

REPUBLIC OF KENYA

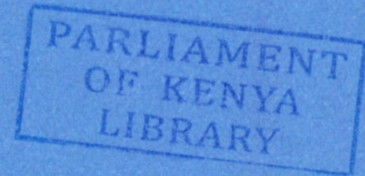


Enhancing Accountability

REPORT

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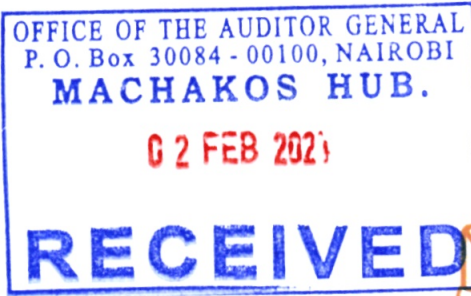


THE AUDITOR-GENERAL

ON

WOTE WATER AND SEWERAGE COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2023



**WOTE WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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1. Acronyms and Glossary of Terms :

Ag	Acting
CECM	County Executive Committee Member
CLSG	Conditional Liquidity Support Grant
CPF	County Pension Fund
CSR	Corporate Social Responsibility
DB	Defined Benefit
DC	Defined Contribution
DTF	Decentralized Treatment Facility
ETR	Electronic Tax Register
FIFO	First In First Out
IAS	International Accounting Standards
ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
KIWASH	Kenya Integrated Water Sanitation and Hygiene program
KRA	Kenya Revenue Authority
MARUWAB	Makueni Rural Water Board
MD	Managing Director
M & E	Monitoring and Evaluation
NAWASP	National Water and Sanitation Programme
NHIF	National Hospital Insurance Fund
NITA	National Industrial Training Authority
NSSF	National Social Security Fund
NRW	Non Revenue Water
PFM	Public Financial Management
PPE	Property Plant and Equipment
PSASB	Public Sector Accounting Standards Board
STAWI	Sustainable Transformational and Accessible Water Invention
UPC	Urban Project Concept
USAID	United States Agency for International Development
VAT	Value Added Tax
WASREB	Water Services Regulatory Board
WIBA	Workmen Injury Benefit Act
WIP	Work In Progress
WOWASCO	Wote Water and Sewerage Company Limited
WRA	Water Resources Authority
WSP	Water Service Provider
WSTF	Water Sector Trust Fund

2. Key Entity Information

Background information

The Wote Water and Sewerage Company Limited was established by the Act of Parliament on 28th June 2006 and operates as a county entity of County Government of Makueni pursuant to Section 78 of Water Act 2016. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya.

Principal Activities

The principal activity of the Company is water service provision.

Vision

Access to quality, reliable and affordable water and sewerage services for all.

Mission

To provide clean, safe, reliable, affordable and sustainable water and sewerage services through Collaborative processes within Wote and its environs.

Core Values

Integrity, Professionalism and commitment, accountability and transparency, Customer focus, Equity and Team work.

Core Objectives

- Increase access to water and sanitation services and coverage within area of jurisdiction
- Institutional strengthening of the company
- Ensure operational efficiency and sustainability of the company
- Attain financial sustainability of the company
- Ensure optimal utilization of available water/ optimizing water usage
- Mainstreaming cross-cutting issues of poverty, gender, environment and HIV/AIDS which impact on water and sanitation.

Directors

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

- | | | | |
|----|-----------------|------------------------|--|
| 1. | Juliana Mutisya | - Chairperson | - Appointed on 25 th September 2021 |
| 2. | Becorace Wambua | -Managing Director | - Left on 18 th October 2023 |
| 3. | Eng. John Kieti | -CECM Water | - Appointed on 8 th November 2022 |
| 4. | Damaris Kavoi | -CECM Finance | - Appointed on 8 th November 2022 |
| 5. | Rose Musyoka | | -Appointed on 25 th September 2021 |
| 6. | Daniel Mututa | | -Appointed on 25 th September 2021 |
| 7. | Rosemary Maundu | -CECM Water | -Left on 8 th November 2022 |
| 8. | Mary Kimanzi | -CECM Finance | -Left on 8 th November 2022 |
| 9. | James Manthi | -Ag. Managing Director | -Effective 18 th October 2023 |

Registered Office

Makueni Sub county offices
Opposite Makueni County Referral Hospital
P.O. Box 132-90300
Makueni, Kenya

