Supporting Schedules

The statement of financial position reflects a balance of Kshs.1,744,318 in respect to provisions-gratuity and leave allowance and as disclosed in Note 22 to the financial statements. However, the supporting schedules provided for audit reflects a balance of Kshs.1,055,109 resulting to a variance of Kshs.689,209 which has not been explained or reconciled.

In the circumstances, the accuracy of provisions-gratuity and leave allowance of Kshs.1,744,318 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Amatsi Water Services Company Management in accordance with ISSAI 130 on the 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 adverse opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.98,399,500 and actual amounts on comparable basis of Kshs.88,357,787 respectively resulting to an under collection of Kshs.10,041,713 or 10% of the budget. Similarly, the Company spent Kshs.110,244,201 against an approved budget of Kshs.78,436,242 resulting to an over-expenditure of Kshs.31,807,959 or 41% of the budget. However, the over expenditure has not been supported with an approval. The under and over expenditure may be an indication that the budgetary process was not properly estimated.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the previous year, several matters were reported under report on financial statements, report on lawfulness and effectiveness in use of public resources and report on effectiveness of internal controls, risk management and governance. No reason has been provided for failure to address these matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Long Outstanding Trade and Other Payables

The statement of financial position reflects a balance of Kshs.83,486,989 in respect to trade and other payables and as disclosed in note 23 to the financial statements. This is an increase of Kshs.16,515,103 or 25% from the previous year's amount of Kshs.66,971,886. Analysis of the trade payables indicated that payables amounting to Kshs.52,082,146 have been outstanding for a long time and no reason has been given as to why they have not been settled.

In the circumstances, the Company risks paying penalties and interest on the long outstanding payables.

2. Unremitted Statutory Deductions

The statement of financial position reflects trade and other payables balance of Kshs.83,486,989 which, as disclosed in Note 23 to the financial statements includes Kshs.3,558,479 and Kshs.2,468,407 in respect to NSSF and PAYE respectively. This balance was outstanding as at 30 June, 2023 and had not been paid as at the time of audit in January, 2024. This was contrary to Section 19(1)(f) of the Employment Act, 2007 which states that an employer may deduct from employees any amount of which is authorised by law and pay the amount deducted in accordance with the time period and other requirements in law.

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

3. Loss of Revenue due to Non-Revenue Water

Review of records provided for audit revealed that the Company produced a total of 1,747,661 cubic meters of water out of which, 1,015,284 cubic metres was billed to customers resulting to Non-Revenue Water (NRW) of 732,377 cubic meters or 42%. The allowable NRW rate according to Water Service Regulatory Board (WASREB) guidelines is 25%, resulting to NRW of 17%, representing 436,915 cubic meters of water with an estimated loss of revenue of Kshs.9,750,246 at the rate of Kshs.33 per cubic meter.

The significant level of NRW may negatively impact on the Company's profitability and is a risk to the sustainability of its operations.

4. Non-compliance with Law on Acting Appointments

Review of the payroll records revealed that Kshs.582,432 was paid to 16 staff as acting allowance beyond the 6 months and it is not clear why the Company had not filled these posts. This was contrary to Section C.14(1) of the Public Service Commission, Human Resource Policies and Procedures Manual for the Public Service of 2016 C.14 (1) which states that acting allowance will not be payable to an officer for more than six (6) months.

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

5. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the Company was seventy-nine (79) out of which seventy-seven (77) or 97% were members of the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) 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 OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy

During the audit it was noted that the Company did not have a risk management policy which is a framework for management of risk which makes it difficult to identify, assess and control risk.

In the circumstances, Managements' ability to identify, assess and control risk could not be confirmed.

2. Lack of Fraud Policy

During the year under review, it was noted that the Company had not developed a fraud management policy which may lead to loss of information and have a negative impact on the operations of the Company.

In the circumstances, the security of information of the Company could not be confirmed.

3. Incomplete Fixed Assets Register

The statement of financial position and Note 15 to the financial statements reflects property, plant and equipment balance of Kshs.15,396,771. However, the assets register maintained by the Management did not have details such as tag numbers, invoice numbers, serial numbers and conditions of the assets. In addition, physical verification carried out revealed that the assets had not been tagged/coded.

In the circumstances, the effectiveness of the controls on assets management could not be confirmed.

4. Land Without Ownership Documents

Audit inspection carried out on Jeptulu Water Project revealed that the water tank for the Project is situated in a private land which is not owned by the Company. In addition, no explanations were provided as to why the land transfer process had not been initiated.

