

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**

**WAJIR WATER AND SEWERAGE COMPANY  
LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

| PAPERS LAID        |                      |
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**WAJIR WATER & SEWERAGE COMPANY LIMITED (WAJWASCO)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2024**

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

**Wajir Water and Sewerage Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**1. Acronyms and Glossary of Terms**

|                 |   |
|-----------------|---|
| <i>ICPAK</i>    | <i>Institute of Certified Public Accountants of Kenya</i> |
| <i>IFRS</i>     | <i>International Financial Reporting Standards</i>        |
| <i>MD</i>       | <i>Managing Director</i>                                  |
| <i>PFM</i>      | <i>Public Financial Management</i>                        |
| <i>PSASB</i>    | <i>Public Sector Accounting Standards Board</i>           |
| <i>WASREB</i>   | <i>Water Services Regulatory Board</i>                    |
| <i>WAJWASCO</i> | <i>Wajir Water and Sewerage Company Limited</i>           |

# Wajir Water and Sewerage Company Limited

## Annual Report and Financial Statements for the year ended June 30, 2024

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### 2. Key Entity Information

#### Background information

Wajir Water & Sewerage Co. Ltd, (WAJWASCO) was incorporated in 2013 under the companies Act 2002 (cap.486). The company is currently regulated by WASREB, through a Service Provision Agreement (SPA) dated 30/09/2014 to provide water supply & sewerage services within Wajir Town & its environs. The County Government of Wajir has appointed WAJWASCO as a Water Services Provider (WSP) for the whole of Wajir County.

#### Principal Activities

The principal activity of the Company is to

- To provide & distribute a constant supply of water for commercial, industrial & domestic purposes within the jurisdiction of County Government of Wajir
- To be responsible for the provision & maintenance of water & sewerage services within the jurisdiction of County Government of Wajir.

#### OUR VISION

Water for all & Dignified Sanitation

#### OUR MISSION

To be the best provider of sustainable quality water & sanitation services for Wajir County.

#### OBJECTIVES

- To provide water supply & sewerage services in urban & market growth areas.
- To enhance good governances & performance of rural water supply facilities.
- To increase access to good quality water & sewerage /safe sanitation
- To promote hygiene & safe sanitation (in partnership with other partners & players)
- Reduction of non-revenue water & unnecessary wastages.

#### Directors

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

|    | Name                         | Designation       | Appointment Date |
|----|------------------------------|-------------------|------------------|
| 1  | Sahara Dahir Ibrahim         | Chair Person      | August 2023      |
| 2  | Rashid Adullahi Ibrahim      | Vice Chair person | August 2023      |
| 3  | Adan Ismail Kulow            | Member            | August 2023      |
| 4  | Abdi Mohamud Abdirahman      | Member            | August 2023      |
| 5  | Mohamed Hassan Hussein       | Member            | August 2023      |
| 6. | <b>Mr. Roble Ahmed Subow</b> | Ex Officio Member | August 2022      |

**Wajir Water and Sewerage Company Limited**  
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**Company Headquarters**

Wajwasco House  
P.O. Box 708-70200  
Wajir, Kenya.

**Entity Contacts**

**Telephone: +254723238242**

E-mail: [info@wajirwater.co.ke](mailto:info@wajirwater.co.ke)

Website: [www.wajirwater.co.ke](http://www.wajirwater.co.ke)

**Corporate Bankers**

Equity Bank Limited  
Wajir Branch  
PO. Box 75104,  
Wajir, Kenya

**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

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**3. The Board of Directors**

| Directors   | Details   |
|---|---|
|    | <p><b>Mrs. Sarah Dahir Ibrahim</b><br/> <b>Designation:</b> Chair Lady<br/>           Appointed August 2023<br/> <b>Qualification:</b><br/>           Masters in Cultural projects for development<br/>           Bsc International Business Administration Finance<br/> <b>Occupation:</b> Educationist<br/> <b>Years of Experience:</b> Over 12 years</p>   |
|    | <p><b>Mr. Adan Ismail Kulow</b><br/> <b>Designation:</b> Member<br/>           Appointed August 2023<br/> <b>Qualification:</b><br/>           Master of Public Health<br/>           Bachelor of Science Nursing and Public Health<br/> <b>Occupation:</b> Nursing and Public Health<br/> <b>Years of Experience:</b> Over 10 years</p>  |
|   | <p><b>Mr. Rashid Abdullahi Ibrahim</b><br/> <b>Designation:</b> Vice chair<br/>           Appointed: August 2023<br/> <b>Qualification:</b><br/>           Bachelor of science in nursing<br/>           Diploma in Registered Nurse<br/> <b>Occupation:</b> Administrative medical services<br/> <br/> <b>Years of Experience:</b> Over 20 years</p>   |
|  | <p><b>Mr. Abdi Mohamud Abdirahman</b><br/> <b>Designation:</b> Member<br/>           Appointed August 2023<br/> <b>Qualification</b><br/>           Bachelor of education in early childhood &amp; Primary education<br/> <b>Occupation:</b> Educationist<br/> <b>Years of Experience:</b> 30 years</p>   |
|  | <p><b>CPA Mohamed Hassan Hussein</b><br/> <b>Designation:</b> Vice chair<br/>           Appointed: August 2023<br/> <b>Qualification:</b><br/>           Masters' degree (Finance option) from University of Nairobi<br/>           Bachelors of Business Management (BBM)<br/>           CPA(K) and a registered member of Institute of Certified Public Accountants of Kenya (ICPAK)<br/> <b>Years of Experience:</b> Over 20 years</p> |



**Mr. Roble Ahmed Subow**

**Designation:** The Managing Director

Appointed: August 2022





**Qualification:**



Business Administration (Accounting and Finance) – Kingston University UK, Member of ACCA-UK

**Occupation:** Accountant/Risk Analyst

**Years of experience:** Over 10 years

4. Key Management Team

| Managers  | Details  |
|---|--|
|    | <p><b>Mr. Roble Ahmed Subow</b><br/> <b>Designation:</b> The Managing Director<br/>                     Appointed: August 2022<br/> <b>Qualification:</b><br/>                     Business Administration (Accounting and Finance) – Kingston University UK, Member of ACCA-UK<br/> <b>Occupation:</b> Accountant/Risk Analyst<br/> <b>Years of experience:</b> Over 10 years</p>   |
|    | <p><b>Mrs. Maryan S Abdirahma</b><br/> <b>Designation:</b> Principal Human Resource<br/> <b>Responsibility:</b><br/>                     recruiting, selecting, Orienting, training, coaching, counselling &amp; disciplining staff; planning, monitoring, appraising, &amp; reviewing staff job<br/> <b>Qualification:</b><br/>                     Bachelor in Human Resource Management (University of Nairobi).</p>  |
|  | <p><b>Habon Gure Hassan</b><br/>                     Designation: Finance Manager<br/> <b>Responsibility:</b><br/>                     Providing financial reports &amp; interpreting financial information to managerial staff while recommending further courses of action. Advising on accountability activities &amp; provide strategies that the company should take.<br/> <b>Qualification:</b><br/>                     B.com Accounting (Egerton University)<br/>                     10 Years' Experience</p> |
|  | <p><b>Mr. Abdirashid Hussein Hassan</b><br/>                     Designation: Head of ICT<br/> <b>Responsibility:</b><br/>                     To oversee all IT (Information Technology) functions in our company. He is in charge of the management of the company's technology operations &amp; the implementation of new IT systems &amp; policies.<br/> <b>Qualification:</b> Bsc Computer Science-USIU<br/>                     5 Years' Experience</p>  |

|   |   |
|---|---|
|  | <p><b>Mr. Mohamed Omar Issack</b><br/><b>Designation:</b> Compliance Manager<br/><b>Responsibility:</b><br/>providing legal counsel to the BoD,s Chairman, of the board, chief executive officer &amp; other senior management. Ensures compliance to all relevant rules &amp; regulations affecting the company.<br/><b>Qualification:</b> LLB Mount Kenya University, Post Graduate Diploma KSL</p> |
|  | <p><b>Mr. Isir Ibrahim Abdi</b><br/><b>Designation:</b> Accountant<br/><b>Qualification:</b><br/>Degree Bcom Finance Options<br/>Qualified Accountant CPA (K) and a registered member of Institute of Certified Public Accounts of Kenya (ICPAK).<br/><b>ICPAK No. 30835</b></p>  |

**5. Chairman's Statement**

On behalf of the Board of Directors, the Management & Employees, I present the Annual Financial Reports for the Year ended 30<sup>th</sup> June 2024. The Board of Directors was responsible to oversee the overall management of Wajwasco for the period under review. The board continued with the implementation of the adopted five (5) year strategic plan (Year 2019-2024). The Company's outlook is promising however the economic challenges left by the prolonged drought & cool winter which slowed business has affected the performance of the company during the financial year. Our Service provision has improved during the financial year building on the successes achieved during the past financial year.

We have continued on our mission to rehabilitate the old & dilapidated water supply system by undertaking numerous rehabilitations & replacements of aged water pipelines & pumping units. The Company improvement has seen us continue attracting investments from Donors including European union, Danish Government & the World Bank through the Ministry of water, sanitation & irrigation and Water Fund. The challenges of water quantity supplied & Sewerage Services will be resolved through the Water & Sewerage infrastructure project financed by World Bank which is ongoing. We are building on the gains made in this financial year with the committed Board, Management & staff. We expect to grow the customer base, revenue & use technology to improve our services.

Finally, I would like to express my appreciation to the Board, CECM Water, Energy, environment & Natural resources, Chief Officer water services, The Management, staff, our customers, suppliers, donors & all other stakeholders for the support to the company.