Corporate Contacts

Telephone: (254) 04433087
E-mail: wowascowote@yahoo.com
wowascofinance21@gmail.com
Customer Care Line: 0790833100/0783833100
Website: wotewater.co.ke

Corporate Bankers

Equity Bank Limited
Wote Branch
P.O Box 450-90300
Makueni, Kenya







Independent Auditor



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

Principal Legal Advisers

1. The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
2. The County Attorney
Office of the County Attorney
County Government of Makueni
P.O Box 78-90300
Makueni

3. The Board of Directors

1. Directors	Details
<p>CPA Juliana Mutisya -chairperson</p> 	<p>Age:48 Academic Qualification: Master in Business Administration Key Professional Qualification: CPA (K), CPS(K),IHRM Work Experience: Over 15Years in Financial administration and Management</p>
<p>Becorace Wambua</p>  <p>Managing Director</p>	<p>Age:53 Academic Qualification: Master in Business Administration Key Professional Qualification: EIA/EA Expert Work Experience: Over 12 Years in Management</p>
<p>Eng. John Kieti-CECM Water and Sanitation</p> 	<p>Age:65 Academic Qualification: Bachelor of Science Key Professional Qualification: Registered Engineer Work Experience: Over 15 Years in Water Engineering</p>
<p>Damaris Kavoi-CECM Finance</p> 	<p>Age:55 Academic Qualification: Masters in Business Administration Key Professional Qualification: CPA(K) Work Experience: Over 20Years in Financial Management, Consultancy and advisory services</p>
<p>Dr. Rose Musyoka</p> 	<p>Age:56 Academic Qualification: PHD-Public policy Key Professional Qualification: Registered planner Work Experience: Over 20Years in Land Management, Policy and Research</p>
<p>Eng. Daniel Mututa</p> 	<p>Age:51 Academic Qualification: Master in Business Administration Key Professional Qualification: Engineer Work Experience: Over 15 Years in water engineering and Project Management</p>

<p>Rosemary Maundu</p> 	<p>CECM Water- Left on 8th November 2022</p>
<p>Mary Kimanzi</p> 	<p>CECM Finance- Left on 8th November 2022</p>

4. Key Management Team

Management	Details
<p>Managing Director</p>  <p>Becorace Wambua Left on 18th October 2023</p>	<p>Key academic/Professional qualification: Master in Business Administration</p> <p>Main responsibility Develop and recommend to the organization</p> <ul style="list-style-type: none"> • long term strategies, business plans and annual operating budgets and establishments of proper internal monitoring and control systems. • Identify financial requirements for the functions and activities of WOWASCO • Attend to all matters related to the functions and policies of the organization.
<p>Technical Manager/Ag. Managing Director</p>  <p>James Manthi</p>	<p>Key academic/Professional qualification: Certificate in water technology Advanced certificate in Business Management</p> <p>Main responsibility</p> <ul style="list-style-type: none"> • To oversee the company's Technical operations • To provide strategic and technical leadership in the Technical department to ensure provision of high quality services.
<p>Finance Manager</p>  <p>CPA David Maingi</p>	<p>Key academic/Professional qualification: BCOM (Finance), CPA (K)</p> <p>Main Responsibility To ensure that all financial resources of the company are acquired, disbursed, prudently invested, fully accounted and reported for a financially sound company.</p>
<p>Ag. Commercial Manager</p>  <p>Cecilia N. Muia</p>	<p>Key academic/Professional qualification: Diploma In Water Engineering</p> <p>Main Responsibility To ensure that the strategies for services delivery and revenue generation of WOWASCO is carried out in accordance with laid down procedures in a more efficient and effective manner.</p>

5. Chairman's Statement

During the financial year 2022/2023 a number of activities took place in our organisation major among them being the successful application of operating licence from the Water Services Regulatory Board (WASREB). It is a process that took us from May 2022 through the online process and payment to November 2022. This involved systematic negotiations with the regulator where minimum conditions had to be met. I take this opportunity to thank the management for their spirited effort to make this a success.

Following a public participation forum that took place in Wote town in September 2022 that was well attended by stakeholders the regulator awarded us a three year operating licence pending realisation of some requirements.

Next is the challenge of Non-revenue water (NRW) that has been of national concern. Despite the fact that the non-revenue water improved from 37% during the year 2020/2021 to 31.2% in the year 2022/2023. Measures put in place to deal with this problem include Invoking the provisions of the Makueni water Act 2020 to charge customers who have been found with illegal connections, Taking disciplinary action against staff members who are found to have been involved in illegal water connections, Intensifying line patrols by the technical field officer, Sensitization of both staff and community/consumers on Non-Revenue water and Ensuring fast responses to pipe bursts and leakages.

