

REPUBLIC OF KENYA



*Enhancing Accountability*

## REPORT

PAPERS LAID	
DATE	14/05/2024
TABLED BY	Sen. Gloria Orwaba on behalf of SML
COMMITTEE	— OF
CLERK AT THE TABLE	Ms Cherop

**THE AUDITOR-GENERAL**



**ON**

**LODWAR WATER AND SANITATION  
COMPANY LIMITED**

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







**Lodwar Water and Sanitation Company Ltd**



**P.O. Box 144, LODWAR**

**Telephone: 054-21003**

**mobile: 0748127707**

**E-mail:mdlowasco@gmail.com**

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**LODWAR WATER AND SANITATION COMPANY LTD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2023**

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



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**Lodwar Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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<b>Table Of Contents</b>	<b>Page</b>
1. Acronyms and Glossary of Terms.....	ii
2. Key Entity Information.....	iii
3. The Board of Directors.....	vi
4. Key Management Team.....	ix
5. Chairman’s Statement.....	xi
6. Report of the Managing Director.....	xiii
7. Statement of Performance against Predetermined Objectives for FY 2022/23.....	xv
8. Corporate Governance Statement.....	xv
9. Management Discussion and Analysis.....	xvii
10. Environmental and Sustainability Reporting.....	xviii
11. Report of the Directors.....	xix
12. Statement of Directors’ Responsibilities.....	xxi
13. Report Of the Independent Auditors for the financial statements of Lodwar Water and Sanitation Company Ltd. ....	xxiii
14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023 .	1
15. Statement of Financial Position as at 30 <sup>th</sup> June 2023.....	2
16. Statement Of Changes in Equity for the Year Ended 30 June 2023.....	3
17. Statement of Cash Flows for the Year Ended 30 June 2023.....	4
18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023.....	5
19. Notes to the Financial Statements.....	6
20. Appendices.....	34



**1. Acronyms and Glossary of Terms**

Provide Acronyms and glossary of terms that appear in this annual report and financial statements.

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board

## **2. Key Entity Information**

### **Background information**

Lodwar Water and Sanitation Company (LOWASCO) is a corporate entity established in 2007 under the companies Act Cap 486 of the laws of Kenya. The core business of LOWASCO is the efficient and economical provision of water and sanitation services to the residents of Lodwar Municipality and its environs. The company took over the management of Water supply as a service provider from 2007 to date after signing a Service Provider Agreement (SPA) with Rift Valley Water Services Board (license) on 3rd July 2007. The Company has been operating without a board of Directors since 2014 when the term of the board of Directors expired. The company has been operational under the seconded Team leader from the Ministry of Water services with the support of the Company management team in place of the board of Directors. Through the leadership of H.E Hon Jeremiah Ekamais Lomurkai Napotikan, he appointed the interim Board of Directors as from 15<sup>th</sup> June, 2023 through Gazette Notice no 8256(2023) to take over fully and with immediate effect the operations of LOWASCO.

### **Principal Activities**

The principal activity of Lodwar water and sanitation company Limited is to provide water and sanitation services to residents of Lodwar Municipality.

### **Vision**

To achieve excellence in the provision of quality water and sanitation services with the aim to be the leading water service provider in the rift valley.

### **Mission**

To provide adequate, portable, affordable and sustainable water and sanitation services to residents in Lodwar and its environs through continuous improvement and extension.

### **Core values**

- i. External respect with a focus on customers.
- ii. External and internal integrity, honesty, transparency, accountability and partnership through networking.
- iii. Internal teamwork, innovation and commitment.



### **Directors**

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

1. Faith Akuwom,CECM Water Services Chairperson - Appointed on 15<sup>th</sup> June,2023
2. Simon Etom,Chief Officer Water Services Member - Appointed on 15<sup>th</sup> June,2023
3. James Ilikwel,Chief Officer Finance Member - Appointed on 15<sup>th</sup> June,2023
4. Peter Lomurkai, Chief Officer Preventive and Promotive (Health)Member Appointed on 15<sup>th</sup> June,2023
5. Ruth Emanikor, County Solicitor Member - Appointed on 15<sup>th</sup> June,2023
6. Cathra Abdi, Chief Officer Municipality and Urban Planning Member Appointed on 15<sup>th</sup> June,2023
7. Joseph Loboche,Representing Business Community Member Appointed on 15<sup>th</sup> June,2023
8. Kenneth Omondi,Team Leader LOWASCO Secretary - Appointed on 15<sup>th</sup> June,2023
9. County Director Responsible for Human resources Member(Chris Locheria) - Appointed on 15<sup>th</sup> June,2023

### **Registered Office**

Lodwar Handcraft Building  
P.O. BOX 144-30500  
Lodwar Kenya

### **Corporate Headquarters**

Lodwar Handcraft Building  
P.O. BOX 144-30500  
Lodwar Kenya

### **Corporate Contacts**

Telephone: (254) 748127707  
E-mail: [mdlowasco@gmail.com](mailto:mdlowasco@gmail.com)

### **Corporate Bankers**

Kenya Commercial Bank,  
Lodwar Branch.  
P.O. BOX 150-30500  
Post Bank- Lodwar branch

**Lodwar Water and Sanitation Company Limited**

**Annual Report and Financial Statements for the year ended June 30, 2023**

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**Independent Auditor**

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

**Principal Legal Advisers**

The Attorney General

State Law Office, Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya



**3. The Board of Directors**

Directors	Details
 <p><b>Hon. MRS. FAITH AKUWOM ALETIA</b> CECM- WATER SERVICES</p>	<p>CECM Faith is a holder of a Bachelor of Arts in social work and a Diploma in social work. She has over 10 years of work experience in Government working in various public sector departments.</p>
 <p><b>MR.CYRUS JAMES ILIKWEL</b> Accounting Officer-Finance</p>	<p>Mr. Cyrus has over 14 years’ of work experience serving in various capacities in the public sector including senior management, policy and decision making positions.</p> <p>He holds a Master degree in Business Administration; Accounting option, Bachelor degree in commerce Accounting option coupled with CPA part II certification from KASNEB.</p>
 <p><b>MR.SIMON EKAI ETOM</b> Accounting Officer-Water Services</p>	<p>Mr. Simon holds a Bachelor of Art degree in sociology and a certificate in Gender, poverty and development studies from Egerton university.</p> <p>He has accumulated over ten years of working experience in the Public sector and NGO.</p>
 <p><b>MS.CATHRA ABDI</b> Accounting Officer-Municipalities and Urban Areas</p>	<p>CO Cathra holds a Master of business administration in health, leadership and management, master of science in public health, Bachelor of Science degree in public health and a Diploma in clinical medicine and surgery.</p>

**Lodwar Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Management	
 <p><b>MR.PETER LOMORUKAI</b> Accounting Officer-Preventive and Promotive Services</p>	<p>Mr. Peter has over 10 years’ of work experience with approximately 5 years holding senior management positions that is tasked with vital senior management decision and policy making functions.</p> <p>He holds a Master of science in Field Epidemiology, Bachelor of science degree in Medical Laboratory science and a Diploma in Laboratory technician and Technology.</p>
 <p>Accounting Officer-Office of the County Attorney</p>	<p>Ms. Ruth has over 18 years of work experience in the legal profession working for both the Government and private sector/NGOs.</p> <p>She holds a bachelor of Law degree from Moi university, Post graduate diploma from KSL and a certificate in strategic negotiation skills from KIA</p>
 <p><b>Mr Kenneth Omondi</b> Team Leader</p>	<p>Mr Omondi hold as Diploma in water engineering from Kenya Water Institutes. A career water Engineer, He has enormous experience for both the private and public entities.</p>



**Lodwar Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2023**



Mr Joseph Loboche

Mr Joseph holds a Diploma in Water Engineering. He is a career civil servant with over 20 year experience. He was one of the Pioneer Managing Director for LOWASCO.



Mr Chris Locheria

Mr Chris holds a Master in Business Management (Human resource Management option), Bachelor of Business Management (Human resource Management option). He has over 10 years working in the public sector.