.....  
Sarah Dahir Irahim

**Chairperson of the Board**

Date: 20-09-2024

**6. Report of the Managing Director**

I wish to acknowledge the good work & the helping hands we have enjoyed from the County Government of Wajir, World Bank & other development partners. We would also like to thank our consumers & the general public both who have been very co-operative in payment of bills for the water services provided. Despite population growth and increasing urban settlement with population estimated at 781, 263 while on the other hand the animal population is estimated at 1.2 million camels, 0.9 million cattle, 2.1 million sheep, 3.1 million goats, 0.5 donkeys & 0.8 chicken.

According to the Kenya National Bureau of Statistics (KNBS) 2019 census, Currently the company is managing 20 Boreholes with total annual production of 135,572M3 from the boreholes against total annual demand of 528,000M3. WAJWASCO is governed by a board who oversees the operations of the company, spearheaded by a managing director. The company has five key departments with well trained & experienced staff in the various sections of the company. The company continually evaluates human resource needs in order to reduce the current level of overstaffing so as to enhance effective & efficient services delivery.

Total Sales revenue for the year is Kshs.15,407,190 representing a 53% increase from Kshs.10,073,250 sale of water during last financial year ended 30th June 2023, this is largely attributed to more boreholes under Wajwasco during financial year 2023-2024. The company also received Kshs.707,197,867 in capital grants to undertake developmental projects within the county. The slow growth in the sales revenue was largely attributed to the prolonged drought in the area which led to the worsened economic situation of our customers. Our receivables remained at Kshs.48,248,829. Which is a huge amount of money we couldn't collect because of the prevailing situations.



.....

Role Ahmed Subow

Managing Director, Wajwasco

Date:20-09-2024

**Wajir Water and Sewerage Company Limited**  
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**7. Statement of Performance Against Predetermined Objectives for FY 2023/2024**

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

WAJWASCO has 4 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024- FY 2025. These strategic pillars/ themes/ issues are as follows:

1. Water and Sanitation Infrastructure Development
2. Commercialization
3. Operational Efficiency
4. Institutional arrangements

WAJWASCO develops its annual work plans based on the above 4 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly/annually basis. The *Company* achieved its performance targets set for the FY 2023/2024 period for its 4 strategic pillars, as indicated in the diagram below:

| Strategic Pillar/Theme/Issues                   | Objective   | Key Performance Indicators  | Activities  | Achievements  |
|---|---|---|---|---|
| Water and Sanitation Infrastructure Development | To Increase water production and sanitation coverage in Wajir County.             | <input type="checkbox"/> Volume of water produced (target: 333,150 m <sup>3</sup> /month by 2033/34).<br><input type="checkbox"/> Sanitation coverage increase (from 0.5% in 2023/24 to 20% by 2033/34).<br><input type="checkbox"/> Number of operational boreholes under WAJWASCO management. | <input type="checkbox"/> Rehabilitation and operationalization of 10 additional boreholes.<br><input type="checkbox"/> Community sensitization on sanitation practices.<br><input type="checkbox"/> Development of sanitation facilities. | <input type="checkbox"/> increased number of households with access to clean water.<br><input type="checkbox"/> Reduction in waterborne diseases due to improved sanitation.<br><input type="checkbox"/> Enhanced community awareness and participation in sustainable water usage. |
| Commercialization                               | To Enhance financial sustainability by improving revenue collection and metering. | <input type="checkbox"/> Revenue collection efficiency (target: increase from 60% to 95% by 2033/34).<br><input type="checkbox"/> Metering ratio (target: 100% metered connections by 2033/34).   | <input type="checkbox"/> Deploy smart metering systems.<br><input type="checkbox"/> Train staff on customer relationship management.<br><input type="checkbox"/> Automate billing processes for efficiency.                               | <input type="checkbox"/> Increased revenue collection through improved billing systems.<br><input type="checkbox"/> Reduction in customer complaints and disputes over billing.   |

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|                            |  |   |   |  |
|----------------------------|--|---|---|--|
| Operational Efficiency     | To reduce non-revenue water (NRW) and operational costs.                     | <input type="checkbox"/> NRW reduction (target: 25% by 2033/34).<br><input type="checkbox"/> Cost of water production reduced from Ksh 125/m <sup>3</sup> to Ksh 100/m <sup>3</sup> | <ul style="list-style-type: none"> <li>• Upgrade water distribution infrastructure to prevent leakages.</li> <li>• Conduct regular maintenance and audits of water systems.</li> </ul>  | <input type="checkbox"/> Improved financial sustainability.<br><input type="checkbox"/> Enhanced reliability of water services.        |
| Institutional Arrangements | <input type="checkbox"/> Foster good governance and develop human resources. | <input type="checkbox"/> Staff productivity ratios aligned with sector benchmarks. <ul style="list-style-type: none"> <li>• Employee satisfaction scores from surveys.</li> </ul>   | <input type="checkbox"/> Conduct capacity-building workshops for Board of Directors/staff.<br><input type="checkbox"/> Implement performance management systems.<br><input type="checkbox"/> Strengthen corporate governance practices through regular reviews. | <input type="checkbox"/> Improved organizational efficiency.<br><input type="checkbox"/> Retention of skilled and motivated employees. |

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**8. Corporate Governance Statement**

Wajwasco board of directors is accountable to the owners of the water service providers (shareholders) for achieving the corporate objectives. The shareholder is accountable to the citizen who requires the services and owes fidelity to the Constitution 2010. The competence and conduct of the board, in regard to factors such as business ethics and the environment has an impact on legitimate societal interests (stakeholders) and thereby influences the reputation and long-term interests of the water sector enterprise in the whole County and attainment of Vision 2030 and the Sustainable Development Goals.

*Board Composition*

Wajir WASCO LTD Board of Directors comprises of a total of seven (7) Board of Directors constituted as 5 shareholders directors and 2 county government officials namely the chief officers of the county water and Finance departments The gender aggregation of the Board of directors is 2 female and 5 males.

| S.No. | Members Names                | Designation       | Nominating Institution                            | Date Appointed                 |
|-------|------------------------------|-------------------|---|--------------------------------|
| 1     | Mrs. Sahara Dahir Ibrahim    | Chair-Lady        | Commercial sector, Wajir South Sub County chapter | 24 <sup>th</sup> November 2023 |
| 2     | Mr. Rashid Abdullahi Ibrahim | Vice chairperson  | Water Consumers Association Wajir west sub county | 24 <sup>th</sup> November 2023 |
| 3     | Mr. Adan Ismail Kulow        | Member            | Professional Body Wajir North Sub County branch   | 24 <sup>th</sup> November 2023 |
| 4     | Mr. Yahya Mohamed Dahiye     | Member            | County Government of Wajir                        | 24 <sup>th</sup> November 2023 |
| 5     | CPA Farah Ahmed Osman        | Member            | County Government of Wajir                        | 24 <sup>th</sup> November 2023 |
| 6     | Mohamed Maalim Osmail        | Member            | Business Community Eldas Sub County               | 25 <sup>th</sup> November 2024 |
| 7     | Habiba Mohamed Subane        | Member            | Ministry of Education Tarbaj sub county           | 25 <sup>th</sup> November 2024 |
| 8     | Roble Ahmed Subow            | Ex officio member |   | June 2024                      |

*Board Diversity*

The board is constituted by members who have experience in accountancy, auditing, corporate governance, public finance management and financial background. The utility as the county water service provider has appointed directors from the communities from which they provide services to minimize conflict, have meaningful oversight and ensure governance is localized as per the aspirations of Article 174 of the Constitution. The 5 shareholders directors were nominated by shareholders from Wajir south, west, North, Eldas and Tarbajsub counties of Wajir County in respect to compliance with regional balance.

*Process of appointment and removal of directors*

**Eligibility Criteria**

To be eligible for appointment, one must meet the criteria: -

- (i) Minimum Diploma from a recognized college in any of the following areas: Law, Business Management, ICT, Human Resources Management or any other related field.
- (ii) Minimum Seven (7) years working experience in the core profession or have run own enterprise for a minimum of 7 years
- (iii) MUST be nominated by a stakeholder group registered with WAJWASCO.
- (iv) Must meet the leadership and integrity criteria under the chapter 6 of the Kenya Constitution 2010 and meet the FIT AND PROPER TEST criteria from WASREB (attach the following documents)
  - Certificate of Good conduct from DCI
  - Clearance Certificate from Credit Reference Bureau (CRB)
  - Clearance Certificate from Higher Education Loans Board (HELB)
  - Tax Compliance Certificate from KRA
  - Clearance certificate from Ethics and Anticorruption Commission (EACC)
  - Duly filled FIT & PROPER TEST FORM witnessed by a Commissioner for Oaths or Magistrate. (Form is available on WASREB website ([www.wasreb.go.ke](http://www.wasreb.go.ke)))

**NOTE:**

- (i) Suppliers and other trading associates of the company are not eligible for directorship positions of the company
- (ii) Persons in current professional and social relationships with Directors of the company cannot become Directors of the company.

*Removal of Directors*

As provided under Article 83 of WAJWASCO revised Article of Association, the procedure of removal of directors is stipulated as below-

83. (i). A Director shall vacate office as such if: -

- a. He/she is removed from the office pursuant to Section 139 of the Act, or by special resolution by the company in General Meeting.
- b. He/she ceases to be a director under the Act or under section 411 of the Insolvency Act or is prohibited from being a director by law.
- c. He/she ceases to be an officer of the County Government.
- d. He/she becomes bankrupt or makes an arrangement of composition with his/her creditors.
- e. He/she becomes of unsound mind as provided under the Mental Health Act.
- f. He/she fails without reasonable cause and without the consent of the Board to attend three (3) consecutive meetings of the Board, and/or for more than six consecutive months has been absent without the directors' permission from meetings of the Board and/or its committees, and the Board resolves that by reason of such failure he shall cease to be a director.
- g. He/she resigns his office by notice in writing to the company.