In the circumstances, the effectiveness of the controls on assets management 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 effective processes and systems of internal control, risk management and overall 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 Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 controls, 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 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

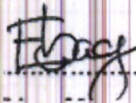
Nairobi

14 May, 2024

AMATSI WATER SERVICES COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2023

	NOTES	2022/2023	2021/2022
		Kshs	Kshs
REVENUE			
Operating Revenues	6	60,430,536	54,254,710
Grants income	7	34,902,320	51,760,001
Other incomes	8	4,582,400	2,492,413
Other gains and losses	9	(538,064)	-
Gross profit		99,377,192	108,507,124
EXPENDITURES			
Staff cost	10	35,274,862	30,308,019
General & Operations expenses	11	62,687,836	48,472,819
Board Expenses	12	4,388,872	5,345,686
Maintenance costs	13	6,688,010	12,932,445
Depreciation and amortization expenses	14	1,204,621	1,455,003
Total expenses		110,244,201	98,513,972
(Loss)/Profit before income tax		(10,867,009)	9,993,152
Tax		-	-
(Loss)/ Profit after tax		(10,867,009)	9,993,152

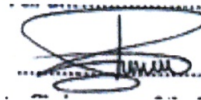


Name Edward Lusisi
 Managing Director



Name Kelvin Madegwa
 Head of finance

ICPAK M/NO. 24386



Name Josphine Nyambas
 Chairperson Board

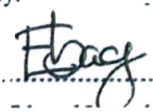
AMATSI WATER SERVICES COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023


15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

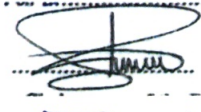
Description	NOTES	2022/2023 Kshs	2021/2022 Kshs
ASSETS			
Non-Current Assets			
Property, plant & equipment	15	15,396,771	8,958,815
Intangible assets	16	2,681,509	2,979,454
Total Non-Current assets		18,078,280	11,938,269
Current Assets			
Inventories	17	12,181,761	18,844,026
Trade & other receivables	18	117,950,068	107,188,783
Cash and bank balances	19	1,669,594	2,512,762
Total current assets		131,801,423	128,545,571
TOTAL ASSET		149,879,703	140,483,840
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	20	129,400	129,400
Capital/Development fund		25,101,623	25,101,623
Retained earnings		24,967,154	32,671,421
Capital and Reserves		50,198,177	57,902,444
NON CURRENT LIABILITIES			
Current Liabilities			
Provisions-Gratuity and leave allowance	21	1,744,318	1,465,871
Trade and other payables	22	83,486,989	66,971,886
Customer Deposits	23	13,895,388	13,234,888
Deferred Income	24	554,831	908,751
Total current Liabilities		99,681,526	82,581,396
TOTAL EQUITY AND LIABILITIES		149,879,703	140,483,840

The Financial statements were approved by the Board on 28-9-2023 and signed on its behalf

by:


 Name Edward Lukus
 Managing Director


 Name Kelvin Mudegwa
 Head of finance


 Name Josephine Nyambasi
 Chairperson Board

ICPAK M/NO.....

AMATSI WATER SERVICES COMPANY LIMITED
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16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 30 JUNE 2023

	Ordinary Share Capital	Retained Earnings	Capital development Fund	Totals
	Kshs	Kshs	Kshs	Kshs
At start of FY 2021/22	129,400	22,678,269	21,289,637	44,097,306
Profit for the year	-	9,993,152	-	9,993,152
Capital grant	-	-	3,811,986	3,811,986
Year ending 2021/22	129,400	32,671,421	25,101,623	57,902,444
At start of FY 2022/23	129,400	32,671,421	25,101,623	57,902,444
Loss for the year		(10,867,009)		(10,867,009)
Prior year adjustment		3,162,742		3,162,742
Year ending 2022/23	129,400	24,967,154	25,101,623	50,198,177

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17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022-2023	2021-2022
Cash Flows From Operating Activities			
Receipts			
Operating Revenue		60,430,536	43,623,225
Non- Operating Revenue			
Other Income		4,582,400	
Other gains and losses		(538,064)	
Grant income		34,902,320	
Total Receipts		99,377,192	43,623,225
Payments			
Staff Costs		35,274,862	24,248,970
Board Expenses		4,388,872	5,242,805
General And Operation Expenses		62,687,836	6,586,621
Maintenance		6,688,010	18,178,685
Finance Costs		-	-
Refund of Customer Deposits		-	-
Total payments		109,039,580	54,257,071
(Increase)/Decrease in Inventories		6,662,265	
(Increase)/Decrease in Trade and Other Receivables		(10,761,285)	
Increase/(Decrease) in Customer deposits		660,500	
Increase/(Decrease) in Trade and Other Payables		16,515,103	
Increase/(Decrease) in deferred income		(353,920)	
Increase/(Decrease) in Provisions		278,447	
Cash Generated from/(used In) operations			
Net Cash From/ (Used in) Operating Activities		3,338,722	-9,984,466
Cash Flows from Investing Activities			
Work in progress		(7,284,682)	-9,624,975
Purchase of Fittings		(59,950)	-2,724,072
Net Cash From ?(Used In) Investing Activities		(7,344,632)	-12,349,047
Cash Flows from Financing Activities			
Grants		-	24,850,000
Net cash From/ (Used In) Financing Activities		-	24,850,000
Increase/ (Decrease) In Cash And Cash Equivalent		(4,005,910)	2,516,489
Prior year adjustment		3,162,742	
Cash And Cash Equivalent At Beginning Of year		2,512,762	5,029,251
Cash And Cash Equivalent At End Of Year		1,669,594	2,512,762