Wote water and Sewerage Company successfully implemented the Kitikyumu-Malivani-Mwanzo water project to 90% completion. This project scope included construction of a 100m³ water storage masonry tank, a 50m³ elevated metallic water storage tank at Malivani primary school, a water kiosk at mwanzo market and a 7.9km pipeline from kitikyumu through Malivani to Mwanzo.

Once completed this project will expand the number of water connections and coverage to some considerable extent.

The company management also successfully did a proposal for a decentralized treatment facility (DTF) to Water Sector Trust Fund (WSTF) at a cost of kshs 20M. I am happy to inform stakeholders that the financing agreement contract has been done and the key staff members trained in Naivasha ready to take on the project. Once complete this project will cause remarkable improvement in the sanitation situation in Wote town and her environs.

The board would like to sincerely thank the County Government through the department of Water and Sanitation for assisting the water utility with value added tax (VAT) contribution required by the Water Sector Trust fund.

Two directors who were members of the County Executive Committee for finance and Socio-economic planning and the other one for Water and Sanitation left after the expiry of their term under the old regime. Two new directors who are ECM's of the same department came in under the new regime. We wish them well in their new life and endeavours.

The management has done a number of proposals to potential partners and financiers including the County government, Water Sector Trust fund, the National and Sanitation programme (NAWASP), TANATHI Water Works Development Agency and STAWI (sustainable transformational and accessible water intervention programme sponsored by USAID among others..

The company faced a myriad of challenges throughout the financial year in question including frequent bursts occasioned by the old dilapidated infrastructure thus contributing to the high levels of non-revenue water. The frequent machine (pumps) breakdown especially in kaiti pumping station and mwaani intake have contributed to the high losses the company is facing. Kilala borehole as well had its system burnt and took about five months to repair.

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Due to financial logistics equally mwaani intake has had a similar problem for about four months which is yet to be repaired.

As you get to peruse the financial statements you will realise that, the company has been making losses for a long period and the management is using all applicable strategic measures to reverse this trend, it is worth noting that All statutory obligations have been adhered to by submitting within the required timelines with exception of WIBA cover which has not been renewed owing to financial constraints.

To remedy on the financial performance of the company, the management intends to seek funding through the County Government and other stakeholders for solarization of the major pumping stations to reduce on the operational costs. In addition, reduction of the NRW from the current 31.2% during the year 2022/2023 to 25% or below will lead to increase in revenue.

High operational costs especially on power consumption pose a big challenge to the company. The company water production involves pumping which in most instances involve double pumping for the same volume of water and the other one triple pumping which inflates the electricity and diesel bills to high levels monthly. This makes it difficult for the company to break even. It is hoped that this problem may be solved with successful partnerships and collaboration with major potential financiers and development partners for cheaper sources of power like solar energy. Through collaboration and partnership the management will be able to prepare key policy and administrative documents as required by the regulator including the strategic plan that has since expired.

.....
Juliana Mutisy
Chairman Board of Directors

Date: 31/01/2024
.....

6. Report Of the Managing Director

The financial year 2022/2023 had quite a number of events taking place in our company.

Key of them was the successful application of our operating licence from the Water Services Regulatory Board (WASREB). The application process started on May 2022 through the online process and payment for the application. This followed a series of negotiations with the regulator where minimum conditions had to be met.

The negotiations culminated into the public participation forum that took place in Wote town in September 2022 from where the regulator awarded us a three year operating licence pending requirements. The company received the licence in January 2023.

Just like many other Water service providers across the country, Non-revenue water (NRW) has been a thorny issue affecting the company. This is despite the fact that the non-revenue water improved from 37% the year 2020/2021 to 32% in the year 2021/2022 and 31.2% in the year 2022/2023. The company management has put in place a number of measures to reduce this percentage further. These measures include;

Intensified line patrols by the technical field officers.

Invoking the provisions of the Makueni water Act 2020 to charge customers who have been found with illegal connections, Taking disciplinary action against staff members who are found to have been involved in illegal water connections, Ensuring fast responses to pipe bursts and leakages, Sensitization of both staff and community/consumers on Non-Revenue water.