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- h. He or any persons to who he has personal ties and transacts with the company
- i. Unsatisfactory performance on performance evaluation
- j. Breaches the Signed Code of Ethics and Conduct
- k. He/she ceases to be a representative of the stake holder's body entity that has appointed him or her.
- l. He/she is charged with an offence under Penal Code, the Anti-Corruption and Economic Crimes Act or the Water Act 2016.
- m. He becomes a director in any other water sector institution.
- ii). A director who held a share or shares in trust or by virtue of his or her office shall cease to hold such a share or shares and cease to be a director upon vacating the office.

*Roles and functions of the Board*

The duties and powers of the Board of directors is provided under Articles 70-82 of the company Article of Association. Additional functions are provided in the Board charter.

*Existence of a board charter*

Wajir Water and Sewerage Company (WAJWASCO) Board of Directors Charter (the Charter) defines the Board's roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight function. It provides the Board members with an opportunity to think creatively and critically about how the Board's strategic and operational plans align with the organization's strategic direction and expectations, with respect to governance. The Charter will help the Board in guiding the organization to maximize the long-term value of services provided for all stakeholders. It is therefore imperative for Board members to understand their individual and collective roles with the aim of helping the organization fulfil its mandate.

The Charter has been adopted by Wajir Water and Sewerage Company (WAJWASCO) and is complementary to the requirements regarding the Board and Board members contained in applicable Kenyan laws and regulations. In particular, the principles and policies contained in the Charter are in addition to and are not intended to change or interpret any statute, law or regulation.

*Board meetings held and the attendance to those meetings by members,*

The board held four meetings during the financial year as indicated in the board minutes.

*Succession plan,*

Subject to the guidelines in WASREB corporate Governance 2024 and as provided under paragraph 3.4.7, WAJWASCO Board Succession policies and period in office shall be guided as follows

1. To avoid a situation where all Board members retire at the same time and in order to ensure institutional memory, 3 of the shareholders directors were appointed and their employment commenced on 3<sup>rd</sup> December 2023 while 2 of the shareholders directors were appointed and their employment commenced on 4<sup>th</sup> December 2024.
2. Further, one third of the Board members other than those from the County Governments, shall retire from office by rotation every year starting from the third year after appointment.
3. The retiring members shall be determined on the basis of those who have served longest and, if they have served for the same period of time, then the retirement will be determined by lot.
4. The retiring members shall be required to reapply for their positions if they are eligible for reappointment
5. The county water department as function owner is advised to use annual performance evaluation of the board of directors and WAJWASCO to assess suitability of reapplying members and the need to make changes to improve performance

**Wajir Water and Sewerage Company Limited**  
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6. It is important that board service is not disrupted by the election cycle and independent oversight must not be compromised by the election cycle.

*Induction and training, board and member performance*

Board members were provided with an effective induction Programme in order to acquaint them with their responsibilities as directors, general principles of corporate governance and Board practices. The induction programme will also provide the Board with an orientation of the organization, strategic plans, financial status and policies, risk management, compliance programs and the Code of Conduct and Ethics.

*Board Remuneration*

Subject to paragraph 3.4.6 of the WASREB Corporate Governance Standard 2024 and to provide efficiency and act as an incentive to improve performance at oversight level, the following are the limits for sitting allowances and other expenditures of the board and its committees:

| <b>Annual Turnover</b> | <b>Board Expenditure Limit</b>                                   |
|------------------------|--|
| >5B                    | 0.4% of turnover or Kshs. <b>30 million</b> , whichever is Lower |
| >1B-5B                 | 1.4% of turnover or Kshs. <b>20 million</b> , whichever is Lower |
| >500M-1B               | 2.1% of turnover or Kshs. <b>14 million</b> , whichever is Lower |
| >250M-500M             | 2.8% of turnover or Kshs. <b>10 million</b> , whichever is Lower |
| >100-250M              | 4% of turnover or Kshs. <b>7 million</b> , whichever is Lower    |
| <=100M                 | 5% of turnover or Kshs. <b>4 million</b> , whichever is Lower    |

During the year under review, the Company spent a total of Kshs,527,200 on Board allowances and expenses

*Code of Conduct and Ethics*

The WAJWASCO Board of Directors Code of Conduct outlines the ethical standards and professional behaviours expected of the Board members. As stewards of public trust and leaders of the organization, the Board is committed to upholding the highest standards of governance, integrity, and accountability. The ethical principles stipulate that-

Board members shall:

- Conduct themselves with integrity, transparency, and fairness.
- Avoid conflicts of interest and disclose any potential conflicts.
- Respect confidentiality regarding Board discussions and company affairs.
- Refrain from using their position for personal gain or the advantage of associates.

*Conflicts of Interests*

In conducting its business, the Board of Directors shall ensure

- Disclose all personal, financial, or business interests that may conflict with the company's operations.
- Abstain from decision-making processes where a conflict of interest exists.
- Seek advice from the Board Chair or legal counsel if unclear about potential conflicts.

### **9. Management Discussion and Analysis**

The financial Year 2023-2024 went on well. The company had lined up several projects to implement during the financial Year. Most of the projects are complete while others are ongoing. The projects were meant to improve the service within our service area. The Company has generally continued to improve water production & supply to the residents of Wajir through the projects implemented. Total Number of wet connections has increased by 54(fifty-four) in the period between June 2023 & June 2024, representing a 9% increase in wet connections during the financial year. Total volume of water produced also increased during the Year. The company had also taken steps in improving the condition of the environment in which the company facilities are by planting more trees & cleaning. The company had undertaken bush clearing on the roads where our water distribution pipelines pass to improve the environmental condition in the town & as a social corporate responsibility. The year progressed well & we were able to remain a going concern being able to meet our core activities which helped us in mitigating the effects of Covid 19 pandemic. We were able to continuously supply treated water to all our consumers & also established free water points as per the GOK directives in almost all the bus station & the market places. We experienced a slight drop in our collection efficiency meaning that we were billing but not doing much collections because we didn't want to enforce punitive measures on collection e.g., disconnections. We gave our customers some amnesty on payment so that we could navigate through the difficult situations.

#### **Challenges**

**Huge Payables**-The company continue to experience huge trade payables that remains unpaid years. Some of these pending bills relate to previous governments & therefore requires to be adequately budgeted for. We have lined up several interventions to ensure that this process is finalized.

**Major interruption of our systems** from the effects of the road constructions that touches most of our lines & especially the mainline around Township, Central Area & Corner B where the road is being constructed & the works have already commenced.

**Aging infrastructure** leading to frequent pipe bursts causing high NRW. We plan to progressively replace the same

**Erratic weather**, coupled with floods, has led to constant wash away of pipes & causing pipe damages

#### **Way Forward**

We have started major sensitization campaigns across all the areas where we are doing major extension works through the assistance of the National government so as to open up all these areas. This coupled with the new water connection charges will be monitored so as to build on our customer base.

One on one visitation of our customers to negotiate the terms to pay for the water. We have also established an adhoc team that is currently calling the customers with huge debts & trying to convince them to pay their dues or come up with a payment plan. This approach has assisted us to collect without necessarily doing mass disconnections as we also maintain the supply of water to our customers at this time when it is very much needed. Conduct debtor's analysis & categorization with a purpose to clean our books from the long outstanding unrecoverable debts.

## **10. Environmental And Sustainability Reporting**

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

### **Sustainability strategy & profile –**

Wajir Water & Sewerage Company Ltd has invested heavily in an effort to ensure sustainability of the company. Following a lot of investment on distribution lines, we are working on last mile connectivity through the ongoing Water infrastructure project financed by African Development Bank, which will increase the number of customers & hence the revenue base. The on-going Water & Sewerage Project will open up most parts of our area of jurisdiction with increased flow & more customers. Following the completion of this project, we expect increased service coverage in the area. Other strategies include adoption of new technologies in improving services, e.g. ERP System with customer Service Modules.

### **Environmental performance**

Wajir Water & Sewerage Company envisions sustainability of the environment as key to its success. Our emphasis is in protection & sustenance of our catchment areas that are our source of water. We achieve this through tree planting events, which we do in close partnership with educational & other institutes. The company is in the process of drafting a comprehensive environmental policy.

### **Employee welfare**

Regarding employee welfare, the company has clear policies guiding the hiring & separation processes as outlined in our Human Resource & Administration Regulations. All recruitments are on a competitive basis. Those of senior management must be advertised in at least one daily newspaper. Our current gender ratio is about 15% female to 85% male. We however, have a policy of encouraging women to apply for new vacancies as we work towards the one third rule. The company has an annual appraisal system. A reward & recognition policy was formulated this year & has been implemented. The best performers in various categories receive rewards at the end of the calendar year. Training & skills improvement is part of our human resource policy. The company liaises with such associations like Water Service Providers Association (WASPA), KEWI & others in conducting training of its staff. In addition, periodic training needs assessments are carried out. The company complies with the provisions of the Occupational Safety & Health Act 2007 as captured in our Human Resource & Administration Manual. We are however, in the process of drafting the policy as a stand alone policy.

### **Market place practices-**

The organisation outlines its efforts to:

#### **a) Responsible competition practice.**

In our service provision, our main competitors are mainly community self-help & irrigation water projects. Our competitive advantage over them is proper governance structures, which we rely on to ensure better services.