AMATSI WATER SERVICES COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUALS AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2023

	Original budget	Final budget	Actual on comparable basis	Performance differences	% Of utilization
Revenue	2022/2023	2022/2023	2022/2023	Kshs	
	Kshs	Kshs	Kshs		
Operating revenue	54,780,000.00	54,780,000.00	60,430,536	(5,650,536)	110%
Non - Operating Revenue				-	
Grants	28,860,000.00	28,860,000.00	34,902,320	(6,042,320)	120%
Finance Income				-	
Other Income	14,759,500.00	14,759,500.00	4,582,400	10,177,100	31%
Other gains and losses			(538,064)	538,064	
Total Revenue	98,399,500.00	98,399,500.00	99,377,192	(977,692)	101%
Expenses					
Cost of sales					
Staff Costs	34,103,390.00	34,103,390.00	35,274,862	(1,171,472)	103%
Board Expenses	2,992,852.00	2,992,852.00	4,388,872	(1,396,020)	147%
General and operations Expenses	41,340,000.00	41,340,000.00	62,687,836	(19,498,742)	53%
Maintenance			6,688,010	(6,688,010)	
Depreciation and amortization			1,204,621	(1,204,621)	
Total Recurrent Expenditure	78,436,242.00	78,436,242.00	110,244,201	-31,807,959	140%
Profit or loss	19,963,258.00	19,963,258.00	(10,867,009)	30,830,267	-81%
Capital Expenditure	98,038,284.00	98,038,284.00	7,344,632	90,693,652.00	7%
Total Expenditure	176,474,526.00	176,474,526.00	117,588,833	58,885,693	66%

AMATSI WATER SERVICES COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Notes to the budget

- Revenue performance at 110%

The company metering ratio is currently at 60%, the management is targeting 100% metering to ensure targets are met

- Grants performance at 119.71%

The company budgeted for Kshs 28,860,000 however a total of Kshs 34,902,320 was received in form of grants. This increase was due to funding from water sector to expand pipeline network and storage facilities in Jeptulu market Kaimosi scheme.

- Other Incomes at 31.05%

Other incomes include compensation for damaged water line in Mbale scheme, the company did not receive other incomes.

- Staff cost performance at 103%

The company had not filled all the vacant positions as set in the staff establishment, also there has been a shortage of funds to meet the training costs as budgeted.

- Board expenses performance at 146.65%

The board expenses had been budgeted for at Kshs 2,992,852 however the actual expenditure was Kshs 4,388,872 resulting to over expenditure of Kshs 1,396,020 this was due to holding extra special meetings.

- General and Operation expenses performance at 53%

The under expenditure on the budget line was a result of transferring direct costs which includes chemicals and electrical of sales

AMATSI WATER SERVICES COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

19. NOTES TO FINANCIAL STATEMENTS

1. General Information

Amatsi Water Services Company Ltd is established by and derives its authority and accountability from Water Act 2002. The Company is wholly owned by the Vihiga County Government and is domiciled in Kenya. The Company's principal activity is to provide water and sewerage services to urban areas and some rural parts of Vihiga County.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company'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 Notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

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

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023

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

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements

iii. Early adoption of standards

Amatsi water Services Company limited has not adopted the amended standards in year 2021/2022 for the purpose of presentation of the financial reports.

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

ii) **Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized

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in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) **Other income** is recognized as it accrues.

Summary of Significant Accounting Policies

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 the money or cash terms. These donations may include vehicles, equipment, utilities 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 but disclosed.

c) Property, plant and equipment

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

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

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

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d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates %
Buildings and civil works	25	2 %
Plant and machinery	12.5	10 %
Motor vehicles, including motor cycles	4	25 %
Computers and related equipment	3	25 %
Office equipment, furniture and fittings	12.5	12.5 %
Intangible assets	12	10 %

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

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

e) Intangible assets

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

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f) Amortization and impairment of intangible assets

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

g) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

h) Inventories

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

i) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful

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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 and when the necessary approval to write off is granted.

j) Taxation

i) Current income tax

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

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

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

ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax 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

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interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

k) Cash and cash equivalents

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

l) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of

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goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers

m) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from January 1, 2022. 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. The company's obligation under the scheme is limited to specific contributions legislated from time to time.