**4. Key Management Team**

Managers	Details
 <p><b>Mr Kenneth Omondi</b></p>	<p>Mr. Omondi hold as Diploma in water engineering from Kenya Water Institute. A career water Engineer. He has enormous experience for both the private and public entities.He acted as Team Leader.</p>
 <p><b>Mr Boniface Onyango</b></p>	<p>Mr Boniface has a Diploma in electromechanical engineering power option. He is the head of production.</p>
 <p><b>Mr. Aaron kokako</b></p>	<p>Mr. Aaron is a Member of HRMPEB HS2700 and IHRM REG NO. 011869                      He possess a Higher diploma in HRM                      Diploma in HRM.                      Human resource and administration</p>

**Lodwar Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2023**



**Mr Thomas Ligule**

He holds a Degree in business management (option accounts). Higher diploma in human resource management. Diploma in accountancy (option accounts) CPA Part 2. Diploma in banking and finance. Certificate in business management  
He is currently serving as a Finance officer



**5. Chairman's Statement**

I wish to express my appreciation to His Excellency the Governor for appointing me and my Team as an interim Board to manage the affairs of the Water Utility which has been experiencing Governance issues since 2014 when the term of the last Board of Directors expired.

I wish also to thank LOWASCO Staff for their dedication, support and cooperation which enabled the activities of the Company to be performed successfully including the preparation of the Financial Report for the year ending 30<sup>th</sup> June 2023 in spite of several challenges.

Lastly I wish to thank Development Partners especially UNICEF, Catholic Relief Services and Practical for their partnership and support which has improved Water and Sanitation services to the Residents of Lodwar Municipality.

His Excellency constituted the interim board the Governor following recommendations by the Senate Committee on County Public Investments and Special Funds. The board commenced its work on 15<sup>th</sup> June 2023 and has been involved in the Utility's affairs at the tail end of the report period. The Auditor General's report for the Financial statements for the Utility for the previous year's specifically for 2018-2019, 2019-2020 and 2020-2021 have been in bad light (i.e. disclaimer or Adverse). The Interim board in its first sitting decided to recruit an acting M.D and seconded some staff to assist in operations of the Company.

During the year under review, the Company performed fairly well despite the fact that there were several challenges which included frequent breakdown of boreholes, High electricity bills and Financial constraints among others. The Company has 73 members of staff whose contract ended on 30<sup>th</sup> June 2023 but was renewed by the board for three Months.

The source of Water for Lodwar Town are **20 Boreholes** located along River Turkwel and Napuu aquifer. The total reticulation system or pipework network which comprises of pipes of different sizes, types and classes is **178km**. However the rising mains of Boreholes 1C, 1B, 7, 9 and distribution mains for elevated Steel Tanks at the County Commissioners are dilapidated and require rehabilitation.

The total water Storage for Lodwar Water Supply which comprises of both masonry and elevated steel Tanks currently is **2275 m<sup>3</sup>**. Currently **70%** of the Residents of Lodwar Municipality have access to piped Water Supply.

Currently the total Water produced per day is **7,200m<sup>3</sup>** while the Water demand is **12,000m<sup>3</sup>/day**.



**Lodwar Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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The County Government and Development Partners who included UNICEF, Practical Action and Catholic Relief Services invested in Water infrastructure during the report period in order to improve Water services. The Ministry of Water Services was allocated 120 Million during the report period to improve Water Infrastructure in the Municipality which was successfully done

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Name *ALETEA FAITH ARIUWOM*  
Chairperson of the Board

## **6. Report of the Managing Director**

I am pleased to present the Annual financial statement for the year ending 30<sup>th</sup> June 2023.

I wish also to thank LOWASCO Staff for their dedication, support and cooperation which enabled the activities of the Company to be performed successfully including the preparation of the Financial Report for the year ending 30<sup>th</sup> June 2023 in spite of several challenges.

Lastly I wish to thank Development Partners especially UNICEF, Catholic Relief Services and Practical for their partnership and support which has improved Water and Sanitation services to the Residents of Lodwar Municipality.

The Interim board was constituted by His Excellency the Governor following recommendations by the Senate Committee on County Public Investments and Special Funds. The board commenced its work on 15<sup>th</sup> June 2023 and has been involved in the Utility's affairs at the tail end of the report period. The Auditor General's report for the Financial statements for the Utility for the previous year's specifically for 2018-2019, 2019-2020 and 2020-2021 have been in bad light (i.e. disclaimer or Adverse). The Interim board in its first sitting decided to recruit an acting M.D and second a qualified Accountant and Auditor to assist in the Financial management of the Company which has successfully been done.

During the year under review, the Company performed fairly well despite the fact that there were several challenges which included frequent breakdown of boreholes, High electricity bills and Financial constraints among others. The Company has 73 members of staff whose contract ended on 31<sup>st</sup> June 2023 but was renewed by the board for three Months.

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**Lodwar Water and Sanitation Company Limited**

**Annual Report and Financial Statements for the year ended June 30, 2023**

improve Water services. The Ministry of Water Services was allocated 120 Million during the report period to improve Water Infrastructure in the Municipality which was successfully done

The Company is experiencing the following challenges:-

1. High operation and maintenance cost due to an old and dilapidated Water and infrastructure
2. Inadequate tools and equipment
3. Inadequate office space and Furniture
4. High Non Revenue Water currently at 42%
5. Inadequate water supply
6. High electricity bills
7. Inadequate spare parts due to financial constraints
8. Lack of testing kits and Faulty Dozers for Water Quality Monitoring
9. Defective meters hence leading to estimated readings hence low Revenue collection

.....  
Name

Managing Director





The company has no strategic plan and is planning to develop one for the New Company

## **8. Corporate Governance Statement**

### **Preamble**

LOWASCO is committed to the values and principles of good corporate governance. Good corporate governance requires that the board of directors must govern the corporation with integrity and enterprise in a manner, which entrenches and enhances the mandate it has under section 71 of the Water Act 2016.

The directors and management of LOWASCO regard corporate governance as pivotal to the successes of the corporation and are unreservedly committed to ensuring that good corporate governance is practised so that LOWASCO remains a sustainable and viable vehicle in the provision of water and sanitation services to residents of Lodwar Municipality.

### **Board of Directors**

The board was appointed by H.E Governor Jeremiah Lomurkai on interim basis as from 15<sup>th</sup> June, 2023 through Gazette Notice no 8256(2023) to take over fully and with immediate effect the operations of LOWASCO.

The role and functions were not limited to

- (a) To take over fully and with immediate effect, the operations of LOWASCO as a Government entity to the exclusion of any private interests and shareholding whatsoever.
- (b) To appoint acting Managing Director and the technical staff including internal auditor and the accountants.
- (c) To oversee the technical operations of the company and to report progress to County Executive Committee chaired by the Governor.
- (d) To liaise with the Office of the County Attorney on the legal processes and procedures for winding up the company and to report progress to the County Executive Committee.
- (e) To undertake physical assets and liabilities verifications, prepare assets and liabilities inventory, carry out valuation of the company assets and liabilities.
- (f) To supervise the process of identification and transfer of assets and liabilities from the Rift Valley Board (RVWB) or its successor and LOWASCO to the new water service providers established by the County Government with full ownership and interests vested in the County Government.

**Lodwar Water and Sanitation Company Limited**

**Annual Report and Financial Statements for the year ended June 30, 2023**

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- (g) To ensure staff of LOWASCO are properly vetted and to recommend suitable staff, for transfer to the new water service providers established by the county government. The Board shall take into account academic qualifications, experience and performance appraisal results during vetting.
- (h) To provide strategic planning and policy directions to the Company.
- (i) To ensure proper financial management and accountability of the company.
- (j) To ensure proper records including financial and audit reports are done
- (k) Ensure compliance with the provisions of the law including the Companies Act, the Water Act, 2016, the Turkana County Water Act, 2019 and regulations.
- (l) To ensure the company complies with corporate governance standards and guidelines issued by regulatory authorities.
- (m) To establish important committees or sub-committees as such as Audit and risk committee, Technical committee, Service committee and any other prescribed by WASREB guidelines for Urban Water Supplies.
- (n) To identify and prepare a list of liabilities after thorough scrutiny and make recommendations on how to settle such liabilities.
- (o) To enter into agreement(s) with any of such creditors for purposes of settling outstanding liabilities, where there is sufficient justification to do so.
- (p) To put in place measures to pursue LOWASCO debtors for purposes of raising revenues for its operations and settlement of debts.
- (q) To carry out any other activities, which may be, geared improvement of service delivery, recovery of debts.
- (r) To perform any other functions, responsibilities and obligations that may be assigned by the county executive committee.