**Wajir Water and Sewerage Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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We also capitalize on leveraging on emerging technologies in service provision. In this way, the competition is fair & we leave the choice to the customer. In most of the areas however, there are no competitors & we are guided by our commitment to improve the welfare of the community that we serve.

**b) Responsible Supply chain & supplier relations**

Regarding our supply chain, we ensure open tendering for all our suppliers, where due process is followed. We also comply with the Public Procurement & Disposal Act 2015 when it comes to issues of dealing with the supplier's payment.

**c) Product stewardship**

Consumer rights are safeguarded by ensuring value for money. In this regard, we endeavour to offer safe & clean water to the best of our ability. The company also has a customer complains desk in each of its four stations ie Ministry of Water Office & Our Headquarter Office. Customers also complain through SMS & we've recently installed an ERP with a customer relations module that will improve service delivery. We also have other customer friendly tools like part payment plans where customers can clear their dues in instalments.

**Challenges**

Aging infrastructure contributes to water loss & hence high NRW.

Pipe damage by road contractors contracted by the various government agencies. A lot of pipes have been damaged & no compensation has been forth coming despite our appeals.

**Wajir Water and Sewerage Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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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, 2024 which show the state of the Company's affairs.

**Principal activities**

The principal activities of the company continue to be provision of water & sanitation services to Wajir County residents.

**Results**

The results of the company for the year ended June 30, 2024 are set out on page 1.

**Dividends**

The Directors do not recommend the payment of dividend for the year.

**Directors**

The members of the Board of Directors served only 10 Month during the year & are shown on page v. The board of Directors was disbanded & the appointment of new directors is in the process as per the Company's Articles of Association the Board of Directors.

**Auditors**

The Auditor General is responsible for the statutory audit of our entity in accordance with Article 229 of the Constitution of Kenya & the Public Audit Act 2015.

By Order of the Board

  
.....

Roble Ahmed SUBow

Managing Director, Wajwasco

Date:20-09-2024

**12. Statement of Directors' Responsibilities**

Section 164 of the Public Finance Management Act, 2012 & section 635 of the company's Act, require the Directors to prepare financial statements in respect of the company, which give a true & fair view of the state of affairs of the company at the end of the financial year/period & the operating results of the company for that period. The Directors are also required to ensure that the entity 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 & presentation of the entity's financial statements, which give a true & fair view of the state of affairs of the entity for & as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements & 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 & maintaining internal controls relevant to the preparation & fair presentation of the financial statements, & ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting & applying appropriate accounting policies; & (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable & prudent judgements & estimates, in conformity with International Financial Reporting Standards (IFRS), & in the manner required by the PFM Act, 2012 & Water Act 2016. The Directors are of the opinion that the company's financial statements give a true & fair view of the state of company's transactions during the financial year ended June 30, 2024, & of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial.

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 financial statements were approved by the Board on 20-09-2024 & signed on its behalf by:

  
.....

**Roble Ahmed Subow**

**Managing Director**

  
.....

**Sahara Dahir Ibrahim**

**Chairperson of the Board**

# REPUBLIC OF KENYA

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*Enhancing Accountability*

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P.O Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON WAJIR WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024**

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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 the purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Wajir Water and Sewerage Company Limited set out on pages 1 to 32, which comprise of the statement of financial

position as at 30 June, 2024 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Wajir Water and Sewerage Company Limited as at 30 June, 2024 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1.0 Long-Outstanding Trade Receivables**

The statements of financial position reflect trade receivables balance of Kshs.48,268,829 as disclosed in Note 15 to the financial statements. The balance is in respect of receivables from water sales that had accumulated over many years. The debtors' ageing analysis was not provided for audit verification and provision for bad and doubtful debts policy was not in place.

In the circumstances, the accuracy and recoverability of receivables balance of Kshs.48,268,829 could not be confirmed.

### **2.0 Unsupported Trade and Other Payables**

The statement of financial position reflects trade and other payables balances of Kshs.192,250,789 as reflected under Note 18 to the financial statements. However, the Management did not provide relevant supporting documents including project files, invoices, contractual agreements and creditors statements for payables totalling Kshs.70,820,936. Aging analysis for the payables was also not included in the financial statements.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.192,250,789 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Wajir Water and Sewerage Company Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Emphasis of Matter**

### **1.0 Budget and Budgetary Control**

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.820,093,130 and Kshs.722,605,057 respectively, resulting in an under-funding of Kshs.97,488,073 or 12% of the budget.

The under-funding affected the planned activities and may have negatively impacted on the operations of the Company.

### **2.0 Under Collection of Operating Revenue**

The statement of profit or loss and other comprehensive income reflects total operating revenue of Kshs.15,407,190 from water sales as disclosed in Note 6 to the financial statements. Review of revenue accounts and bank statements revealed that the Company collected a total of Kshs.11,516,686 from waters sales (total billing) leading to uncollected revenue amounting to Kshs.3,890,504.

The under collection may have negatively impacted on service delivery and operations of the Company.

My opinion is not modified on the effects of these matters.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

## **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for the failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

In the circumstances, Management was in breach of Section 31(a) of the Public Audit Act, 2015 which requires that as a preliminary step, the entity must submit a report on how it has addressed the recommendations and findings of the previous year's audit.

## **Other Information**

The Directors are responsible for the Other Information set out on page iii to xvi which comprise of the Key Entity Information, the Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance against Predetermined Objectives, 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.

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Excessive Personnel Expenditure Against Operating and Maintenance Costs**

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.105,663,152 against total operating and maintenance costs of Kshs.118,067,038. Personnel expenditure therefore accounted for 90% of the operating and maintenance costs, which is significantly higher than the expected threshold for commercial viability for medium companies of 40%. This was contrary to requirement of Section 3.9(10) of the Water Services Regulatory Board (WASREB) Guidelines, 2018 which provides that personnel cost as a share of operations and maintenance cost for medium companies shall be contained below 40%.

In the circumstances, Management was in breach of the Water Services Regulatory Board Guidelines.

#### **2.0 Non-Revenue Water**

According to records provided for audit review, the quantity of water produced during the year under review was 246,260M<sup>3</sup>, while the quantity of water billed to customers was 90,614M<sup>3</sup>, resulting to un-billed water volume of 155,646M<sup>3</sup>. The un-billed water volume represents 63% of the total volume of water produced which is above the recommended

level of 25%. The estimated financial loss to the Company due to the Non-Revenue Water was Kshs.19,455,750 as per the prevailing tariffs.

This significant level of Non-Revenue Water may have negatively impacted on the Company's profitability, posing a risk of inability to sustain its operations.

### **3.0 Unutilized Assets**

During the year under review, the Company acquired ten thousand (10,000) heavy duty buckets, five (5) three wheeled motor vehicles (tuk-tuks) and one (1) flatbed trailer (towed trailer) at a total cost of Kshs.15,417,124. However, as at the time of audit in November, 2024, these items and assets had not been put into use. Further, ownership documents for the five (5), three wheeled motor vehicles and one (1) no flatbed trailer were still in the name of the supplier.

In the circumstance, the efficiency, effectiveness and economic benefit of the unutilized assets could not be confirmed.

### **4.0 Provision of Water Services without a License**

Review of the Company's operations revealed that the Company license expired on 29 September, 2019 and that the Company was operating without a valid license from the Regulatory Board, contrary to Section 85(1) of Water Act, 2016 which states that a person shall not provide water services except under a license issued by the Regulatory Board.

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

### **5.0 Use of Unapproved Water Tariffs**

According to the records provided for audit, the Company charged an unapproved water tariff of Kshs.125 per cubic meter on metered customers, a flat rate charge of Kshs.1,000 on un-metered customers per month and an undefined rate charge for livestock watering. Management did not seek approval from the Water Services Regulatory Board (WASREB) for the tariffs contrary to Section 72(1)(b) of the Water Act, 2016 which states that the powers and functions of the Regulatory Board shall be to evaluate and recommend water and sewerage tariffs to the County water services providers and approve the imposition of such tariffs in line with consumer protection standards.

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

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standards require 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **1.0 Lack of a Functional Internal Audit Department**

The Company did not establish a functional internal audit department to carry out the functions provided under Regulation 153 of the Public Finance Management (County Governments) Regulations, 2015. According to the Regulation, internal auditors shall: (a) review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities, including County Assembly, (b) give reasonable assurance through the audit committee on the state of risk management, control and governance within the organization and (c) review the effectiveness of the financial and non-financial performance management systems of the entities.

In the circumstances, the effectiveness of checks and balances in the Company could not be confirmed.

### **2.0 Human Resource and Payroll Management Deficiencies**

Review of the Company's Human Resource and payroll records revealed that the employee bio data did not include payroll numbers and job groups of the respective employees. In addition, the monthly payrolls were prepared and maintained in MS Excel Worksheets. As a result, the security and integrity of payroll data may not be guaranteed in case of damage or loss of computers in which the information is contained.

Further, Review of payroll records revealed that salaries were paid in lumpsum as opposed to basic salary plus the applicable allowances as per the salaries and remuneration commission guidelines.

In the circumstances, it was not possible to confirm existence of effective controls in the Company's payroll system.

### **3.0 Lack of Approved Staff Establishment and Scheme of Service**

Review of personnel records indicated that the Company had two hundred and forty-six (246) employees as at 30 June, 2024. However, the Company did not have an approved staff establishment and scheme of service.

In the circumstances, it was not possible to confirm the existence of effective internal controls on staff recruitment and promotions in the Company.

The audit was conducted in accordance with 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit
- ii. The information given in the Directors' report on page xx is consistent with the financial statements and
- iii. The auditable part of the Directors' remuneration report on pages xvi has been properly prepared in accordance with the Companies Act, 2015.

### **Responsibilities of the 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 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.