n) Provision for staff leave pay

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

o) Exchange rate differences

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

p) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 30th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company'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

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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.

q) Service concession arrangements

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

r) Comparative figures

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

s) 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, 2023

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of

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revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

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

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Company
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note

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

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6. Operating income	2022/2023	2021/2022
	Kshs	Kshs
Water sales	55,463,305	50,417,228
Sewerage system	4,967,231	3,973,509
Total	60,430,536	54,390,737

7. Grants Income	2022/2023	2021/2022
	Kshs	Kshs
Operational grants from Government entities	28,249,106	22,941,264
Recurrent/operational grants from other agencies UPC PROJECT	6,299,294	24,850,000
Recurrent/operational grants from other agencies DTF PROJECT	353,920	-
Donations from County Governments	-	3,968,737
Total	34,902,320	51,760,001

8. Other Income	2022/2023	2021/2022
	Kshs	Kshs
Compensation for pipeline damages	4,582,400	-
Miscellaneous income	-	2,492,413
Total	4,582,400	2,492,413

9. Other gains and losses	2022/2023	2021/2022
	Kshs	Kshs
Increase in provision for bad debts	538,064	-
Total	538,064	-

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10. Staff Cost	2022/2023	2021/2022
	Kshs	Kshs
Gross salary And allowance	29,813,044	24,061,288
Casual wages(Temporal staff)	2,372,637	1,888,224
NSSF	1,021,044	1,647,792
Pension scheme	948,473	760,064
Provision for leave	436,633	404,584
Gratuity provision	683,031	1,061,287
Staff welfare	-	484,780
Total	35,274,862	30,308,019

11. General and Operational Expenses	2022/2023	2021/2022
Description	Kshs	Kshs
Chemicals	4,875,328	6,692,001
Electricity	31,090,241	24,256,165
Fuel, oil, lubricants and gases	801,000	558,000
Office supplies	1,681,208	149,680
Telecommunication, Postage, Courier & Advertisement	770,856	313,672
Rent and rates	72,900	21,000
Domestic Travelling and Subsistence	11,199,230	3,661,245
Staff training and development	109,000	79,000
Bank charges	105,344	223,100
Security services	1,422,516	1,148,406
Penalties & Interest on PAYE & NSSF		1,306,374
Audit fees	348,000	348,000
Consultancy fees	184,300	2,600,000
Licensing, levies and fees	9,610,825	6,510,251
Donations	110,425	75,000
Hospitality	241,586	500,000
Water quality	-	30,925
Office Electricity	65,077	-
Total	62,687,836	48,472,819

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12. Board Expenses	2022/2023	2021/2022
Description	Kshs	Kshs
Chairperson Honoraria	342,856	342,856
Sitting allowances	2,917,083	2,770,030
Travel and accommodation	1,128,934	2,232,800
Total Board Expenses	4,388,872	5,345,686

13. Maintenance Expenses	2022/2023	2021/2022
Description	Kshs	Kshs
Infrastructural networks	6,688,010	12,932,445
Total	6,688,010	12,932,445

14 Depreciation and Amortization Expenses	2022/2023	2021/2022
Description	Kshs	Kshs
Property, Plant and Equipment	906,675	1,029,367
Intangible assets	297,945	425,636
Total	1,204,621	1,455,003

15. Property Plant and Equipment	Plant and machinery	Motor vehicles	Computers	Office equipment, Furniture & fittings	Capital work in Progress	Total
2021/2022						
Cost or Valuation	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2021	376,850	1,290,400	1,062,196	233,477	9,624,973	12,587,896
Additions	9,624,973					9,624,973
Transfers					(9,624,973)	(9,624,973)
Disposals						

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At June 30,2022	10,001,823	1,290,400	1,062,196	233,477	-	12,587,896
Depreciation						
At July 1,2021	174,825	1,290,400	1,062,196	72,293		2,599,714
Charge for the year	1,000,182			29,185		1,029,367
At June 30, 2022	1,175,007	1,290,400	1,062,196	101,478		3,629,081
Net book value at June 30, 2022	8,826,816			131,999		8,958,815
2022/2023						
Cost or Valuation	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1,2022	10,001,823			233,477		10,235,300
Additions				59,950	7,284,682	7,344,632
Transfers						
Disposals						
At June 30,2023	10,001,823	-	-	293,427	7,284,682	17,579,932
Depreciation						
At July 1,2022	1,175,007			101,478	-	1,276,485
Charge for the year	882,682			23,994	-	906,676
At June 30, 2023	2,057,689			125,472	-	2,183,161
Net book value at June 30, 2023	7,944,134	-	-	167,955	7,284,682	15,396,771