The board is guided by the core tenets prescribed in MWONGOZO, the Public Officers Ethics Act, and signed internal codes of conduct guides the Board's decisions. Board meeting are conducted twice every week.

The directors are given appropriate information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the board has delegated authority for conduct of day-to-day business to the Chief Executive Officer. The board nonetheless retains oversight responsibility for establishing and maintaining the control of financial, operational and compliance issues.

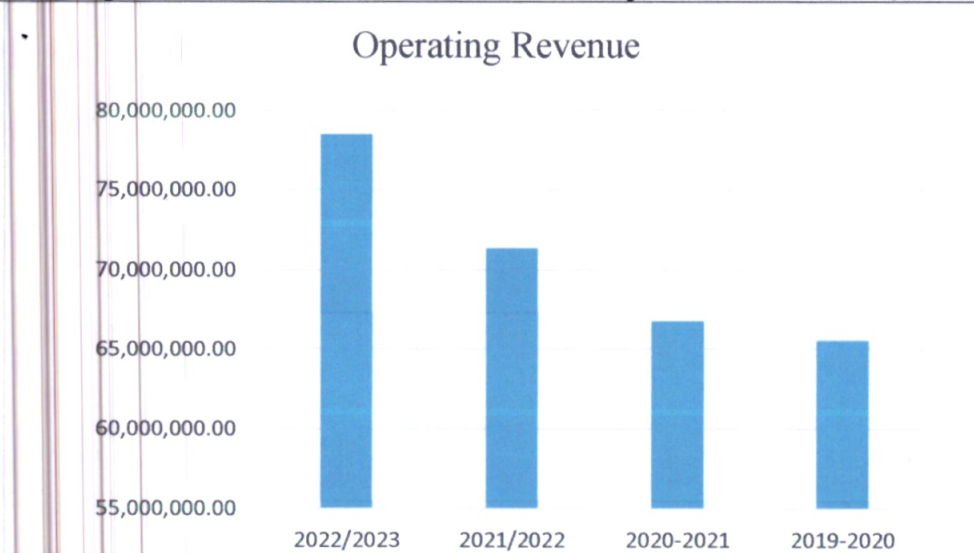


**9. Management Discussion and Analysis**

**SUMMARY OF THE INCOME AND EXPENSES FOR THE LAST FOUR YEARS**

	<b>2022/2023</b>	<b>2021/2022</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Revenue</b>	<b>2022/2023</b>	<b>2021/2022</b>	<b>2020-2021</b>	<b>2019-2020.00</b>
Operating Revenue	78,730,581.00	71,354,164.00	66,783,459.00	65,543,123.00
<b>Total Revenue</b>	<b>78,730,581.00</b>	<b>71,354,164.00</b>	<b>66,783,459.00</b>	<b>65,543,123.00</b>
<b>Expenses</b>				
Staff Costs	38,804,968.00	34,551,806.00	-	
Cost of sales			10,658,150.00	7,744,638.00
Administration and operating expenses			55,884,993.00	57,798,485.00
General and Operations expenses	27,119,457.00	27,897,988.00		
Board Expenses	173,000.00.00	-		
Maintenance Expenses	11,810,023.00	4,865,335.00		
Depreciation and Amortization expenses	495,034.00	1,896,236.00		
Finance Costs	-			
<b>Total Expenses</b>	<b>78,402,482.00</b>	<b>69,211,365.00</b>	<b>66,543,143.00</b>	<b>65,543,123.00</b>
<b>Profit/(Loss) Before Taxation</b>	<b>328,099.00</b>	<b>2,142,799.00</b>	<b>240,316.00</b>	<b>-</b>





Operating revenue has continued to go up due to high demand of water through increased number of direct connections.

Despite a rise in revenue, Cost of producing water has skyrocketed over year culminating into a loss in the previous years

#### **10. Environmental and Sustainability Reporting**

Lodwar Water and Sanitation Company (LOWASCO) is a corporate entity established in 2007 under the companies Act Cap 486 of the laws of Kenya. The core business of LOWASCO is the efficient and economical provision of water and sanitation services to the residents of Lodwar Municipality and its environs. The company took over the management of Water supply as a service provider from 2007 to date after signing a Service Provider Agreement (SPA) with Rift Valley Water Services Board (license) on 3rd July 2007. The Company has been operating without a board of Directors since 2014 when the term of the board of Directors expired. The company has been operational under the seconded Team leader from the Ministry of Water services with the support of the Company management team in place of the board of Directors.

The main mandate is to provide adequate, portable, affordable and sustainable water and sanitation services to residents in Lodwar and its environs through continuous improvement and extension.

##### **i) Sustainability strategy and profile -**

The company recognizes the fact that the way in which it conducts its activities financially has a bearing on those with interest in its work.

**Lodwar Water and Sanitation Company Limited**

**Annual Report and Financial Statements for the year ended June 30, 2023**

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**11. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the company's affairs.

**i) Principal activities**

The principal activities of the Company are to provide water and sanitation services to residents of Lodwar Municipality.

**ii) Results**

The company has not declared dividends for the year ended June 2023.

**iii) Directors**

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

**Lodwar Water and Sanitation Company Limited**

**Annual Report and Financial Statements for the year ended June 30, 2023**

**iv) Auditors**

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the period ended June 30, 2023, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

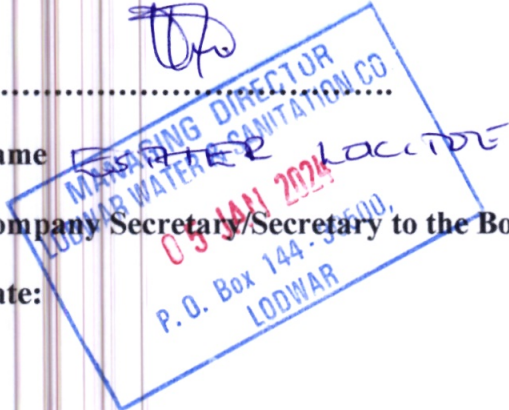
By Order of the Board



Name

Company Secretary/Secretary to the Board

Date:





## **12. Statement of Directors' Responsibilities**

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 Cap 486 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Company;
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015 Cap 486

**Lodwar Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Statement of Directors' Responsibilities (Continued)**

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 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 financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern

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 financial statements were approved by the Board on 5/11 2024 and signed on its behalf by:

*Fair*  
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Name *ALEICA FAITH AKUWON*

**Chairperson of the Board**

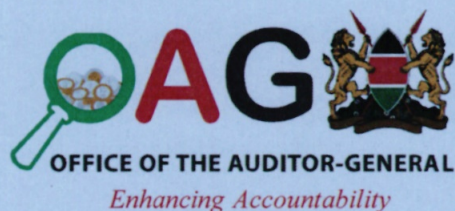
*[Signature]*  
.....

Name *ESTHER WOKIDE*  
**MANAGING DIRECTOR**  
**LODWAR WATER & SANITATION CO**  
*05 JAN 2024*  
**Managing Director**  
P.O. BOX 144 - 30500,  
LODWAR



# 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 LODWAR WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

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### 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and 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 overall 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 Lodwar Water and Sanitation Company Limited set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive



income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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, in all material respects, the financial position of Lodwar Water and Sanitation Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and do not comply with the Companies Act, Cap 486 and the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1. Inaccuracies in the Statement of Financial Position**

The statement of financial position includes total non-current and current assets balance of Kshs.69,933,859 which differed with total equity and liabilities amount of Kshs.104,831,835 by unexplained variance of Kshs.34,897,976. The statement further reflects an amount of Kshs.2,372,468 as retained earnings which is the net profit for the current and the previous year. However, this amount omitted the retained earnings from the financial years ended 30 June, 2021 and earlier.

In the circumstances, the accuracy and completeness of the balances in the statement of financial position could not be confirmed.