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

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

The Board of Directors are 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**17 December, 2024**

**Wajir Water and Sewerage Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.**


|  | Note | 2023/2024          | 2022/2023          |
|--|------|--------------------|--------------------|
|  |      | Kshs               | Kshs               |
| <b>Revenue</b>                         |      |                    |                    |
| Operating Revenue                      | 6    | 15,407,190         | 10,073,250         |
| Grants Income                          | 7    | 249,314,671        | 608,835,118        |
|  |      |                    |                    |
| <b>Total Revenue</b>                   |      | <b>264,721,861</b> | <b>618,458,368</b> |
|  |      |                    |                    |
| <b>Expenses</b>                        |      |                    |                    |
| Staff Costs                            | 8    | 105,663,152        | 135,825,150        |
| General and Operations expenses        | 9    | 105,168,403        | 416,844,453        |
| Board Expenses                         | 10   | 547,200            | 1,566,500.00       |
| Maintenance Expenses                   | 11   | 12,898,635         | 18,041,950.00      |
| Depreciation and Amortization expenses | 12   | 35,433,441         | 35,885,933         |
|  |      |                    |                    |
| <b>Total Expenses</b>                  |      | <b>259,710,831</b> | <b>608,163,986</b> |
|  |      |                    |                    |
| <b>Profit/(Loss) Before Taxation</b>   |      | <b>5,011,030</b>   | <b>10,294,382</b>  |
|  |      |                    |                    |
| <b>Income Tax Expense/(Credit)</b>     |      | <b>-</b>           | <b>-</b>           |
|  |      |                    |                    |
| <b>Profit/(Loss) After Taxation</b>    |      | <b>5,011,030</b>   | <b>10,294,382</b>  |


**Wajir Water and Sewerage Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2024**


**15. Statement of Financial Position as at 30 June 2024**

|                                      | Note | 2023/2024          | 2022/2023           |
|--------------------------------------|------|--------------------|---------------------|
|                                      |      | Kshs               | Kshs                |
| <b>Assets</b>                        |      |                    |                     |
| <b>Non-current assets</b>            |      |                    |                     |
| Property, plant and equipment        | 13   | 501,052,469        | 258,862,889         |
| Intangible assets                    | 14   | 20,922,931         | -                   |
| <b>Total non-current assets</b>      |      | <b>521,975,400</b> | <b>258,862,889</b>  |
| <b>Current assets</b>                |      |                    |                     |
| Trade and receivable                 | 15   | 48,268,829         | 8,182,693           |
| Bank and cash balances               | 16   | 39,134,782         | 9,888,657           |
| <b>Total non-current assets</b>      |      | <b>87,403,611</b>  | <b>18,071,350</b>   |
| <b>Total Assets</b>                  |      | <b>609,379,011</b> | <b>276,934,239</b>  |
| <b>Equity and Liabilities</b>        |      |                    |                     |
| <b>Capital and Reserves</b>          |      |                    |                     |
| Ordinary share capital               | 17   | 100,000            | 2,685,041           |
| Capital Grants                       |      | 271,808,611        | -186,074,585        |
| Retained earnings                    |      | 145,219,610        | -136,177,257        |
| <b>Capital and Reserves</b>          |      | <b>417,128,221</b> | <b>-319,566,801</b> |
| <b>Non-current liabilities</b>       |      |                    |                     |
| Deferred tax liability               |      | -                  | -                   |
| <b>Total non-current liabilities</b> |      | <b>-</b>           | <b>-</b>            |
| <b>Current liabilities</b>           |      |                    |                     |
| Trade and other payables             | 18   | 192,250,789        | 596,501,040         |
| <b>Total current Liabilities</b>     |      | <b>192,250,789</b> | <b>596,501,040</b>  |
| <b>Total Equity and Liabilities</b>  |      | <b>609,379,011</b> | <b>276,934,239</b>  |

The financial statements were approved by the Board on 20-09- 2024 and signed on its behalf by:

  
 .....  
**Roble Ahmed Subow**  
 Managing Director

  
 .....  
**Isir Ibrahim Abdi**  
 Head of Finance  
 ICPAK M/No: 30835

  
 .....  
**Sahara Dahir Ibrahim**  
 Chairperson of the Board

**Wajir Water and Sewerage Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**16. Statement of Changes in Equity for the Year Ended 30 June 2024**

|  | Ordinary share capital | Retained earnings   | Capital/ Development Fund | Total               |
|--|------------------------|---------------------|---------------------------|---------------------|
| <b>As at July 1, 2022</b>  | <b>2,685,041</b>       | <b>-146,471,639</b> | <b>-129,120,029</b>       | <b>-272,906,627</b> |
| Profit for the year  | -                      | 10,294,382          | -                         | 10,294,382          |
| Capital/Development grants received during the year                          | -                      | -                   | 64,382,758                | 64,382,758          |
| Transfer from capital fund to statement of comprehensive income              | -                      | -                   | -121,337,314              | -121,337,314        |
| <b>As at June 30, 2023</b>   | <b>2,685,041</b>       | <b>-136,177,257</b> | <b>-186,074,585</b>       | <b>-319,566,801</b> |
|  |                        |                     |                           | 0                   |
| <b>As at July 1, 2023</b>  | <b>2,685,041</b>       | <b>-136,177,257</b> | <b>-186,074,585</b>       | <b>-319,566,801</b> |
| Issue of new share capital   | -2,585,041             | -                   | -                         | -2,585,041          |
| Revaluation gain   | -                      | -                   | -                         | 0                   |
| Profit for the year  | -                      | 5,011,030           | -                         | 5,011,029           |
| Prior Year adjustments   | -                      | 276,385,838         | -                         | 276,385,838         |
| Capital/Development grants received during the year                          | -                      | -                   | 457,883,196               | 457,883,196         |
| Transfer of depreciation/amortisation from capital fund to retained earnings | -                      | -                   | -                         | 0                   |
| <b>At June 30, 2024</b>  | <b>100,000</b>         | <b>145,219,611</b>  | <b>271,808,611</b>        | <b>417,128,221</b>  |

**Note:**

1. Ordinary share capital opening balance erroneously included Kshs.2,585,041 which we have made an adjustment. (See journal entries)
2. County executive ministry of water pending bills amounting to Kshs.276,385,838 were Also erroneously included as WAJWASCO pending bills. We have made adjustment by crediting retained earnings.

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**17. Statement of Cash Flows for The Year Ended 30 June 2024**

|   | Note      | 2023/2024            | 2022/2023          |
|---|-----------|----------------------|--------------------|
|   |           | Kshs                 | Kshs               |
| <b>Cash Flows from Operating Activities</b>             |           |                      |                    |
| <b>Receipts</b>   |           |                      |                    |
| Operating Revenue                                       | 19        | 4,956,803            | 10,073,250         |
| Grants Income   | 7         | 707,197,867          | 492,249,546        |
| <b>Total Receipts</b>                                   |           | <b>712,154,670</b>   | <b>502,322,796</b> |
|   |           |                      |                    |
| <b>Payments</b>   |           |                      |                    |
| Staff Costs   | 8         | 105,663,152          |                    |
| General and Operations expenses                         | 9         | 105,168,403          | 391,759,723        |
| Board Expenses  | 10        | 547,200              |                    |
| Maintenance Expenses                                    | 11        | 12,898,635           |                    |
| Payment of pending bills                                |           | -                    | 76,190,908         |
| <b>Total Payments</b>                                   |           | <b>224,277,390</b>   | <b>467,950,631</b> |
| <b>Net Cash From/ (Used In) Operating Activities</b>    |           | <b>487,877,280</b>   | <b>34,372,165</b>  |
|   |           |                      |                    |
| <b>Cash Flows from Investing Activities</b>             |           |                      |                    |
| Purchase of Property, Plant and Equipment (PPE)         | 13        | (437,708,224)        | - 64,382,758       |
| Purchase of Intangible assets                           | 14        | (20,922,931)         | -                  |
| <b>Net Cash From/ (Used In) Investing Activities</b>    |           | <b>(458,631,155)</b> | <b>64,382,758</b>  |
|   |           |                      |                    |
| <b>Cash Flows from Financing Activities</b>             |           |                      |                    |
| Proceeds From Issues of New Share Capital               |           | -                    | -                  |
| Proceeds From Borrowings                                |           | -                    | -                  |
| Repayment of Borrowings                                 |           | -                    | -                  |
| Dividends Paid  |           | -                    | -                  |
| <b>Net Cash From/(Used In) Financing Activities</b>     |           | <b>-</b>             | <b>-</b>           |
| Prior adjustments                                       |           | -                    | 16,841,153         |
| <b>Increase/(Decrease) In Cash and Cash Equivalents</b> |           | <b>29,246,125</b>    | <b>30,010,593</b>  |
|   |           |                      |                    |
| <b>Cash And Cash Equivalents at Beginning of Year</b>   |           | <b>9,888,657</b>     | <b>56,740,403</b>  |
| Effects Of Foreign Exchanges Rate Fluctuations          |           | -                    | -                  |
| <b>Cash And Cash Equivalents at End of the Year</b>     | <b>16</b> | <b>39,134,782</b>    | <b>9,888,657</b>   |