The company has successfully implemented the Kitikyumu-Malivani-Mwanzo water project to 90% completion. This project involved construction of a 100m³ water storage masonry tank, a 50m³ elevated metallic water storage tank at Malivani primary school, a water kiosk at mwanzo market and a 7.9km pipeline from kitikyumu through Malivani to Mwanzo.

Once the project is complete this project will increase the number of water connections and coverage to some considerable extent.

Going through the statements one will realise that, the company has been making losses for the last five years and the management is using all possible and applicable strategic interventions to reverse this trend. All statutory obligations have been adhered to by submitting within the required timelines with exception of WIBA cover which has not been renewed owing to financial constraints.

The company management has successfully done a proposal for a decentralized treatment facility (DTF) to Water Sector Trust Fund (WSTF) at a cost of kshs 20.9M. The financing agreement contract has been done and the key staff members trained in Naivasha on the project.

Once complete this project will cause remarkable improvement in the sanitation situation in Wote town and her environs.

The board takes this opportunity to sincerely thank the County Government through the department of Water and Sanitation for assisting the water utility with value added tax (VAT) contribution required by the Water Sector Trust fund.

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This year saw the leaving of two directors who were members of the County Executive Committee for finance and Socio-economic planning and the other one for Water and Sanitation. They left after the expiry of their term under the old regime. Two new directors who are ECM's of the same department came in under the new regime.

The company has made several proposals to potential partners and financiers as the County government, Water Sector Trust fund, the National and Sanitation programme (NAWASP), TANATHI Water Works Development Agency and STAWI (sustainable transformational and accessible water intervention programme sponsored by USAID).

The company has had several challenges throughout the financial year in question. These include rampant water pipeline bursts occasioned by the old dilapidated infrastructure which is contributing to the high levels of non-revenue water, frequent machine (pumps) breakdown especially in kaiti pumping station and mwaani intake. It is worth noting that kilala borehole had its system burnt and took about five months to repair.

Owing to financial logistics equally mwaani intake has had a similar problem for about four months which is yet to be repaired.

Kaiti pumping machines have had problems of frequently damaging bearings owing to their old age. The company management has made several proposals to have these old surface pumps replaced with new submersible pumps. Again the company thanks the County government for stepping in to repair the kilala borehole and it's also intending to fix the mwaani intake borehole.

Another major challenge is high operational costs especially on power consumption. Wote Water and Sewerage company water sources involves pumping which most of them do double pumping for the same water and the other one triple pumping which inflates the electricity and diesel bills to high levels every month. This makes it difficult for the company to break even.

Another challenge the company is facing is the seasonality of her water sources. During the dry season water production reduce by close to 60% while the demand is either constant or increasing.

This translates to low revenue by the same margin while some operational costs like employee salaries and other costs remain constant. This contributes to negative working capital and threatening the going concern concept.

This trend has contributed substantially to the losses realized during the financial period.



.....
James Manthi
Ag. Managing Director/Secretary to the Board

Date: 31/01/2024
.....

7. Statement Of Performance Against Predetermined Objectives for FY 2022/23

Wote water and sewerage company limited has the following key strategic objectives;

To improve the current water distribution infrastructure systems and logistics in order to provide sufficient and equitable zonal water supply, To strengthen the rationing program and enable reactivation of dormant customer accounts, To reduce the Non water revenue (NRW) by ensuring timely repair of damaged pipes and identifying and firmly dealing with the illegal connections, to increase our financial base by improving our revenue collection strategies, Spearheading the WSP to officially be licenced and have an approved water tariff.

In addition the company intends to engage with the County Government and other donors, partners and collaborators in improving and annexing of more water resources with a view to increasing productivity, reduce operational costs through solarization of water pumping stations, creation and operationalization of company Website as well as engaging stakeholders in a more regular manner to ensure good working environment

Currently the company does not have an approved strategic plan but it is in talks with the county government and STAWI to find modalities of preparing it alongside other key policy and administrative documents,

The table below gives some summary of the key objectives and how they have been dealt with during this financial year 2022/2023,

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
<i>Improve access to clean, safe, adequate and reliable water environs</i>	To ensure customers get access to sufficient, clean and safe drinking water	Number of complaints on water shortages	-Kiti kyumu water project -Strictly adhered to rationing schedule	-Supply of clean treated Water to residents Less consumer complaints
To reduce the Non water revenue (NRW)	To reduce Non revenue water from 37% to 27%	Monitoring and evaluation reports	Enhanced pipeline patrols -quick responses to bursts - Strict enforcing efforts	NRW percentage reduced from 37% to 31.2%
Reduce operational costs	To reduce monthly	Reduced operational	Solarisation of pumping	Solarisation of Mwaani booster pumping station