### **2. Statement of Cash Flows**

The statement of cash flows reflects cash and cash equivalents at the beginning of the year balance of Kshs.1,452,324 which is at variance with the closing cash and cash equivalents at the end of previous year of Kshs.3,034,517 as evidenced by audited financial statements. No evidence was provided for the revision or restatement of the amount. Further, Note 20 to the financial statements on reconciliation of operating profit/(loss) to cash generated from/(used in) operations indicates that cash generated from operations was Kshs.57,987,891 which varies with the amount in the statement of cashflows of Kshs.(941,838) by Kshs.58,939,729. Further, no notes were provided for the cashflows included in the statement of cashflows.

In the circumstances, the accuracy and completeness of the balances in the cashflows statement could not be ascertained.

### **3. Depreciation and Amortization Expenses**

The statement of profit or loss and other comprehensive income and Note 11 to the financial statements reflect depreciation and amortization expenses of Kshs.495,034. However, the Company's assets' register included some land, equipment, motor



vehicles/cycles and office equipment which were not valued and no depreciation was charged during the year.

Further, Note 12 to the financial statements includes inaccurate calculation of accumulated depreciation reflecting opening accumulated depreciation as at 30 July, 2022 of Kshs.1,610,399 instead of the re-casted amount of Kshs.16,846,918 resulting in unexplained variance of Kshs.15,236,519.

In the circumstances, the accuracy and fair statement of the depreciation charge in the financial statements for the year ended 30 June, 2023 could not be confirmed.

#### **4. Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.15,253,520 as disclosed in Note 12 to the financial statements which differs with recalculated or re-casted balance of Kshs.14,195,130 by unexplained variance of Kshs.1,058,390. Further, other land, equipment and motor vehicles/cycles and office equipment included in the Company's assets register were not valued and included in the amount reported in the financial statements.

In the circumstances, the completeness and accuracy of property, plant and equipment balance of Kshs.15,253,520 for the year ended 30 June, 2023 could not be confirmed.

#### **5. Accuracy of Trade and Other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.54,169,854 as shown in Note 13 to the financial statements. However, the balance includes amounts which have been outstanding for over 91 days of Kshs.42,520,250 and which further include a total of Kshs.3,299,622 in respect of twenty-two (22) accounts considered to be dormant. Management has not provided or explained measures or any efforts put in place to pursue the debtors and collect the amounts.

Further, no provision for bad and doubtful debts was made for the possible non-recoverability of part of the receivables.

In the circumstances, the valuation and receivability of receivables from exchange transactions could not be confirmed.

#### **6. Refundable Customer Deposits**

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.15,783,925 which, as disclosed in Note 19 to the financial statements included refundable deposits from customer's amount of Kshs.10,417,000 and prepayments of Kshs.5,366,925. The Company receives mandatory refundable deposit of Kshs.1,000 from each new customer before any connection is done.

Review of available records revealed the following;

- (i) Deposit ledger and connections movement schedule for Kshs.10,417,000 as at 30 June, 2023 showed that there were 256 additional connections in the year.



However, the note did not have comparative balances for both prepayments and customer deposits.

- (ii) A register of active and inactive customers as at 30 June, 2023 showed a total of 8,715 customers but the new connections movement schedule disclosed 10,417 customers giving a variance of 1,702 customers that could not be traced to the customers' register.
- (iii) The customer deposits balance of Kshs.10,417,000 as disclosed under Note 19 differed with deposits bank account balance of Kshs.34,356 held at KCB resulting into unexplained and reconciled variance of Kshs.10,382,644.

Under the circumstances, accuracy and completeness of the refundable deposits and prepayments amount of Kshs.15,783,925 could not be confirmed.

## **7. Material Uncertainty Related to Going Concern**

The statement of financial position reflects the total current liabilities of Kshs.102,359,367 as at 30 June, 2023 which exceeded total current assets of Kshs.54,680,339 resulting in a negative working capital of Kshs.47,679,028. This results in current ratio of 0.5 against a recommended current ratio of 1:2.

In the circumstances, the Company was technically insolvent and dependent on the support of the County Government and creditors to sustain its services.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lodwar Water and Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Key Audit Matters**

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

### **Other Information**

The Management is responsible for the other information set out on page ii to xxii which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Managing Director, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities.

The other information does not include the financial statements and my audit report thereon.



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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

#### 1. Lack of Operational Budget

The Company operated without an operational budget or approved budget estimates contrary to Section 149(2)(h) of the Public Finance Management Act, 2012 which requires the Accounting Officer to prepare estimates of the expenditure of the entity in conformity with the strategic plan.

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

#### 2. Non-Revenue Water

The statement of profit or loss and other comprehensive income for the year under review reported revenue from water sales of Kshs.78,730,581. The Company produced 2,404,979 cubic meters of water at a production cost of Kshs.55 per cubic meter out of which 974,939 cubic meters was distributed and billed to customers during the year under review. This represents 41% of water produced while 59% was unaccounted for water, which was over and above the industry threshold of 25% by 34%. The Water Services Regulatory Board (WASREB) Schedule E and KPI's Impact No.13 provide for Non-Revenue Water level of 20% as good; 20%-25% as acceptable while above 25% is unacceptable. This implies that the Company lost sales of approximately Kshs.65,817,558. Also, the amount of water loss increased from 54% in the prior year to 59% in the current year implying that no effort was made or measures instituted to reduce the loss of water and revenue.

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

#### 3. Late Remittance of Statutory Deductions

Review of the Company's payrolls, payment vouchers and payment slips for the year ending 30 June, 2023 revealed that a total of Kshs.1,604,242 for PAYE and NHIF was remitted after the deadline of ninth of each following month while Kshs.78,840 for NSSF was remitted after the deadline of fifteenth of each following month (See **Appendix**).

The Company was therefore in breach of the law and risked incurring penalties and interests on late remittance of statutory deductions.



#### **4. Non-Compliance with Affirmative Action on Gender, Ethnicity and Regional Distribution**

Review of the Company's payroll for the month of June, 2023, revealed that the Company has seventy-three (73) staff members, out of whom sixty-two (62) or 85% are from the dominant ethnic community leaving eleven (11) or 15% from other ethnic communities contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community.

Further, out of a total of 73 employees, twelve (12) employees or, 16% are female while the remaining majority of 61 employees or 84% are male contrary to the Public Service Commission Human Resource Policies and Procedures Manual of 2016 Part B.22(2) requiring that the Government will endeavour to have a gender balanced Civil Service by ensuring that not more than 2/3 of positions in its establishment are filled by either gender.

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

#### **5. Filing of Annual Company Returns**

Available information indicates that the Company was incorporated on 09 February, 2007 under the Companies Act Cap 486 of the laws of Kenya. However, there was no evidence provided for audit review to show that the Company submitted annual returns on or before 09 February, of every year after registration to the Registrar of Companies contrary to Section 705(1) of the Companies Act Cap 486 states that (1) Every Company shall submit to the Registrar successive annual returns each of which is made up to a date not later than the date that is from time to time the Company's return date. (2) The Company's return date is (a) the anniversary of the Company's incorporation; or (b) if the Company's last return lodged in accordance with this Part was made up to a different date – the anniversary of that date.

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

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

##### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, because of the significance of the matters discussed in the Basis



for conclusion, I confirm that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **1. Lack of Risk Assessment Policy and Disaster Recovery Plan**

The Company has not developed a risk management policy hence risk assessments were not performed for the year ended 2022/2023 contrary to Regulation 158(1) and 163(1) of the Public Finance Management (County Government) Regulations, 2015 which requires each County Government entity to develop risk management strategies and a system of risk management.

Also, a disaster recovery plan or business continuity plan was not in place to ensure that the Company recovered its functionality in case of an unplanned incident or disaster.

In the circumstances, existence of risk management strategy and plan could not be confirmed.

### **2. Lack of Internal Audit Function and Audit Committee**

The Company did not have an internal audit function contrary to Section 155(1)(a) of Public Finance Management Act, 2012 which states that a County Government entity shall ensure that it complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board; and to Section 155(5) of Public Finance Management Act, 2012 requiring County Government entities to establish audit committees in accordance with prescribed regulations.