**Wajir Water and Sewerage Company Limited**  
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**18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024**

|  | Original budget    | Adjustments | Final budget       | Actual on          | Performance difference | % of        |
|--|--------------------|-------------|--------------------|--------------------|------------------------|-------------|
|  |                    |             |                    | comparable basis   |                        | Utilization |
|  | a                  | b           | C=a+b              | d                  | e= c-d                 | f=d/c %     |
| Revenue                                | Kshs               | Kshs        | Kshs               | Kshs               | Kshs                   | %           |
| Operating Revenue                      | 25,980,000         | -           | 25,980,000         | 15,407,190         | 10,572,810             | 59%         |
| Grants                                 | 794,113,130        | -           | 794,113,130        | 707,197,867        | 86,915,263             | 89%         |
|  |                    |             |                    |                    | -                      |             |
| <b>Total Revenue</b>                   | <b>820,093,130</b> | <b>-</b>    | <b>820,093,130</b> | <b>722,605,057</b> | <b>97,488,073</b>      | <b>88%</b>  |
| <b>Expenses</b>                        |                    |             |                    |                    |                        |             |
| Staff Costs                            | 128,723,130        | -           | 128,723,130        | 105,663,152        | 23,059,978             | 82%         |
| General and Operations expenses        | 123,335,287        | -           | 123,335,287        | 105,168,402        | 18,166,885             | 85%         |
| Board Expenses                         | 1,500,000          | -           | 1,500,000          | 547,200            | 952,800                | 36%         |
| Maintenance Expenses                   | 15,800,000         | -           | 15,800,000         | 12,898,635         | 2,901,365              | 82%         |
| Depreciation and Amortization expenses | 35,500,000         | -           | 35,500,000         | 35,433,442         | 66,558                 | 100%        |
| <b>Total Recurrent Expenditure</b>     | <b>304,858,417</b> |             | <b>304,858,417</b> | <b>259,710,831</b> | <b>45,147,586</b>      | <b>85%</b>  |
|  |                    |             |                    |                    |                        |             |
| Capital Expenditure                    | 515,234,713        | -           | 515,234,713        | 437,708,224        | 77,526,489             | 85%         |
|  |                    |             |                    |                    |                        |             |
| <b>Total Expenditure</b>               | <b>820,093,130</b> |             | <b>820,093,130</b> | <b>697,419,055</b> | <b>122,674,075</b>     | <b>85%</b>  |

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*Note: PFM Act section 164(2) ii and iv requires a County Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.*

*However, for public sector entities, the PSASB (PUBLIC SECTOR ACCOUNTING STANDARDS BOARD) has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.*

**19. Notes To the Financial Statements**

**1. General Information**

Wajir Water & Sewerage Company was established by & derives its authority & accountability from Company's Act. The Company is wholly owned by the Government of Kenya & is domiciled in Kenya. The principal activities of the entity continue to be provision of water & sanitation services to Wajir residents For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position & the profit & loss account by the statement of profit or loss & 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 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 (*include any other applicable legislation*), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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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 2024.*

| Title  | Description   | Effective Date   |
|--|---|--|
| 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. |

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

| Title   | Description  | Effective Date  |
|---|--|---|
| IFRS 18 Presentation and Disclosure in Financial statements | The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant | The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted. |

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| Title | Description  | Effective Date |
|-------|--|----------------|
|       | information that faithfully represents an entity's assets, liabilities, equity, income and expenses. |                |

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

**iii. Early adoption of standards**

Wajir Water and Sewerage Company did not early – adopt any new or amended standards in year under review.

**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.

**d) Depreciation and impairment of property, plant and equipment**

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

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

| Item                                     | Years | Rates |
|--|-------|-------|
| Freehold Land                            |       | 0%    |
| Leasehold Land                           |       | 0%    |
| Buildings and civil works                |       | 4%    |
| Infrastructure works                     |       | 4%    |
| Plant and machinery                      |       | 8%    |
| Motor vehicles, including motorcycles    | 8     | 12,5% |
| Computers and related equipment          | 5     | 25%   |
| Office equipment, furniture and fittings |       | 8%    |

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.

**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.

**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). *(Whichever is applicable)*.

**j) Quoted investments**

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

**k) Unquoted investments**

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

**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.

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

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

**p) Borrowing costs**

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

**q) Cash and cash equivalents**

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

**t) Retirement benefit obligations**

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

registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time.

**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.

**w) Budget information**

The original budget for FY 2023-2024 was approved by the Board of Directors on 30/6/2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 18 of these financial statements.

**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

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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, 2024.

## **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.

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

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**6. Operating Revenue**

|                   | 2023/2024         | 2022/2023         |
|-------------------|-------------------|-------------------|
|                   | Kshs              | Kshs              |
| Water sales       | 15,407,190        | 10,073,250        |
| Sewerage Services | -                 | -                 |
| <b>Total</b>      | <b>15,407,190</b> | <b>10,073,250</b> |

**7. Grants Income**

|   | 2023/2024          | 2022/2023          |
|---|--------------------|--------------------|
|   | Kshs               | Kshs               |
| World Bank WSDP                                   | 38,101,394         | 417,543,792        |
| Grants from HOAGWR                                | 31,000,000         | -                  |
| Tarbaj Project - WSTF                             | -                  | 4,779,250          |
| Operational Grants from other agencies            | -                  | 5,543,746          |
| Wajir County - Government RAP-1                   | 52,000,000         | -                  |
| In Kind contribution from Wajir County Government | 128,213,277        | 180,518,330        |
| <b>Total</b>                                      | <b>249,314,671</b> | <b>608,385,118</b> |

**Analysis of grants Income**

| Name of the Entity sending the grant              | Amount recognized in the Statement of Comprehensive Income | Amount recognised in capital fund. | Total grant income during the year (2023/2024) | Total grant income FY 2022/2023 |
|---|--|------------------------------------|--|---------------------------------|
|   | KShs   | KShs                               | KShs   | KShs                            |
| World Bank WSDP                                   | 38,101,394   | 414,795,883                        | 452,897,277                                    |                                 |
| Grants from HOAGWR                                | 31,000,000   | 0                                  | 31,000,000                                     |                                 |
| WSTF - Tarbaj Water Project                       | 0  | 5,543,746                          | 5,543,746                                      | 4,779,250                       |
| Wajir County - Government RAP-1                   | 52,000,000   | 0                                  | 52,000,000                                     |                                 |
| In Kind contribution from Wajir County Government | 128,213,277  | 37,543,567                         | 165,756,844                                    | 481,926,550                     |
| Donations   |  |                                    |  | 4,779,250                       |
| <b>Total</b>                                      | <b>249,314,671</b>   | <b>457,883,196</b>                 | <b>707,197,867</b>                             | <b>492,249,546</b>              |

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Notes to the financial statements (continued)

**8. Staff Cost**

| Description   | 2023/2024          | 2022/2023          |
|---|--------------------|--------------------|
|   | Kshs               | Kshs               |
| Gross Salary and Allowances (In kind contribution from Wajir County Government) | 105,663,152        | 135,825,150        |
|   |                    |                    |
|   | <b>105,633,152</b> | <b>135,825,150</b> |

**9. General and Operations Expenses**

| Description                        | 2023/2024          | 2022/2023          |
|------------------------------------|--------------------|--------------------|
|                                    | KShs               | KShs               |
| Chemicals                          | 6,304,396          | 2,000,000          |
| Electricity                        | 5,897,860          | 2,500,000          |
| Fuel, oil, lubricants, and gases   | 15,811,657         | 2,675,000          |
| Office supplies                    | 7,568,507          | 1,258,680          |
| Uniform and protective clothing    | -                  | 1,450,000          |
| Communication                      | 360,000            | 2,659,250          |
| Office administration expenses     | 1,241,695          | 896,000            |
| Water and sewerage                 | -                  | 3,125,426          |
| Rent and Rates                     | -                  | 13,800,000         |
| Hire of Equipment and vehicles     | 589,655            | -                  |
| Domestic Traveling and subsistence | 19,654,380         | 39,309,955         |
| Staff training and development     | 2,578,400          | 874,800            |
| Bank Charges                       | 41,300             | 75,645             |
| Publicity and advertising          | 3,936,013          | 2,175,000          |
| Consultancy fees                   | -                  | 134,187,072        |
| Stakeholders' expenses             | 1,415,172          | -                  |
| Hospitality expenses               | 17,766,736         | 2,100,000          |
| Onsite Sanitation                  | -                  | 161,422,625        |
| Others (Compensation of PAPs)      | 22,002,632         | 46,335,000         |
| <b>Total</b>                       | <b>105,168,403</b> | <b>416,844,453</b> |

**10. Board Expenses**

| Description                 | 2023/2024      | 2022/2023        |
|-----------------------------|----------------|------------------|
|                             | KShs           | KShs             |
| Board Expenses              | 547,200        | 1,566,500        |
| <b>Total Board Expenses</b> | <b>547,200</b> | <b>1,566,500</b> |

**Wajir Water and Sewerage Company Limited**  
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**11. Maintenance Expenses**

|                                   | <i>2023/2024</i>  | <i>2022/2023</i>  |
|-----------------------------------|-------------------|-------------------|
| Description                       | Kshs              | Kshs              |
| Infrastructural networks          | 2,949,000         | 4,500,000         |
| Motor vehicles                    | 9,949,635         | 13,541,950        |
| <b>Total Maintenance Expenses</b> | <b>12,898,635</b> | <b>18,041,950</b> |

**12. Depreciation and Amortization Expenses**

|  | <i>2023/2024</i>  | <i>2022/2023</i>  |
|--|-------------------|-------------------|
| Description                                | KShs              | KShs              |
| Property, plant, and equipment             | 35,433,442        | 35,885,933        |
| <b>Total Depreciation and Amortization</b> | <b>35,433,442</b> | <b>35,885,933</b> |

Notes to the financial statements (continued)