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	operational costs	costs especially on power	stations	
Working towards full compliance	Ensure that the entity is officially licenced	Operating licence	Pay for application, process and receive an operating licence	Received a 3year operating licence
Maintaining disciplined and trained workforce	Keep training staff for better performance	Trained staff	Taking staff for training	Several staff members have been trained
Embrace information and communication technology	Automating essential services	Use of technology	Having automated billing system	Fully operational billing system

Corporate Governance Statement

As per the WASREB Cooperate Governance Guidelines (2018) and pursuant to Sections 6 and 7 of the Makueni County water Act (2020) which provides for establishment of an appointing authority and its membership for the recruitment of County Water Service Providers Board of Directors. The, WOWASCO Board of Directors was duly and competitively recruited. in a transparent manner..

Letters of appointment were issued as required by the guidelines.

All directors in the water services sector received formal training on their role, duties, responsibilities and obligations as well as board practices and procedures on first appointment before they begin business. This is particularly critical for those with no previous Board experience.

The board's functions include approving of the company's annual budget and ensure it is forwarded functionally to the water department of the county government, approve the annual procurement plan in accordance with the Public Procurement and Asset Disposal Act 2015 and ensure it receives quarterly reports on its implementation. The board of directors also ensure that there is an annual work plan that shows the basis on how it will implement its strategic plan. As well as ensuring that there is a service charter created that is communicated to stakeholders and consumers in the service area, showing the standards of service to be delivered and how complaints will be addressed. The board of directors ensures that the signed code of ethics for board and staff is a living implemented document that gives life to the value of the WSP and shapes the culture of the entity.

During the financial year the full board met four times and the technical and audit committees met once while the Finance and administration committee met three times owing to a disciplinary case involving the former technical manager who had been found to have ethical issues .

Except for the new directors who are county executive committee members for Water and finance respectively, who joined the board late last year the other board members received a formal training on their roles, duties, responsibilities and obligations as well as board practices and procedures on appointment . This was particularly critical since all the three directors from the key community stakeholders had little water sector Board experience. The board's remuneration is within the stipulated WASREB and County government guidelines.

Early in the year, one of the board members was appointed by the county government as the managing director of the Makueni rural water board (MARUWAB) and consequently resigned the position of the director to avoid conflict of interest. This created an advantage to the board on matters of rotation and succession since the three members of the board from the community were appointed on the same day and staggering their exit would have otherwise been a challenge. The appointing authority will be advertising the vacant position of a board member. The attendance of the board meetings has been commendable with few cases of absence with apology.

The board of directors also signed a performance contract with both the County executive member for Water and sanitation and the managing director who in turn cascaded it to the management team and in adapted format to all staff. This is meant to ensure that management submits to the board relevant information on performance on a quarterly basis.

8. Management Discussion and Analysis

For the past three to five years the company had experienced losses in her operations that have been occasioned by high operational and maintenance costs such as high electricity bills, high cost of maintenance and repairs of the water infrastructure and staff remunerations.

In the year 2021 the company did a proposal to WSTF for the expansion of water distribution from kitikyumu borehole through Malivani to Mwanzo market which was successful. The bore hole had been done by the county government and handed over to the company in 2020. The county government had also done a 50M3 tank uphill for storage and distribution but it was realised that so much water was not being utilised owing to less demand in that area and this informed the need to have it distributed to needy areas such as Malivani and Mwanzo areas.

The project started in October 2022 and by the end of the financial year it was at about 90% complete. Once completed the company anticipates to realize about 500 more connections which may expand her revenue base.

The project was funded through partnership where the County Government and the Water Service Provider contributed 16% value added tax (VAT) while the Water Sector Trust Fund contributed 84% of the kshs 16.9 Million project.

During the financial year 2022/2023 the management also did another proposal to Water Sector Trust fund for a decentralized treatment facility for Wote town and her environs which was successful. Though the financing contract was signed mid June 2023, the project is yet to formally kick off though the training of the project task team has been done.

The company management has been keen to meeting statutory requirements especially on remittances of statutory documents to the respective institutions such as NSSF, NHIF, KRA, NITA among others.

The company faces financial challenges that need support from the County Government, National Government and other potential financiers to improve the situation.