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16. Intangible assets	2022/2023	2021/2022
Description	Kshs	Kshs
Cost		
At July 1	3,405,090	3,405,090
Additions	-	-
At June 30	3,405,090	3,405,090
Amortization		
At July 1	425,636	-
Charge for the year	297,945	425,636
At June 30	723,581	425,636
Net Book Value		
At June 30	2,681,509	2,979,454

17. Inventory	2022/2023	2021/2022
Description	Kshs	Kshs
Chemicals	-	513,595
Water fittings and accessories	6,379,894	6,157,857
Water Meters	5,801,867	12,172,574
Total	12,181,761	18,844,026

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18. Trade and Other Receivables	2022/2023	2021/2022
Description	Kshs	Kshs
Gross Trade and Other Receivables	124,157,965	107,188,783
Provision for bad debts (@ 5%)	6,207,898	-
Net Trade and Other Receivables	117,950,067	107,188,783
At June 30, the ageing analysis of gross		
Trade Receivables was as follows:		
Less than 30 Days	4,466,484	
Between 30 and 60 Days	3,649,953	
Between 61 and 90 Days	1,787,215	
Between 91 and 120 Days	2,226,607	
Over 120 Days	112,027,706	
Total	124,157,965	107,188,783

Scheme	0-30	31-60	61-90	91-120	121-180	181-240	Over240	Total
Bumbo	47,000	46,700	48,220	0	221,360	45,000	979,534	1,387,814
Chango	66,965	54,040	53,080	0	172,925	18,170	1,590,227	1,955,407
Ebunangwe	35,500	33,710	33,985	29,810	47,500	18,500	56,500	255,505
Kaimosi	1,675,688	1,390,872	393,130	767,501	1,909,931	476,673	21,270,457	27,884,252
Maseno	695,474	384,109	398,108	366,026	1,534,586	302,209	22,652,944	26,333,456
Mbale	1,648,419	1,481,140	597,702	840,302	2,587,712	1,158,548	39,978,259	48,292,082
Mudete	5,645	7,220	7,890	0	5,950	0	5,290	31,995
Sosian	198,949	148,883	177,445	142,121	361,060	259,575	12,570,058	13,858,091
Vihiga	92,844	103,279	77,655	80,847	191,387	74,480	3,538,871	4,159,363
TOTAL	4,466,484	3,649,953	1,787,215	2,226,607	7,032,411	2,353,155	102,642,140	124,157,965

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19. Bank and Cash Balances	2022/2023	2021/2022
Description	Kshs	Kshs
Cash at bank	1,669,594	2,512,762
Cash at hand		
Total	1,669,594	2,512,762

Detailed analysis of Cash and cash equivalents			
Description		2022/2023	2021/2022
Financial Institution	Account number	Kshs	Kshs
Current Account			
a) Revenue account	KCB 1110554516	98,788	(660,212)
b) Customer deposits account	KCB 1170433855	192,508	2,249,372
c) Water bowser	KCB 1170433928	2,876	4,442
d) M-Pesa (PAYBILL)	803783	0	8,940
e) Equity bank	960279000000	554,831	908,751
f) Cooperative bank	01141246255400		1,469
g) 8th Call upc Jeptulu project account	KCB 1302816268	820,591	-
Grand Total		1,669,594	2,512,762

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20 (a) Issued Share Capital	2022/2023	2021/2022
	Kshs	Kshs
County Government of Vihiga	4,997	4,997
Department of Environment Water & Natural Resource (VIHIGA COUNTY)	1	1
Department of Finance and Economic Planning (VIHIGA COUNTY)	1	1
Office of the County Secretary (VIHIGA COUNTY)	1	1
Total	5,000	5,000

The par value for share is Kshs 20:(5000*20=Kshs 100,000)

20 (b) Share premium	2022/2023	2021/2022
Description	Kshs	Kshs
County Government of Vihiga	29,397	29,397
Department of Environment Water & Natural Resource (VIHIGA COUNTY)	1	1
Department of Finance and Economic Planning (VIHIGA COUNTY)	1	1
Office of the County Secretary (VIHIGA COUNTY)	1	1
Total	29,400	29,400

21. Provisions	2022/2023	2021/2022
Description	Kshs	Kshs
Balance at the beginning of the year	1,061,286	-
Provision for leave during the year		404,584
Provision for gratuity during the year	683,031	1,061,286
Total	1,744,314	1,465,870

Provision for leave is calculated at thirty percent of basic pay of permanent staff.
Provision for gratuity is calculated at thirty one percent of basic pay of staff employed on contract: Managing Director, Head of Technical services and Head of Corporate services.
Employees' entitlement to annual leave are recognized as they accrue at the employees.