13. Property, Plant and Equipment

| Insert Current FY                      | Buildings & civil works | Water & Sewer Infrastructure | Plant and machinery | Motor vehicles, including, motor cycles | Computers & related equipment | Office equipment, furniture & fittings | Capital work in progress | Total              |
|--|-------------------------|------------------------------|---------------------|---|-------------------------------|--|--------------------------|--------------------|
| <b>Depreciation Rate</b>               | 4%                      | 4%                           | 8%                  | 12.5%                                   | 25%                           | 8%                                     |                          |                    |
| As at July 1, 2022                     | 48,500,000              | 140,348,617                  | 16,083,000          | 146,011,692                             | 2,684,000                     | 938,025                                | 0                        | 354,565,334        |
| Additions                              | -                       | -                            | -                   | 64,382,758                              | -                             | -                                      | -                        | 64,382,758         |
| Transfers                              | -                       | -                            | -                   | -                                       | -                             | -                                      | -                        | -                  |
| Disposals                              | -                       | -                            | -                   | -                                       | -                             | -                                      | -                        | -                  |
| <b>As at June 30, 2023</b>             | <b>48,500,000</b>       | <b>140,348,617</b>           | <b>16,083,000</b>   | <b>210,394,450</b>                      | <b>2,684,000</b>              | <b>938,025</b>                         | <b>0</b>                 | <b>418,948,092</b> |
| <b>Depreciation</b>                    |                         |                              |                     |   |                               |  |                          |                    |
| At July 1, 2022                        | 0                       | 52,816,194                   | 7,371,375           | 61,225,573                              | 2,356,200                     | 429,928                                |                          | 124,199,270        |
| Charge For the Year                    | 1,940,000               | 5,613,945                    | 1,286,640           | 26,299,306                              | 671,000                       | 75,042                                 |                          | 35,885,933         |
|  |                         |                              |                     |   |                               |  |                          |                    |
| <b>Aa at June 30, 2023</b>             | <b>1,940,000</b>        | <b>58,430,139</b>            | <b>8,658,015</b>    | <b>87,524,879</b>                       | <b>3,027,200</b>              | <b>504,970</b>                         |                          | <b>160,085,203</b> |
| <b>Net Book Value at June 30, 2023</b> | <b>46,560,000</b>       | <b>81,918,478</b>            | <b>7,424,985</b>    | <b>122,869,571</b>                      | <b>-343,200</b>               | <b>433,055</b>                         | <b>-</b>                 | <b>258,862,889</b> |
|  |                         |                              |                     |   |                               |  |                          |                    |
| As at 1 July 2023                      | 46,560,000              | 81,918,478                   | 7,424,985           | 122,869,571                             | -343,200                      | 433,055                                | 0                        | 258,862,889        |
| Additions                              | 16,005,971              | 28,072,155                   | 7,887,470           | 54,181,724                              | 18,199,400                    | 8,450,934                              | 304,910,571              | 437,708,224        |
| Transfers                              | -                       | -                            | -                   | -                                       | -                             | -                                      | -                        | -                  |
| Disposals                              | -                       | -                            | -                   | -                                       | -                             | -                                      | -                        | -                  |
| <b>As at 30<sup>th</sup> June 2024</b> | <b>62,565,971</b>       | <b>109,990,633</b>           | <b>15,312,455</b>   | <b>177,051,295</b>                      | <b>17,856,200</b>             | <b>8,883,989</b>                       | <b>304,910,571</b>       | <b>696,571,113</b> |
|  |                         |                              |                     |   |                               |  |                          |                    |
| <b>Depreciation</b>                    |                         |                              |                     |   |                               |  |                          |                    |
| As at July 1, 2023                     | 1,940,000               | 58,430,139                   | 8,658,015           | 87,524,879                              | 3,027,200                     | 504,970                                | 0                        | 160,085,203        |
| Charge for the year                    | 2,502,639               | 4,399,625                    | 1,224,996           | 22,131,412                              | 4,464,050                     | 710,719                                | -                        | 35,433,442         |
| Impairment loss                        | 0                       | 0                            | 0                   | 0                                       | 0                             | 0                                      | 0                        | 0                  |
| disposal                               | 0                       | 0                            | 0                   | 0                                       | 0                             | 0                                      | 0                        | 0                  |

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|                                  |            |            |           |             |            |           |             |                |
|----------------------------------|------------|------------|-----------|-------------|------------|-----------|-------------|----------------|
| As at 30 <sup>th</sup> June 2024 | 4,442,638  | 62,829,764 | 9,883,011 | 109,656,290 | 7,491,250  | 1,215,689 | -           | 195,518,644    |
| Net book value                   |            |            |           |             |            |           |             |                |
| As at 30 <sup>th</sup> June 2024 | 58,123,332 | 47,160,868 | 5,429,443 | 67,395,004  | 10,364,950 | 7,668,299 | 304,910,570 | 501,052,468.77 |

*[Work in progress relates to in site sanitation project which is currently in progress]*

Notes to the financial statements (continued)

14. Intangible Assets

|                           | 2023/2024  | 2022/2023 |
|---------------------------|------------|-----------|
|                           | Kshs       | Kshs      |
| <b>Cost</b>               |            |           |
| At July 1                 | -          | -         |
| Additions                 | 20,922,931 | -         |
| Disposals                 | -          | -         |
| At June 30                | 20,922,931 | -         |
| <b>Amortization</b>       |            |           |
| At July 1                 | -          | -         |
| Charge for the year       | -          | -         |
| Disposals                 | -          | -         |
| Impairment loss           | -          | -         |
| At June 30                | -          | -         |
| Net book value At June 30 | 20,922,931 | 0.00      |

*[The Software has not been Amortized since it is not in use]*

15. Trade and Other Receivables

|                                 | 2023/2024  | 2022/2023 |
|---------------------------------|------------|-----------|
|                                 | KShs       | KShs      |
| Trade receivables               | 48,268,829 | 8,182,693 |
| Net trade and other receivables | 48,268,829 | 8,182,693 |

16. Bank and Cash Balances

|              | 2023/2024  | 2022/2023 |
|--------------|------------|-----------|
|              | Kshs       | Kshs      |
| Cash at bank | 39,134,782 | 9,888,657 |
| Cash in hand | -          | -         |
| Total        | 39,134,782 | 9,888,657 |

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Notes to the financial statements (continued)

**17. Ordinary Share Capital**

|  | 2023/2024 | 2022/2023 |
|--|-----------|-----------|
|  | Kshs      | Kshs      |
| <b>Authorized:</b>                             |           |           |
| 5000 ordinary shares of Kshs.20 par value each | 100,000   | 2,685,041 |
| <b>Issued and fully paid:</b>                  |           |           |
| 5000 ordinary shares of Kshs.20 par value each | 100,000   | 2,685,041 |

**18. Trade and Other Payables**

|                   | 2023/2024          | 2022/2023          |
|-------------------|--------------------|--------------------|
|                   | Kshs               | Kshs               |
| Trade payables    | 192,250,789        | 596,501,040        |
| Employee payables | -                  | -                  |
| <b>Total</b>      | <b>192,250,789</b> | <b>596,501,040</b> |

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

|   | 2023/2024           |
|---|---------------------|
|   | Kshs                |
| <b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b> |                     |
| Profit or loss before tax   | 5,011,029           |
| Depreciation  | 35,433,442          |
| <b>Operating profit/(loss) before working capital changes</b>                                     | <b>40,444,471</b>   |
| <b>Working capital changes:</b>   |                     |
| (Increase)/decrease in inventories  | 0                   |
| (Increase)/decrease in trade and other receivables  | 40,086,136.00       |
| Increase/(decrease) in trade and other payables   | - 75,573,803.23     |
| Increase/(decrease) in retirement benefit obligations   | 0                   |
| Increase/(decrease) in provision for staff leave pay  | 0                   |
| <b>Cash generated from/ (used in) operation</b>   | <b>4,956,803.40</b> |

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

**Other Disclosures**

**20. Related Party Disclosures**

**County Government of Wajir**

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

**21. 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.

***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.

**(iii) Market risk (*Tailor as appropriate*)**

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

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

**b) Foreign currency sensitivity analysis**

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

**c) 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) Sensitivity analysis**

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**iii) Fair value of financial assets and liabilities**

**a) *Financial instruments measured at fair value***

Determination of fair value and fair values hierarchy

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

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

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data when available. The Company considers relevant and observable market prices in its valuations where possible.

**iv) 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:

|  | <i>2023/2024</i>   | <i>2022/2023</i> |
|--|--------------------|------------------|
|  | Kshs               | Kshs             |
| Ordinary Share capital                       | 100,000            | -                |
| Retained earnings                            | 145,219,610        | -                |
| Capital reserve                              | 271,808,611        | -                |
|  |                    | -                |
| <b>Total funds</b>                           | <b>417,128,221</b> | <b>-</b>         |
| Total borrowings                             | -                  | -                |
| Less: cash and bank balances                 | (39,134,782)       | -                |
| Net debt/ (excess cash and cash equivalents) | 377,993,439        | -                |
|  |                    |                  |

**22. Incorporation**

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

**23. Events After the Reporting Period**

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

**Wajir Water and Sewerage Company Limited**  
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**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.

|   | Issue / Observations from Auditor  | Management comments   | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|--|---|-----------------------------------|--|
| 1 | Format and presentation of the financial statements                        | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 2 | Going concern  | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 3 | Incorrect Disclosure of Balances in the statement of comprehensive income. | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 4 | Inaccuracies in the statement of changes in equity                         | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 5 | Non-disclosure of revenue  | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 6 | Undisclosed value of land and lack of ownership documents                  | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 7 | Unsupported trade and other receivables.                                   | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 8 | Unsupported trade and other payales  | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 9 | Unsupported Government Equity  | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |

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|     | Issue / Observations from Auditor                              | Management comments   | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|-----|--|---|-----------------------------------|--|
| 10. | Amount received form County Government                         | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
|     | Other Matter   |   |                                   |  |
| 1   | Unresolved Prior Year Audit Issues                             | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 2.  | Under collection of operating revenue                          | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
|     | Lawfulness in use of Public Resources                          |   |                                   |  |
| 1.  | Non-Submission of Prior year financial statements              | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 2.  | Failure to prepare estimates of Income and expenditure         | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 3.  | Non-Revenue Water  | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 4.  | Engagement of Casuals of casual workers for prolonged duration | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 5.  | Failure to Remit Statutory remit statutory deductions          | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 6.  | Operations without Board of directors                          | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 7.  | Operations without a license                                   | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |

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|    | Issue / Observations from Auditor                       | Management comments   | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|----|---|---|-----------------------------------|--|
| 8. | Unapproved water tariffs                                | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
|    | Internal Controls                                       |   |                                   |  |
| 1. | Weaknesses in Revenue Collection and Management systems | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 2. | Lack of functional Internal Audit Department            | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 3. | Failure to establish audit committees                   | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 4. | Lack of IT internal control                             | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 5. | Maintenance of Manual payroll                           | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 6. | Failure to maintain proper asset register               | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |
| 7. | Lack of Risk Management policy                          | The report is awaiting invitation to the PIC/PAC committees of the County assembly/Senate for deliberations | Issue Not Resolved                | December 2024  |



Managing Director, Wajwasco

Date:20-09-2024

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**Appendix II: Projects implemented by the Company Funded by development partners.**

| Project title | Project Number   | Donor            | Period/ duration | Donor commitment      | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---------------|--|------------------|------------------|-----------------------|---|---|
| 1             | Construction of office block and laboratory  | World Bank Group | 12 months        | Contractual agreement | yes   | yes   |
| 2             | Pilot On-Site Sanitation Facilities (Eco-san and Ablution blocks)                      | World Bank Group | 12 months        | Contractual agreement | yes   | yes   |
| 3             | Drilling of boreholes in Rifeit and Lanbib   | World Bank Group | 12 months        | Contractual agreement | yes   | yes   |
| 4             | Supply and installation of solar PV power and other related borehole equipment –Hybrid | World Bank Group | 12 months        | Contractual agreement | yes   | yes   |

**Status of Projects completion**

| S/No | Project  | Total project Cost | Total expended to date | Completion % to date | Budget      | Actual      | Sources of funds |
|------|--|--------------------|------------------------|----------------------|-------------|-------------|------------------|
| 1    | KE-WAJWASCO-26664-CW-RFB / Construction of office block and Laboratory for WAJWASCO.               | 58,559,168         | 58,559,168             | 100%                 | 68,200,000  | 58,559,168  | World Bank Group |
| 2    | KE-WAJWASCO-226565-CW-RFB /Drilling of 10 No. boreholes for Lanbib and Rifeit                      | 46,408,910         | 22,187,932             | 56%                  | 46,408,910  | 22,187,932  | World Bank Group |
| 3    | KE-WAJWASCO-220077-CW-RFB/ Pilot On-Site Sanitation Facilities (Ablution blocks & Eco-san toilets) | 314,526,919        | 298,904,354            | 97%                  | 314,526,919 | 298,904,354 | World Bank Group |

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|   |   |                 |                 |                 |                 |                 |                  |
|---|---|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| 4 | Wajwasco-372776-CW-RFP<br>Construction of Communal Onsite Sanitation Facilities within Wajir Town | 164,945,895.94  | 63,291,816.41   | 60%             | 164,945,895.94  | 63,291,816.41   | World Bank Group |
| 5 | KE-WAJWASCO-30393-CW-RFB / Faecal sludge management works and operational auxiliary facilities    | Design stage    | Design stage    | Design stage    | Design stage    | Design stage    | World Bank Group |
| 6 | KE-WAJWASCO-205491-CW-RFB /Construction of Sanitary Lanes   | Inception stage | Inception stage | Inception stage | Inception stage | Inception stage | World Bank Group |
| 7 | KE-WAJWASCO-380658-CW-RFQ/ Proposed Construction of buckets washing and storage                   | 19,400,000      | 0               | 80%             | 19,400,000      | 0               | World Bank Group |

|     |   |             |               |      |             |               |                  |
|-----|---|-------------|---------------|------|-------------|---------------|------------------|
|     | station, Meeting and changing room in Wajir town.   |             |               |      |             |               |                  |
| 8.  | KE-WAJWASCO-89504-CS-QCBS / Technical Assistance for improvement of night soil collection – Improving efficiency of faecal sludge collection                              | 50,804,203  | 33,530,773.90 | 80%  | 50,804,203  | 33,530,773.90 | World Bank Group |
| 9.  | KE-WAJWASCO-154020-CS-QCBS / Consultancy Services for Utility Turnaround framework – Improve operation of the company   | 87,500,000  | 53,310,750    | 89%  | 87,500,000  | 53,310,750    | World Bank Group |
| 10. | KE-WAJWASCO-86091-CS-QCBS /Consultancy services for design review, detailed designs and BDs, ESIA's and RAPs and supervision of immediate water and sanitation activities | 121,865,000 | 132,800,148   | 87%  | 121,865,000 | 132,800,148   | World Bank Group |
| 11. | KE-WAJWASCO-380641-GORFQ Supply and Delivery of Flatbed trailer and Tuk-Tuk   | 5,700,000   | 5,700,000     | 100% | 5,700,000   | 5,700,000     | World Bank Group |

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|     |  |            |            |      |            |            |                  |
|-----|--|------------|------------|------|------------|------------|------------------|
|     | Motor Cycle for sanitation   |            |            |      |            |            |                  |
| 12. | KE-WAJWASCO-373196-GORFQ / Supply, Delivery and Installation Of Complete Integrated Billing System | 13,552,241 | 13,552,241 | 100% | 13,552,241 | 13,552,241 | 13,552,241       |
| 13. | KE-WAJWASCO-373202-GO-RFQ / Supply, delivery and installation of Complete Server System            | 7,370,690  | 7,370,690  | 100% | 7,370,690  | 7,370,690  | World Bank Group |

|     |   |            |            |      |            |            |                  |
|-----|---|------------|------------|------|------------|------------|------------------|
| 14. | KE-WAJWASCO-372799-GO-RFQ / Supply Delivery and Installation of ICT Equipment's   | 12,923,040 | 12,923,040 | 100% | 12,923,040 | 12,923,040 | World Bank Group |
| 15. | Supply and installation of solar PV power and other related borehole equipment –Hybrid                                      | 97,997,400 | 66,969,298 | 81%  | 97,997,400 | 66,969,298 | World Bank Group |
| 16. | KE-WAJWASCO-356671-CW-RFB- Supply, Delivery and Installation of Solar Power System for WAJWASCO Office Block and Laboratory | 19,300,000 | 0          | 10%  | 19,300,000 | 0          |                  |

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**Appendix IV: Reporting of Climate Relevant Expenditures**

| Project Name                               | Project Description   | Project Objectives   | Project Activities   |    |    |    |    | Source Of Funds | Implementing Partners |
|--|---|--|--|----|----|----|----|-----------------|-----------------------|
|  |   |  |  | Q1 | Q2 | Q3 | Q4 |                 |                       |
| KE-WAJWASCO26664-CW-RFB /                  | Construction of office block and laboratory   | To reduce the administrative cost of the WSP                       | Construction of office block and laboratory  |    |    |    |    | World Group/IDA | Wajwasco              |
| KE-WAJWASCO-220077-CW-RFB                  | Pilot On-Site Sanitation Facilities (Ecosan and Ablution blocks)                        | Improve Sanitation status of Wajir town & its environs             | Pilot On-Site Sanitation Facilities (Eco-san and Ablution blocks)                      |    |    |    |    | World Group/IDA | Wajwasco              |
| Drilling of boreholes in Rifeit and Lanbib | Drilling of boreholes in Rifeit and Lanbib  | Improve water supply of Wajir town & its environs                  | Drilling of boreholes in Rifeit and Lanbib   |    |    |    |    | World Group/IDA | Wajwasco              |
| KE-WAJWASCO-144915-GO-RFB                  | Supply and installation of solar PV power and other related borehole equipment – Hybrid | Improve rural water supply of Wajir town sub-counties its environs | Supply and installation of solar PV power and other related borehole equipment –Hybrid |    |    |    |    | World Group/IDA | Wajwasco              |

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**Appendix VI: Recording of Transfers from Other Government Entities**

| <b>Name of the County/MDA/Donor Transferring the funds</b> | <b>Date received as per bank statement</b> | <b>Nature: Recurrent/ Development</b> | <b>Statement of Comprehensive income</b> | <b>Capital Fund</b> | <b>Total Transfers during the Year</b> |
|--|--|---------------------------------------|--|---------------------|--|
| World Bank WSDP  | 15/04/2024                                 | Development                           | 38,101,394                               | 414,795,883         | 452,897,274                            |
| Grants from HOAGWR   | 20/03/2024                                 | Development                           | 31,000,000                               | 0                   | 31,000,000                             |
| TARBAJ WATER PROJECT                                       | 19/01/2024                                 | Development                           | 0.00                                     | 5,543,746           | 5,543,746                              |
| Wajir County Government RAP-1                              | 15/04/2024                                 | Compensation                          | 52,000,000                               | 0.00                | 52,000,000                             |
| In Kind contribution from WGC (re-current)                 | IFMIS                                      | Recurrent /Development                | 128,213,277                              | 37,543,567          | 165,756,844                            |
| <b>Total</b>   |  |                                       | <b>249,314,671</b>                       | <b>457,883,196</b>  | <b>707,197,864</b>                     |