One risk the company is facing is old dilapidated infrastructure that needs replacement. The pumping machines are old leading to high maintenance cost due to frequent breakdowns. The company management is engaging potential donors for procurement of new and quality preferably submersible pumps.

The water sources mainly of which are boreholes and sumps are slightly drying. The amount of water production goes down as the dry spell picks up and this contributes to low revenue.

The drop in production sometimes goes below 50% and this causes serious water shortages within the area of operations.

High pumping costs due to increased electricity costs and triple pumping of which the third level pumping use diesel pumping generators.

To solve this problem the company through the board of directors and management did a proposal to the County government for solarisation of the main pumping stations. It is worth noting that the County government was able to allocate kshs 10Million for the solar installation of mwaani booster pumping station which is the highest power consumer followed by kaiti pumping station and mwaani intake. The management has done more proposals to potential donors to solicit funds for solar installation into these key pumping stations. The company board and management are in collaboration to look for more water sources to cushion the decreasing level of water volume per day. Kamunyolo dam, kaiti 2 and kaiti 4 are some of the strategic priorities in the management expansion agenda. Otherwise the company is exploring more other sources of water for wote town and her environs.

The high operational costs have also contributed to increased creditors who have not been paid.

One of the strategies to reduce these accounts payable by the company management is to engage an external debt collector to assist in collection of our accounts receivables.

The debt collection agent is expected to start operations from 1st September 2023.

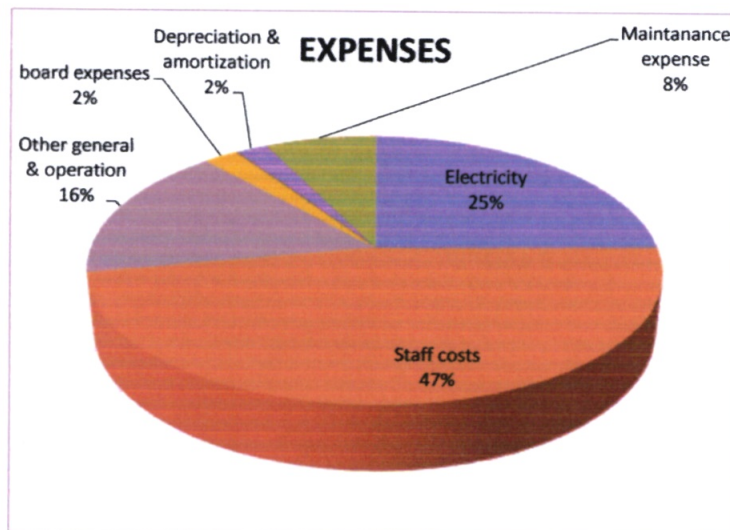
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As stated elsewhere the company management has made several proposals to the County government, WSTF, Ministry of Water and Sanitation in the National government through National Water and Sanitation Programme (NAWASP) and STAWI (Sustainable, Transformational and Accessible Water Invention) programme. If these proposals sail through then the company will be able to increase water productivity translating to more connections and coverage as well as increased revenue.

The annual monitoring and evaluation report is as shown in the following table below.

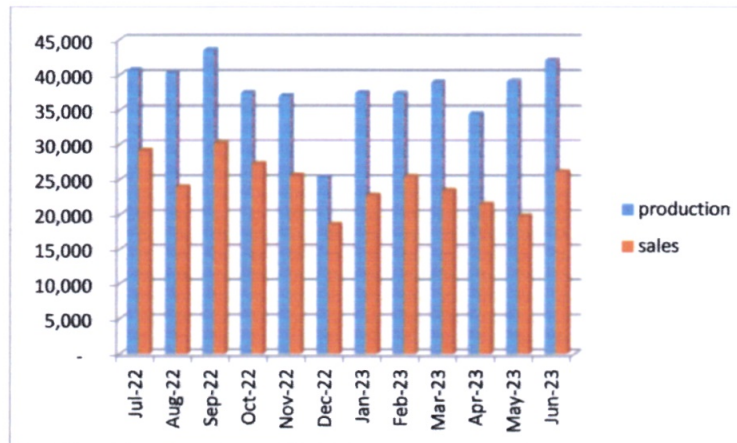
Water production for the last two years and M& E													
WATER PRODUCTION 2021/2022													
	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Production in M ³	40,745	40,315	43,553	37,520	37,048	25,412	37,499	37,386	39,010	34,487	39,151	42,100	454,226
Sales in M ³	26,874	27,184	28,567	24,531	27,389	17,078	24,839	25,673	28,558	21,203	27,095	29,007	307,998
NRW	13,871	13,131	14,986	12,989	9,659	8,334	12,660	11,713	10,452	13,284	12,056	13,093	146,228
NRW %	34	32.6	34.4	34.6	26.1	32.8	33.8	31.3	26.8	38.5	30.8	31.1	32.2
WATER PRODUCTION FOR 2022/2023													
	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Production in M ³	41,323	36,046	38,905	37,423	37,627	29,959	28,706	34,545	36,456	32,667	31,915	42,043	427,615
Sales in M ³	29,131	24,037	30,133	27,262	25,625	18,617	22,829	25,478	23,521	21,581	19,861	26,138	294,213
NRW	12,192	12,009	8,772	10,161	12,002	11,342	5,877	9,067	12,935	11,086	12,054	15,905	133,402
NRW %	29.5	33.3	22.5	27.2	31.9	37.9	20.5	26.2	35.5	33.9	37.8	37.8	31.2