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22 Trade payables as at 30th June 2023		
	2022/2023	2021/2022
Description	Kshs	Kshs
WARMA	13,260,074	7,043,650
LVNWSB	22,914,829	22,964,829
WASREB	9,775,915	7,679,992
BROADPARK	61,700	61,700
KINETICS LTD	196,380	240,380
GRATUITY	1,738,641	1,061,287
SACCO RTNS	945,922	945,922
WELFARE DEDUCTIONS	75,901	26,800
NEW FRIENDS MOTORS	136,150	136,150
PRIDE KINGS	665,334	765,600
MUSIMBI AGENCY	191,842	82,050
CIZAH	25,520	25,520
KENAO	3,942,000	3,594,000
BORROWINGS FROM DEPOSIT	3,233,465	533,465
LOAN FROM LVNWSB	-	3,000,000
NYANZA LTD	30,000	30,000
ROTALINK	40,850	40,850
UNISOURCE ENERGY AUDIT	148,348	148,348
VICTORIA ENTERPRISES	133,200	133,200
LIQUID TELECOM	111,360	62,560
LENSAFE	21,800	52,670
UMEME	58,420	58,420
HEMARA HOTEL	-	133,200
SOSA COTTAGES	27,500	142,300
BOADA	72,205	125,030
GUSANGA LTD	0.00	61,000
KEBS	3,131,767	2,887,212
NEW AUTO GARAGE	-	98,750
LIKIFA	-	-
MOSOP SECURITY	-	38,280
SALWAN SQUAD	797,320	114,840
CRATER	746,010	193,210
LEGAL CASE	2,219,878	2,219,878
MICHI	26,500	26,500
LEXIDE	9,900	
BETCO	-	25,755
VIHIGA FM	0.00	10,500
MINISTRY OF INFORMATION	0.00	547,316
GOVERNMENT PRINTERS	0.00	20,880

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ELECTRICITY	9,235,575	6,394,440
MARK PERFORMANE		385,140
NSSF	3,558,479	2,148,319
PAYE	2,468,407	1,964,333
EARTHVIEW	179314.00	300,000
NISSI	44,400	104,000
SCADA INVESTMENTS LTD	210,210	330,210
JOHNIKA GEN SUPPLIERS	7,200	7,200
TASANGA ENTERPRISES	0.00	6,200
PARPATON	379,500	-
ALBERT LUMIRE (NEWSPAPERS)	14,160	-
OFFICE ELECTRICITY	27,527	-
JEMILLAD ENTERPRISES	60,900	-
MOAKI INVESTMENTS	254,260	-
HACHFELD LIMITED	16,000	-
SABRA	129,780	-
RENT	12,000	-
STAFF PENSION CONTRIBUTION	2,150,546	-
TOTAL	83,486,989	66,971,886

22.b Trade and Other Payables aging analysis	2022/2023
Description	Kshs
Gross Trade and Other Payables	83,486,989
At June 30, the ageing analysis of gross	
Trade Payables was as follows:	
Less than 30 Days	16,982,164
Between 30 and 60 Days	11,890,486
Between 61 and 90 Days	8,359,468
Between 91 and 120 Days	6,573,914
Over 120 Days	39,680,957
Total	83,486,989

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23. Customer Deposits Analysis	2022/2023	2021/2022
	Kshs	Kshs
Opening Balance	13,234,888	12,585,500
Deposits	660,500	649,388
Total	13,895,388	13,234,888

**24. DEFERRED INCOME GRANTS
RECEIVED**

YEAR	AT THE START OF THE YEAR	DURING THE YEAR	TOTAL	WRITE BACK DURING THE YEAR TO INCOME	AT THE END OF THE YEAR
2022/2023	Kshs	Kshs	Kshs	Kshs	Kshs
WSTF(DTF PROJECT)	908,751	-	908,751	(353,920)	554,831
WSTF (UPC)	-	6,299,294	6,299,294	(6,299,294)	-
TOTAL	908,751	6,299,294	7,208,045	(6,653,214)	554,831

YEAR	AT THE START OF THE YEAR	DURING THE YEAR	TOTAL	WRITE BACK DURING THE YEAR TO INCOME	AT THE END OF THE YEAR
2021/2022	Kshs	Kshs		Kshs	Kshs
WSTF(DTF PROJECT)	1,192,978	-	1,192,978	284,227	908,751
	2,208,186	-	2,208,186	2,208,186	-
TOTAL	3,401,164	-	3,401,164	2,492,413	908,751

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25. Related Party Disclosures

County Government of Vihiga

The County Government of Vihiga is the principal shareholder of the company, holding 100% of the company's equity interest.

The county Government of Vihiga has provided full guarantees to all long-term lenders of the company.