In the circumstances, the existence of an effective mechanism to ensure strong internal controls could not be ascertained.

### **3. Information Technology Management**

Review of the information technology internal controls revealed that the Company did not have an approved ICT policy, IT Security policy, policy on physical access to IT environment and IT continuity and disaster recovery plan in place to guide ICT operations. Further, there were appropriate arrangements through an approved IT strategic plan for oversight and formulation of policies to ensure that IT department functions properly to assist in achievement of organizational objectives in an economic, efficient and effective way.

In the circumstances, there was no assurance on the Company's management of its IT assets and systems.

### **4. Lack of Substantive Board of Directors**

The Company operated without a Board of Directors during the year ended 30 June, 2023 contrary to Section 177 of the Companies Act, Cap 486 which states that every Company (other than a private company) registered after the appointed day shall have at least two



Directors, and every company registered before the appointed day and every private company shall have at least one Director.

On 15 June, 2023, the Governor of Turkana County appointed an interim Board of Directors to run the Company contrary to Section 79(1) of the Water Act, 2016 which requires that a water services provider should have a Board of Directors and in the case of a company, the members of its Board of Directors shall be constituted in accordance with the Companies Act, 2015 or any other written law and that the Directors be nominated to serve on the Board in accordance with the Company's Memorandum and Articles of Association.

In the circumstances, the Company was not likely to meet its objectives effectively and efficiently due to lack of oversight and management of the Board.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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.

### **Responsibilities of Management and the Board of Directors**

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) and for maintaining effective internal 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 going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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



and risk management and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

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

- 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 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 to 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

29 April, 2024



### Appendix - Late Remittance of Statutory Deductions

S/N	Description	Cheque No.	Amount (Kshs.)	Date Deposited
1	PAYE for July, 2022	5874	266,613.00	15/08/2022
2	NHIF for July, 2022	5875	70,150.00	15/08/2022
3	PAYE for September, 2022	5913	260,514.00	13/10/2022
4	NHIF for September, 2022	5916	69,850.00	13/10/2022
5	NHIF for December, 2022	5990	69,900.00	13/01/2023
6	PAYE for December, 2022	5989	261,899.00	12/01/2023
7	PAYE for May, 2023		237,083.85	10/07/2023
8	NHIF for May, 2023		68,350.00	10/07/2023
9	PAYE for June, 2023		231,883.35	10/07/2023
10	NHIF for June, 2023		68,000.00	10/07/2023
<b>Total</b>			<b>1,604,243.20</b>	
11	NSSF for May, 2023		78,840.00	10/07/2023
<b>Grand Total</b>			<b>1,683,083.20</b>	

**Lodwar Water and Sanitation Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2023**

**14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023**

	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	78,730,581.00	71,354,164.00
<b>Total Revenue</b>		<b>78,730,581.00</b>	<b>71,354,164.00</b>
<b>Expenses</b>			
Staff Costs	7	38,804,968.00	34,551,806.00
General and Operations expenses	8	27,119,457.00	27,897,988.00
Board Expenses	9	173,000.00	-
Maintenance Expenses	10	11,810,023.00	4,865,335.00
Depreciation and Amortization expenses	11	495,034.00	1,896,236.00
<b>Total Expenses</b>		<b>78,402,482.00</b>	<b>69,211,365.00</b>
<b>Profit Before Taxation</b>		<b>328,099.00</b>	<b>2,142,799.00</b>
Income Tax		(98,430.00)	
<b>Profit After Taxation</b>		<b>229,669.00</b>	<b>2,142,799.00</b>
<b>Total Comprehensive income for The Year</b>		<b>229,669.00</b>	<b>2,142,799.00</b>



**Lodwar Water and Sanitation Company Ltd.**

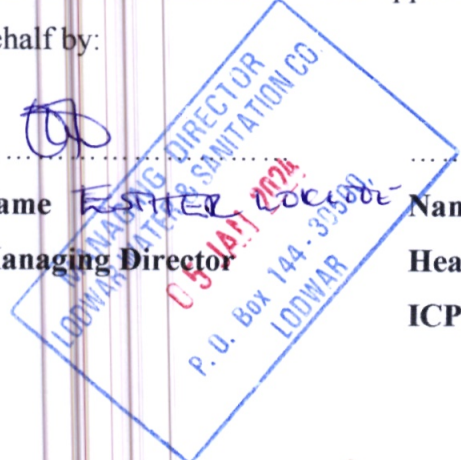
**Annual Report and Financial Statements for the year ended June 30, 2023**


**15. Statement of Financial Position as at 30<sup>th</sup> June 2023**


	Note	2022/2023	2021/2022
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	15,253,520.00	16,517,540.00
<b>Total non-current assets</b>		<b>15,253,520.00</b>	<b>16,517,540.00</b>
<b>Current assets</b>			
Trade and receivable	13	54,169,854.00	47,457,922.00
Bank and cash balances	14	510,485.00	1,452,324.00
<b>Total current assets</b>		<b>54,680,339.00</b>	<b>48,910,246.00</b>
<b>Total Assets</b>		<b>69,933,859.00</b>	<b>65,427,786.00</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	15	100,000	100,000
Retained earnings	16	2,372,468	2,142,799
<b>Capital and Reserves</b>		<b>2,472,468</b>	<b>2,242,799</b>
<b>Current liabilities</b>			
Provisions	17	5,792,485	382,000
Trade and other payables	18	80,782,957	6,709,015
Refundable deposits and Prepayments	19	15,783,925	32,027
<b>Total current liabilities</b>		<b>102,359,367</b>	<b>7,123,042.00</b>
<b>Total equity and liabilities</b>		<b>104,831,835</b>	<b>9,365,841.00</b>

The financial statements were approved by the Board on 5/11 2024 and signed on its behalf by:

  
 Name ESMIEL LOCELE  
 Managing Director



  
 Name LOPELEM PIEL  
 Head of Finance  
 ICPAK M/No. 22351

  
 Name AKETGA FATH AKUWOM  
 Chairman of the Board

## 16. Statement Of Changes in Equity for the Year Ended 30 June 2023

	Ordinary share capital	Retained earnings	Total
As at July 1, 2021	100,000 .00.		100,000.00
As at June 30, 2022	100,000.00	2,142,799.00	2,242,799.00
			-
As at July 1, 2022	100,000.00	2,142,799.00	2,242,799.00
Profit for the year	-	229,669.00	229,669.00
<b>At June 30, 2023</b>	<b>100,000 .00</b>	<b>2,372,468.00</b>	<b>2,472,468.00</b>



**Lodwar Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**17. Statement of Cash Flows for the Year Ended 30 June 2023**

	Note	FY 2022-2023	FY 2021-2022
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts		57,964,993 .00	69,231,224 .00
<b>Total Receipts</b>	20	<b>57,964,993 .00</b>	<b>69,231,224 .00</b>
<b>Payments</b>			
Staff Costs		26,438,038 .00	34,551,806.00
General And Operation Expenses		20,468,011 .00	27,897,988.00
Board Expenses		173,000 .00	-
Maintenance Expenses		11,810,023 .00	4,865,335 .00
Refund Of Customer Deposits		17,760 .00	-
<b>Total Payments</b>		<b>58,906,832 .00</b>	<b>67,315,129 .00</b>
<b>Net Cash From/ (Used In) Operating Activities</b>		<b>- (941,838.00)</b>	<b>1,916,095 .00</b>
Cash And Cash Equivalents At Beginning Of Year		1,452,323.00	1,916,095
<b>Cash And Cash Equivalents At End of the Year</b>		<b>510,485 .00</b>	<b>1,452,323.00</b>

18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

	Original budget	Actual on comparable basis	Performance difference	% of utilization
	a	D	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	
Operating Revenue	-	78,730,581.00	-	
<b>Total Revenue</b>		<b>78,730,581.00</b>	-	
Expenses				
Staff Costs	-	38,804,968.00	-	-
Board Expenses	-	173,000.00	-	-
General and operations Expenses	-	27,119,457.00	-	-
Maintenance	-	11,810,023.00	-	-
Depreciation and Amortization expenses		495,034.00		
Total Recurrent Expenditure	-	<b>78,402,482.00</b>	-	-
<b>Profit</b>		<b>328,099.00</b>		

There was no approved budget for the year under review due to the appointment of Board of Directors at the tail end of the financial year.