The company second highest operational expense is electricity. This is because our water sources are underground based such as boreholes and sumps. The water from these sources are double or triple pumped before it reaches the final consumers. The company and potential partners are looking for way and resources to solarise the pumping stations to reduce the power bill. Thankfully Mwaani booster solar installation project is almost 95% complete. Below is a pie chart showing the distribution of expenses;



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Below is a bar chart showing the comparison between water produced against water sold in M³;



KEY PERFORMANCE INDICATORS

The water services regulatory board measure the performance of all water companies in the country on the following key performance indicators:

PERFORMANCE INDICATOR	BENCHMARK /REQUIRED LEVEL	CURRENT STATUS (2022/23)	REMARKS
Water quality	>95	95	Good
Water coverage	>90	23	Below required level. The company is in the process of updating data on other water service within its area of jurisdiction in order to give the true reflection on water coverage
Hours of water supply	17-24	12	Below required level
NRW	25	32	Below required level
Staff /1000 connections	9	13	Acceptable
Personnel expenditure	40-45	48	Acceptable
Revenue collection	>95	98	Good
O& M cost coverage	≥150	92	Below required level

9. Environmental And Sustainability Reporting

i) Sustainability strategy and profile -

The company's mission is to provide clean, safe, reliable, affordable and sustainable water and sewerage services through Collaborative processes within Wote and its environs.. This has been supported by the following objectives;

- To increase access to water and sanitation services and coverage within area of jurisdiction
- To promote institutional strengthening of the company
- To ensure operational efficiency and sustainability of the company
- To attain financial sustainability of the company
- To realize optimal utilization of available water/ optimizing water usage
- To mainstream cross-cutting issues of poverty, gender, environment and HIV/AIDS which impact on water and sanitation.

To achieve this, the management has entered into partnership with both the county government and other potential development partners to achieve these objectives. It is worth noting that scarcity of resources coupled with hard economic times pose a challenge to the achievements of these targets. The management has made proposals to several national and international donors to assist in installation of modern technology to optimise use of available resources and bring down the non-revenue water into lower and acceptable levels.

ii) Environmental performance.

Though the company does not have her own environmental policy but it follows the County government one to promote environmentally friendly practices in her operations. The company staff participates in environmental related forums that take place within Wote town and her environs. The Management has appointed an environmental Champion to spearhead matters on environment.

iii) Employee welfare

The company has a human resource Manual that it uses though it requires updating. The workforce is composed of three categories namely those that have been seconded by the county government, those employed on permanent basis and those that are on contracts. Hiring of staff is authorised by the board and done on need basis. The Human resource function has been activated during this financial year with the recruitment of a human resource officer which has been long overdue.

Training of employees is done on need basis though the entity lacks the required financial muscles to carry out substantial training for all staff.

iv) Market place practices-

a) Responsible competition practice.

Though the company is not in competition with another one as far as water provision is concerned, the management is considering entering into public private partnership especially with private bore hole owners for bulk water buying arrangements so that we can increase the water supply to our customers.

b) Responsible Supply chain and supplier relations

Wote water maintains a good customer relations profile with all her stake holders through constant engagement and interactions. This involves regular communications and even faster grievance handling of customers.

c) Responsible marketing and advertisement.