Other related parties include:

- i) Key management;
- ii) Board of directors;
- iii) Water service Boards
- iv) Water service regulatory authority
- v) Water resource management authority
- vi) Water service provision association

A. Grants from National and county government of Vihiga	Kshs	Kshs
Grants received-Vihiga county electricity/WSTF	34,548,400	22,951,264
In Kind contributions/ donations chemicals-Vihiga County		3,968,737
Wstf Clsg		24,650,000
B. Expenses incurred on behalf of related party		
Payment of salary and wages for Vihiga County water office employees	-	
sub total	34,548,400	51,570,001
C. Key management compensation		
Directors emoluments	4,388,872	5,224,330
compensation to Managing Director	348,700	2,020,110
compensation to Key Management (TM&CM)	3,099,910	878,100
sub total	7,837,482	8,122,540
TOTAL	42,385,882	59,692,541

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26. Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize 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:

27. Liquidity risk management

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

- **Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the 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

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exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Department in charge of risk management 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 Company's exposure to market risks or the manner in which it manages and measures the risk.

- **Interest rate risk**

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates

28. Incorporation

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

29. Events After the Reporting Period

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

30. Currency

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

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS 2021-2022 FY

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference no.	Issue Observation from Auditor	Management comments	Status:(Resolved) Not Resolved
1	Inaccuracies in cost of sales	<p>On variance of Ksh.1, 028,146 The schedule provided to the auditor at the time of audit reflected Kshs 29,586,280 and not Kshs 28,514,898 as indicated by the auditor hence the variance not accurate.</p> <p>On omission of staff directly involved in production: The omission was resolved by apportioning the cost to production and the right figure is Kshs 15,934,090.</p> <p>On variance of Kshs 2,021,714 The of variance of Kshs. 2,021,714 relating to staff cost was as a result of omission of temporary staff cost to the financial statements.</p> <p>On the omission of water quality of Kshs. 33,855 on computation of cost of sales: Management observed that there was an omission of Ksh.33, 855 and this was corrected by passing a journal entry.</p>	Resolved
2	Unsupported Other Incomes	The management received Kshs 4,694,788. from WSTF (dtf) in the year under review and not 11,001,089 as earlier reported in the financial statements. the correct income for the year was kshs30,114,990 as tabulated below and not Kshs 36,421,291. journal entry.	Resolved
3	Inaccuracies in Property, Plant and Equipment	That figure of Kshs. 9,624,972 relates to works in progress on decentralized treatment facility not recognized under plant property and equipment because this is works in progress and this will be reported in the financial statements after a final inspection report and certificate of works completion issued.	Resolved

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4	Inaccuracies in Trade and Other Receivables	The management did not provide a policy on provision for bad and doubtful debts during the audit however a debt management policy has been developed and its now available for further review. The company also acquired billing software (Majisoft) with the capability of generating the analysis of debtors. On unexplained differences Kshs 1,712,699: This was under cast in the financial statement and was corrected by passing a journal entry. The correct figure was Kshs 33,645,852.	Ongoing
5	Inaccuracies in Bank and Cash Balances	Reconciliation was done to correct anomaly. An extract of the cashbook and the reconciliation statement has been provided for further review.	Resolved
6	Unsupported Trade and Other Payables	The management has circularized to the Lake Victoria North water works development agency to ascertain the existing of the loan facility from there records.	Resolved
7	Inaccuracies in customer Deposits	The necessary ledgers have been availed to address the variance in customer deposits.	On going
8	Unsupported Inventory	All items received from the project were captured in the books adhering to the right procedures. In regards to Kshs20,523,586, the procurement documents are available for audit verification.	Resolved
9	Unsupported Transfer From the County Government	The relevant documents have been attached for further verification.	Resolved
Other Matter 1	Budgetary Control and Performance	The management responded by giving out measures to counter the budget variances.	On going
2.	Non- Revenue Water Management	Necessary measures have been put in place to address the NRV	On going
3.	Non- Compliance law on Ethnic Composition	Relevant respond was given on the issue in relation to amatsi water services company ltd.	Not - Solved

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3	Non- Compliance with Law on Fiscal Responsibility – Wage Bill	The company inherited Personnel from the defunct local Authorities as they were, and recruited locally before the promulgation of the constitution 2010. Currently the Company is ensuring inclusivity through placing adverts in local dailies and the Company Website.	On going
4	Non- Compliance with the Public Sector Accounting Standards Board Requirements	The company complied by using the correct template in reporting.	Resolved
1	Inaccuracies in cost of sales	On variance of Ksh.1, 028,146 The schedule provided to the auditor at the time of audit reflected Kshs 29,586,280 and not Kshs 28,514,898 as indicated by the auditor hence the variance not accurate. On omission of staff directly involved in production: The omission was resolved by apportioning the cost to production and the right figure is Kshs 15,934,090. On variance of Kshs 2,021,714 The of variance of Kshs. 2,021,714 relating to staff cost was as a result of omission of temporary staff cost to the financial statements. On the omission of water quality of Kshs. 33,855 on computation of cost of sales: Management observed that there was an omission of Ksh.33, 855 and this was corrected by passing a journal entry.	Resolved
2	Unsupported Other Incomes	The management received Kshs 4,694,788. from WSTF (dtf) in the year under review and not 11,001,089 as earlier reported in the financial statements. the correct income for the year was kshs30,114,990 as tabulated below and not Kshs 36,421,291. journal entry.	Resolved