## **19. Notes to the Financial Statements**

### **1. General Information**

Lodwar water and sanitation Company Ltd is established by and derives its authority and accountability from the Company's Act cap 486. The Company is partially owned by Turkana County Government and is domiciled in Kenya. The Company's principal activity is to provide water and sanitation services to residents of Lodwar Municipality. 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.

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 Cap 486, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**Lodwar Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Notes to the financial statements (continued)

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

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

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 <sup>st</sup> January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies.  (Entity to state whether this has brought about changes to the accounting policies disclosed)	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.



**Notes to the Financial Statements (Continued)**

**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.

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

**Notes to the financial statements (continued)**

**4. Summary of 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 realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.



**Notes to the financial statements (continued)**

**Summary of 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 in 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.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**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 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:

<b>Item</b>	<b>Years</b>	<b>Rates</b>
Buildings and civil works including pipes	-	2.5%
Infrastructure works(Meter and Equipments)	-	12.5%
Motor vehicles, including motorcycles	-	25%
Computers and related equipment	-	20.4%
Office equipment, furniture and fittings	-	12.5%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

**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.



**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**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 and the asset is written down to its estimated recoverable amount.

**g) Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized. ~~(000)~~

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**h) Right of Use Asset**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever 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.

**i) Fixed interest investments (bonds)**

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

**j) Quoted investments**

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



**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

**l) Inventories**

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

**m) Trade and other receivables**

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**n) Taxation**

**i) Current income tax**

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

**o) Deferred tax**

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

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



**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

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

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

**p) Borrowing costs**

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

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**q) Cash and cash equivalents**

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

**r) Borrowings**

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

**s) Trade and other payables**

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



**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**t) Retirement benefit obligations**

The Company does not operate a defined contribution scheme for all full-time employees.

**u) 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.

**v) Exchange rate differences**

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

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**w) Budget information**

There was no approved budget in the year under review.



**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**x) 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.

**y) Comparative figures**

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

**z) 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 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.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**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 for 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 40.

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

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



**Lodwar Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the financial statements (continues)**

**6. Operating Revenue**

Description	2022/2023	2021/2022
	Kshs	Kshs
Water sales	78,474,581.00	71,354,164.00
Connection fees	256,000.00	
<b>Total</b>	<b>78,730,581.00</b>	<b>71,354,164.00</b>

**7. Staff costs**

Description	2022/2023	2021/2022
	Kshs	Kshs
Gross Salary and Allowances	32,940,283.24	34,551,806.00
Employer's contributions to social security schemes	372,200.00	-
Gratuity provisions	5,492,485.14	-
<b>Total</b>	<b>38,804,968.38</b>	<b>34,551,806.00</b>
<b>The average number of employees during the year</b>	<b>73</b>	<b>73</b>

**8. General and Operations Expenses**

Description	2022/2023	2021/2022
	Kshs	Kshs
Electricity	19,827,559.00	20,812,000.00
Fuel, oil, lubricants, and gases	973,255.00	1,392,750.00
Office supplies	1,136,596.00	67,420.00
Telecommunication	707,800.00	491,050.00
Insurance	42,658.00	43,993.00
Operations Cost	-	3,623,155.00
Domestic Traveling and subsistence	1,846,140.00	205,500.00
Staff training and development	409,000.00	157,500.00
Consumables	-	37,700.00
Provision for audit fees	300,000.00	382,000.00
Bank Charges	96,039.00	145,000.00
Cleaning expenses	19,400.00	53,100.00
Publicity and advertising	8,000.00	-
Legal fees	1,200,000.00	-
Consultancy fees	276,000.00	-
Printing and stationery	-	486,820.00
Hospitality expenses	89,000.00	-
Others Refund to Customer	17,760.00	-
Others Burial expenses	159,000.00	-
Subscription to professional bodies	11,250	-
<b>TOTAL</b>	<b>27,119,457.00</b>	<b>27,897,988.00</b>





**Lodwar Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Notes to the financial statements (continued)

**9. Board Expenses**

Description	2022/2023	2021/2022
	KShs	KShs
Sitting allowances	173,000.00	-
<b>Total</b>	<b>173,000.00</b>	<b>-</b>

**10. Maintenance Expenses**

Description	2022/2023	2021/2022
	Kshs	Kshs
Infrastructural networks	7,031,173.34	-
Repair and maintenance of Boreholes	3,782,640.00	4,865,335.00
Motor vehicles	450,500.00	-
ICT (Information Communication Technology)	545,709.60	-
<b>Total</b>	<b>11,810,022.94</b>	<b>4,865,335.00</b>

**11. Depreciation and Amortization Expenses**

Description	2022/2023	2021/2022
	KShs	KShs
Property, plant, and equipment	495,033.93	1,896,236.00
<b>Total</b>	<b>495,033.93</b>	<b>1,896,236.00</b>

**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

Notes to the financial statements (continued)

**12. Property, Plant and Equipment**

<b>FY 2021/2022</b>	<b>Water &amp; Sewer Infrastructure</b>	<b>Meters and Equipment</b>	<b>Motor vehicles, including, motor cycles</b>	<b>Computers &amp; related Equipmnts</b>	<b>Office equipment , furniture &amp; fittings</b>	<b>TOTAL</b>
<b>Cost Or Valuation</b>						
At July 1, 2021	16,748,352.00	1,329,089.00	11,147,250.00	1,632,930.00	610,601.00	31,468,222
Additions					-	-
<b>At June 30, 2022</b>	<b>16,748,352.00</b>	<b>1,329,089.00</b>	<b>11,147,250.00</b>	<b>1,632,930.00</b>	<b>610,601.00</b>	<b>31,468,222</b>
<b>Depreciation</b>						
Accumulated as At July 1, 2022	837,418.00	1,279,371.00	11,147,250.00	1,408,696.00	277,947.00	14,950,682
Charge For the Year	418,708.80	166,136.13	745,187.00	489,879.00	76,325.00	1,896,236
<b>At June 30, 2022</b>	<b>837,418.00</b>	<b>1,279,371.00</b>	<b>11,147,250.00</b>	<b>1,408,696.00</b>	<b>277,947.00</b>	<b>14,950,682</b>
<b>Net Book Value At June 30, 2022</b>	<b>15,910,934.00</b>	<b>49,718.00</b>	<b>-</b>	<b>224,234.00</b>	<b>332,654.00</b>	<b>16,517,540</b>
<b>FY 2022/2023</b>	<b>Water &amp; Sewer Infrastructure</b>	<b>Meters and Equipment</b>	<b>Motor vehicles, including, motor cycles</b>	<b>Computers &amp; related Equipmnts</b>	<b>Office equipment , furniture &amp; fittings</b>	<b>TOTAL</b>
<b>Cost or valuation</b>						
As at 1 July 2022	16,748,352.00	1,329,089.00	11,147,250.00	1,632,930.00	610,601.00	17,358,953
<b>As at 30<sup>th</sup> June 2023</b>	<b>16,748,352.00</b>	<b>1,329,089.00</b>	<b>11,147,250.00</b>	<b>1,632,930.00</b>	<b>610,601.00</b>	<b>17,358,953</b>
<b>Depreciation</b>						
Accumulated depreciation At July 1, 2022	1,256,126.80				354,272.00	1,610,399
Charge for the year	418,708.80		-	-	76,325.13	495,034
<b>As at 30<sup>th</sup> June 2023</b>	<b>1,674,835.60</b>		<b>-</b>	<b>-</b>	<b>430,597.13</b>	<b>2,105,433</b>
<b>Net Book Value At June 30, 2023</b>	<b>15,073,516.40</b>		<b>-</b>	<b>-</b>	<b>180,003.88</b>	<b>15,253,520</b>



**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

**Notes to the financial statements (continued)**

**Valuation**

There was no valuation done during the year

**12 (b) Property, Plant and Equipment at Cost**

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Water & Sewer Infrastructure	16,748,352.00	1,674,836.00	15,073,516.00
Office equipment, furniture, and fittings	610,601.00	430,597.00	180,004.00
<b>Total</b>	<b>17,358,953.00</b>	<b>2,105,433.00</b>	<b>15,253,520.00</b>

Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
Water & Sewer Infrastructure	16,748,352.00	418,708.80.00
Office equipment, furniture, and fittings	610,601.00	76,325.13.00
Motor vehicles, including, motor cycles	11,147,250.00	
Computers & related Equipmnts	1,632,930.00	
Meters and Equipment	1,329,089.00	
<b>Total</b>	<b>31,468,222.00</b>	<b>495,034.00</b>

**13. Trade and Other Receivables**

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Trade receivables (note (13a))	54,169,854.00	47,457,922.00
<b>Gross trade and other receivables</b>	<b>54,169,854.00</b>	<b>47,457,922.00</b>



**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

**Notes to the financial statements (continued)**

<b>13. (a) Trade receivables</b>		
	<b>FY 2022/2023</b>	<b>FY 2021/2022</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Gross trade receivables	54,169,854.00	47,457,922.00
Net trade receivables	54,169,854.00	47,457,922.00
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	5,700,841.00	
Between 30 and 60 days	3,113,024.00	-
Between 31 and 90 days	2,835,739.00	
Over 91 days	42,520,250.00	-
<b>Total</b>	<b>54,169,854.00</b>	<b>-</b>

**14. Bank and Cash Balances**

	<b>FY 2022/2023</b>	<b>FY 2021/2022</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Cash at bank(KCB)	438,124.57	1,372,603.80
Cash at bank(Post Bank)	7,250.00	15,860.00
Cash in hand	-	
Mobile money account (Mpesa paybill 830540)	65,110.00	63,860.00
	<b>510,484.57</b>	<b>1,452,323.80</b>

<b>Detailed analysis of the cash and cash equivalents</b>			
		<b>FY 2022/2023</b>	<b>FY 2021/2022</b>
<b>Financial institution</b>	<b>Account number</b>	<b>KShs</b>	<b>KShs</b>
<b>a) Current account</b>			
KCB BANK	1107210933	10,797.21	<b>1,372,603.80</b>
KCB BANK	1129622762	393,057.56	-
KCB BANK	1106908236	34,356.25	-
KCB BANK	1132124352	- 86.45	
POST BANK		7,250.00	<b>15,860.00</b>
<b>Sub- total</b>		<b>445,374.57</b>	<b>1,388,463.80</b>
Mobile money account (Mpesa paybil 830540)		65,110.00	63,860.00
<b>Grand total</b>		<b>510,484.57</b>	<b>1,452,323.80</b>



Notes to the financial statements (continued)

15. Ordinary Share Capital

Description	FY 2022/2023	FY 2021/2022
<b>Authorized:</b>		
100 ordinary shares of Kshs.1000 par value each	100,000.00	100,000.00

16 Retained Earnings

Description	Ordinary share capital	Retained earnings	Total
As at July 1, 2021 (Previous FY)	100,000		100,000.00
As at June 30, 2022(Previous FY)		2,142,799.00	2,142,799.00
			-
As at July 1, 2022 (Current FY)	100,000	2,142,799.00	2,242,799.00
Loss for the year		229,669.13	229,669.13
<b>At June 30, 2023(Current FY)</b>	<b>100,000</b>	<b>2,372,468.13</b>	<b>2,472,468.13</b>
<b>Balance at the end of the year</b>	<b>100,000.00</b>	<b>2,372,468.13</b>	<b>2,472,468.13</b>

17.Provisions details

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Current Portion of Provisions for Gratuity	5,492,485	
Current Portion of Provisions for Audit fees	300,000	382,000.00
<b>Total</b>	<b>5,792,485</b>	<b>382,000.00</b>

18. Trade and Other Payables

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Trade payables	920,378.00	6,709,015.00
Accrued expenses	32,706,480.00	
Employee payables	45,566,642.00	
Other payables	1,589,457.00	
<b>Total</b>	<b>80,782,957.00</b>	<b>6,709,015.00</b>

**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

**Notes to the financial statements (continued)**  
**Aging Analysis for Trade and other Payables**

Description	FY 2022/2023	% of the total	FY 2021/2022
	Under one year	7,239,055.75	9%
1-2 years	6,916,396.20	9%	
2-3 years	2,238,478.54	3%	
Over 3 years	64,389,026.18	80%	
<b>Total</b>	<b>80,782,956.67</b>		

**19. Refundable Deposits and Prepayments**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Customer deposits	10,417,000.00	-
Prepayments by customers	5,366,925.00	-
<b>Total</b>	<b>15,783,925.00</b>	<b>-</b>

**20. Notes to The Statement of Cash Flows**

		2022-2023	2021-2022
		Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>			
Profit or loss before tax		229,669.13	2,142,799.00
Depreciation		495,033.93	1,896,236.00
Provision for gratuity		5,492,485.14	
Provision for audit fees		300,000.00	-
<b>Working capital changes:</b>		-	-
less Increase in trade and other receivables		6,711,932.00	-
add Increase in trade and other payables		58,182,634.66	-
<b>Cash generated from/ (used in) operation</b>	<i>20</i>	<b>57,987,890.85</b>	<b>-</b>
		-	-
<b>(c) Analysis of cash and cash equivalents</b>			
Cash at bank		445,374.57	1,452,323.80
Cash in hand		65,110.00	
		<b>510,484.57</b>	



**Notes to the financial statements (continued)**

**Other Disclosures**

**21. Related Party Disclosures**

**County Government of Turkana**

The County Government of Turkana is the principal shareholder of the Company, holding 60% of the Company's equity interest. The County of Government of Turkana has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

**Transactions with related parties**

	2022-2023	2021-2022
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Water sales to Govt. agencies	14,060,500.00	-
<b>Total</b>	<b>14,060,500.00</b>	-

**22. Contingent Assets and Liabilities**

**Contingent Liabilities**

	2022-2023	2021-2022
	Kshs	Kshs
<b>Contingent liabilities</b>	-	-
Court case Benmay Plumbers against the entity	1,200,000.00	-
<b>Total</b>	<b>1,200,000.00</b>	-

**Notes to the financial statements (continued)**

**23. 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 minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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

Description	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs
<b>At 30 June 2023</b>			
Trade Receivables	6,711,932.00		6,711,932.00
Bank balances	510,484.57		510,484.57
<b>Total</b>	<b>7,222,416.57</b>		<b>7,222,416.57</b>
<b>At 30 June 2022 (previous Year)</b>			
Receivables	47,457,922.00		47,457,922.00
Bank balances	1,452,323.80		1,452,323.80
<b>Total</b>	<b>48,910,245.80</b>		<b>48,910,245.80</b>



**Notes to the financial statements (continued)**

**Credit Risk (Continued)**

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

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

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the 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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June current year</b>				
Trade payables	-		74,073,942.00	74,073,942.00
<b>Total</b>	-		-	
<b>At 30 June previous year</b>				
Trade payables	-		6,709,015.00	6,709,015.00
<b>Total</b>				<b>80,782,957.00</b>

**(iii) 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.

**Notes to the financial statements (continued)**

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures

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

The company's 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.

**a) Foreign currency risk**

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



**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

**Notes to the financial statements (continued)**

**b) 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 from interest rate movements on the company's deposits.

**i) Management of interest rate risk**

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

**ii) Capital Risk Management**

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

	<b>2022 - 2023</b>	<b>2021 - 2022</b>
	Kshs	Kshs
Revaluation reserve	-	-
Profit for the period	229,669.00	2,142,799.00
Capital reserve	100,000.00	100,000.00
<b>Total funds</b>	<b>329,669.00</b>	<b>2,242,799.00</b>
Total borrowings		
Less: cash and bank balances	510,484.00	1,452,324.00
Net debt/ (excess cash and cash equivalents)	(180,815.00)	790,475.20

**6. Incorporation**

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

**7. Events After the Reporting Period**

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

**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

**Notes to the financial statements (continued)**

**20.Appendices**

**Appendix 1: progress on follow up of auditor recommendations.**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p><b>Approval of Financial Statements</b> The financial statements of Lodwar Water and Sanitation Company Ltd for the year ended 30 June, 2022 were submitted to the Auditor General on 27 October, 2022. The financial statements were signed by team Leader and accountant. However, during the year, the company operated without a board and the financial statements were therefore not approved and signed by board in contrary to section 652(1) of the Companies Act, CAP 486 which requires directors to approve and sign financial statements as soon as practicable after a company's annual financial statement has been prepared, the directors shall approve the statement and arrange for one or more of them to sign it and section 652(2) which states that the directors shall sign their names on the company's balance sheet.</p> <p>In the circumstances, the</p>	<p>lodwar water and sanitation company limited did not have board of directors whose mandated to approve annual budget that can guide the entity in any operation in business as required by the law governing PFM ACT</p>	<p>Resolved</p>	



**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	validity and accuracy of the company financial statements for the year ended 30 June, 2022 could not be confirmed.	,2012 in every organisation		
2	<p><b>Presentation of Financial Statements</b></p> <p>The financial statements of Lodwar Water and Sanitation Company Limited for the year ended 30 June, 2022 does not include the following reports and statements; the particulars and qualification of the board of directors, Chairman's statement, report of the Team Leader, Corporate Governance Statement, Environmental and Sustainability Reporting, Information regarding CSR activities undertaken during the year, Statement of Directors' Responsibility, Page on report of independent auditors and Statement of comparison of budget and actual Amounts for the period ended 30 June, 2022 is not included in the financial statements contrary to the National Treasury Circular Ref AG 4 /16/3 Vol.2(66) dated 6 July, 2022 which issued revised financial statement reporting templates for state organs and public entities effective 30 June, 2022.</p> <p>Further, page numbering of the</p>		Not resolved	June 2023

**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>financial statements has not been done consistently. Numbering of financial statements starts from page 14 to page 19 after which no page numbering is done to last page which should be page 35. In addition, the company management did not use roman numbers in respect of company information and management reports as provided for in approved financial reporting template. In the circumstances, the financial statements do not comply with approved financial reporting template</p>			
3	<p><b>Late Submission of Financial Statements</b></p> <p>The financial statements of Lodwar Water and Sanitation Company Limited for the year ended 30 June 2022 were submitted to the office of Auditor General on 27 October 2022 instead of the statutory deadline of 30 September 2022 contrary to section 149(2) (k) of the Public Finance and Management Act, 2012 states that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned— not later than three months after the end of each financial year, prepare annual financial</p>	<p>The management acknowledges the delay. This delay was caused by sending of financial statement to the office of auditor general Eldoret hub 8<sup>th</sup> floor</p>	Resolved	



**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.</p> <p>In the circumstances, the management is in breach of the Law and late submission of financial statements affects Auditor General's audit timetable and statutory reporting timelines</p>	<p>without knowing that the office has been relocated to kakamega</p>		
4.	<p><b>Lack of Board of Directors</b></p> <p>Lodwar Water and Sanitation Company Ltd operated without a board of directors during the year ended 30 June 2022 contrary to Section 177 of the Companies Act, CAP 486 which states that every company (other than a private company) registered after the appointed day shall have at least two directors, and every company registered before the appointed day and every private company shall have at least one director. Further, at the time of audit in January, 2023, the board was yet to be constituted.</p> <p>In the circumstances, the company is not likely to meet its objectives effectively and efficiently due to lack of oversight and management of the board.</p>		Resolved	

**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5	<p><b>Lack of Operational Budget</b>                      The statement of financial performance reflects expenses amount of Kshs.46,294,184 for the year ended 30 June 2022. However, the management did not provide the approved budget estimates contrary to Section 149 (2) (h) of the Public Finance Management Act, 2012 which requires the accounting officer to prepare estimates of the expenditure of the entity in conformity with strategic plan.                      In the circumdtance, the Management was in breach of the law and the propriety of the total payments of Kshs.46,294,184 for the year ended 30 June 2022 could not be confirmed.</p>		Not resolved	June 2024
6.	<p><b>Non-Revenue Water</b>                      The statement financial performance reflects water sales of Kshs.71,354,164 for the year ended 30 June 2022.The water company produced 2,304,940 cubic meters of water at a production cost of Kshs.55 Per cubic meter out which 1,060,299 cubic meters or 46% was distributed and billed to customers during the year under review while1,244,641 cubic meters or 54% water produced was not unaccounted for.                      However, un accounted for</p>	<p>county government is in the process of establishing board of directors. Once this is completed, policies shall be formulated to curb water</p>	Not Resolved	June 2024



**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>water loss of 54% exceeds the industry threshold of 25% contrary to the Water Services Regulatory Board (WASREB) schedule E and the KPI's impact No.13 benchmarks, which provides for a Non-Revenue Water level of under 20% as good, 20-25% as acceptable, while above 25% is not acceptable. Further, the amount of water loss increased from 50% in the prior year to 54% in the current year implying that the management has not instituted measures to curb the loss to below recommended rates.</p> <p>In the circumstances, the Management was in breach of regulations and lost revenue amounting to approximately Kshs.62,232,050 at an average cost of Kshs.50 per cubic meter over and above the acceptable level.</p>	theft		
7.	<p><b>Non-Compliance with Framework for the Approved Establishment and Compliment Controls</b></p> <p>The statement of financial performance reflects administrative cost of Kshs.35,339,058 year ended 30 June 2022 which includes employee cost of Kshs.34,305,442 as disclosed in Note 8 to the financial statements.</p>		Not resolved	June 2024

**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>However, during the year ended 30 June 2022, the company operated without important human resource instruments including: organizational structure, staff grading and Establishment, career guidelines and Human Resource Policy and Procedures Manual contrary to State Corporation Advisory Committee Circular OP/SCAC.9/21/1/1 issued on 15th May 2017 requiring all State Corporations to submit the following HR Instruments for approval by 31 August 2017.</p> <p>In the circumstances, the Management was not effectively and efficiently managing human resource for the benefit of the company.</p>			
8.	<p><b>Late Remittance of Statutory Deductions</b></p> <p>The statement of financial performance reflects administrative cost of Kshs.35,339,058 year ended 30 June 2022 which includes employee cost of Kshs.34,305,442 as disclosed in note 8 to the financial statements. However, audit review of PAYE and NHIF remittances for the year ended 30 June 2022 revealed late remittance of Kshs.1,176,287 to respective government agencies after the deadline of</p>		Resolved	



**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>ninth of each following month. In the circumstances, the Management was in breach of the law and late remittance of statutory deductions attracts penalties resulting in loss of public funds.</p>			
9	<p><b>Non-compliance with Affirmative action on Gender, Ethnicity and Regional Distribution</b></p> <p>The statement of financial performance reflects administrative cost of Kshs.35,339,058 for the year ended 30 June 2022 which includes employee cost of Kshs.34,305,442 as disclosed in note 8 to the financial statements.</p> <p>Audit review of the company's payroll for month of June 2022, revealed that Lodwar Water and Sanitation Company Ltd had a staff establishment of eighty (80), out of whom sixty-seven (67) or 84% of staff are from the dominant ethnicity leaving thirteen (13) or 16% from other ethnicities contrary to section 7(1) and (2) of the National Cohesion and integration Act, 2008 which requires that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall</p>		Not resolved	

**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>have more than one third of its establishment from the same ethnic community.</p> <p>Further, out of a total staff establishment of 80 employees, thirteen (13) employees or, 16% are female while the remaining majority of 67 employees or 84% are men contrary to the Public Service Commission Human Resource Policies and Procedures Manual for the Public Service, 2016 section B.22 (1) and (2) on Non Discrimination in Employment which provides that the Government shall promote equality of opportunity in employment and will not discriminate directly or indirectly against an employee on any grounds including race, sex, pregnancy, marital status, health status, ethnic or social origin, color, age, disability, religion, conscience, belief, culture, dress, language or birth and that the Government will endeavor to have a gender balanced Civil Service by ensuring that not more than 2/3 of positions in its establishment are filled by either gender</p> <p>In the circumstances, noncompliance with the law is likely to have a negative impact on national cohesion and integration.</p>			



**Lodwar Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>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.</p>			

Name .....

*ESTHER WAGNER*

Signature .....

*[Signature]*

Managing Director

Date .....

*5/1/2024*