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3	Inaccuracies in Property, Plant and Equipment	That figure of Kshs. 9,624,972 relates to works in progress on decentralized treatment facility not recognized under plant property and equipment because this is works in progress and this will be reported in the financial statements after a final inspection report and certificate of works completion issued.	Resolved
4	Inaccuracies in Trade and Other Receivables	The management did not provide a policy on provision for bad and doubtful debts during the audit however a debt management policy has been developed and its now available for further review. The company also acquired billing software (Majisoft) with the capability of generating the analysis of debtors. On unexplained differences Kshs 1,712,699: This was under cast in the financial statement and was corrected by passing a journal entry. The correct figure was Kshs 33,645,852.	Ongoing
5	Inaccuracies in Bank and Cash Balances	Reconciliation was done to correct anomaly. An extract of the cashbook and the reconciliation statement has been provided for further review.	Resolved
6	Unsupported Trade and Other Payables	The management has circularized to the Lake Victoria North water works development agency to ascertain the existing of the loan facility from there records.	Resolved
7	Inaccuracies in customer Deposits	The necessary ledgers have been availed to address the variance in customer deposits.	On going
8	Unsupported Inventory	All items received from the project were captured in the books adhering to the right procedures. In regards to Kshs20,523,586, the procurement documents are available for audit verification.	Resolved
9	Unsupported Transfer From the County Government	The relevant documents have been attached for further verification.	Resolved
Other Matter 1	Budgetary Control and Performance	The management responded by giving out measures to counter the budget variances.	On going

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2.	Non- Revenue Water Management	Necessary measures have been put in place to address the NRV	On going
3.	Non- Compliance law on Ethnic Composition	Relevant respond was given on the issue in relation to Amatsi water services company ltd.	On-going
4.	Non- Compliance with Law on Fiscal Responsibility – Wage Bill	The company inherited Personnel from the defunct local Authorities as they were, and recruited locally before the promulgation of the constitution 2010. Currently the Company is ensuring inclusivity through placing adverts in local dailies and the Company Website.	On going
5.	Non- Compliance with the Public Sector Accounting Standards Board Requirements	The company complied by using the correct template in reporting.	Resolved
6.	Un completed pipeline extension project	The issue was deliberated at the senate level on 1 st October 2023 and the company is awaiting implementation of the senate recommendation including cost recovery through legal process	On going
7.	Unaccounted for Pipeline extension material	The issue was deliberated at the senate level on 1 st October 2023 and the company is awaiting implementation of the senate recommendation including cost recovery through legal process	On -going

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APPENDIX 11: Projects Implemented by Amatsi Water Services Company Limited

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	MBALE HOUSEHOLD SANITATION PROJECT	17,214,223	16,665,391	99	17,214,223	16,665,391	WSTF
2	UPC 8 TH CALL	19,821,795	6,299,294	32	19,821,795	6,299,294	WSTF
	TOTAL	37,036,018	22,964,685		37,036,018	22,964,685	

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)
1	02HS/LVNWWDA/VIHIGA/AMATSI/015	WSTF	12MONTHS	100%	YES	YES
2	UPC 8 TH CALL	WSTF	12 MONTHS	86%	YES	YES

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ENTITY NAME:AMATSI WATER SERVICES COMPANY			
Break down of Transfers from the State Department &County Government			
FY 2022/23			
A	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>
	WSTF(UPC 8 TH CALL)	14.03.2023	6,299,294
		Total	6,299,294
			2022/2023
B	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>
	COUNTY GOVERNMENT OF VIHIGA	Vary	28,249,294
		Total	34,548,400
			2022/2023

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager

Sign.....

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APPENDIX IV:

RECORDING OF TRANSFERS

FROM OTHER GOVERNMENT

ENTITIES

Name of the MDA/Donor Transferring the funds	Where Record ed/rec ognize d	Nature : Recurr ent/De velopm ent/Ot hers	Total Amount - KES	Statem ent of Financi al Perfor mance	Cap ital Fun d	Deferr ed Income	R e c e i v a b l e income statemen t	Total Trans fers durin g the Year
Ministry of Water(VIHIGA COUNTY)		Recurr ent	28,249,10 6	yes	NO	0	N O 28,249,10 6	28,24 9,106
Ministry of Water(wstf)		Develo pment	6,299,294	YES	NO	6,299,2 94	N O 6,299,294	6,299 ,294
Total			34,548,40 0			34,548, 400	34,548,40 0	34,54 8,400