The company maintains good operational practices in the spirit of providing clean, safe and sufficient affordable water to wote residents and her environs

d) Product stewardship

The management and staff respects the rights of consumers at all levels. The company strives to ensure provision of safe clean and sufficient water to her customers. Any pre-organised water supply interruptions are communicated early enough and customer complains promptly addressed. Customers get their bill in time and any intent to disconnect them due to non-payment is communicated severally and in good time.

v) Corporate Social Responsibility / Community Engagements

In Kamunyolo dam the company provides free water to a self help group involved in tree seedlings nursery preparation and growth. This is not only encourages growth of trees but also is responsive to issues related to climate change.

In the company premises where there are other offices involved the company provides free water for cleaning and drinking for the officers and visitors.

10. Report Of the Directors

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

i) Principal activities

The principal activities of the Company continue to be water service provision.

ii) Results

The results of the company for the year ended June 30, 2023 are set out on page 1. Below is summary of the profit or loss made during the year.

	<u>2023</u>	<u>2022</u>
Total Revenue	42,676,978	46,845,401
Total Expenses	(50,612,521)	(47,431,817)
Profit/(Loss) before tax	(7,935,543)	(586,416)

iii) Dividends

The company has not declared dividends for the year ended June 30, 2023 due to the ownership of the company being a County Government entity.

iv) Directors

The members of the Board of Directors who served during the year are shown on page ..v.. In accordance with Regulation 58 of the company's Articles of Association.

v) Auditors

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

By Order of the Board



.....
James Manthi
Ag. Managing Director/Secretary to the Board

Date: 31/01/2024

11. Statement Of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

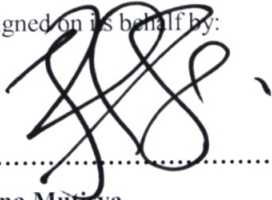
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

Statement Of Directors' Responsibilities (Continued)

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern and disclose that the Company's ability to sustain its operations will depend on Government subsidy and other stakeholder's support. The company's high operational costs have led to the persistent losses, negative retained earnings and negative working capital.

Approval of the financial statements

The company financial statements were approved by the Board on 31.01.2024
and signed on its behalf by:



.....
Juliana Mütisya

Chairperson of the Board

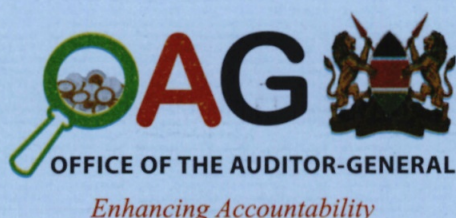


.....
James Manthi

Ag. Managing Director

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON WOTE WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Wote Water and Sewerage Company Limited set out on pages 1 to 51, which comprise of the statement of financial position as at 30 June, 2023 and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of

Report of the Auditor-General on Wote Water and Sewerage Company Limited for the year ended 30 June, 2023

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 Wote Water and Sewerage Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016 and Companies Act, 2015.

Basis for Qualified Opinion

1. Unsupported General and Operations Expenses

The statement of profit or loss and other comprehensive income reflects general and operations expenses of Kshs.20,828,924 as disclosed in Note 10 to the financial statements. The amount includes expenditure on domestic travel and subsistence allowances of Kshs.505,000. Review of records revealed that the amount relates to imprest issued to staff imprests without imprest warrants nor was a register maintained. Further, the imprests was not accounted for through surrender vouchers and relevant supporting documents such as, work tickets, fuel receipts and back to office reports.

In the circumstances, the propriety and regularity of general and operations expenses of Kshs.20,828,924 could not be confirmed.

2. Trade and Other Receivables Balance

The statement of financial position and as disclosed in Note 20 to the financial statements reflects trade and receivables balance of Kshs.10,630,308. Review of trade and other receivables records revealed that the trade receivables balance is net of provision for bad debts of Kshs.2,227,860 equivalent to 100% of gross inactive receivables which are debts more than 360 days. Approval for 100% provision for bad debts was not provided for audit. Further, trade receivables of Kshs.7,038,289 or 56% of the gross trade receivables have been outstanding for more than 120 days and their recoverability is doubtful. Management did not indicate measures instituted for the recovery of long outstanding debts.

In the circumstances, accuracy and fair statement of trade and other receivables balance of Kshs.10,360,308 could not be confirmed.

3. Customer Deposits Balance

The statement of financial position reflects customer deposits balance of Kshs.5,330,850 and as disclosed in Note 25 to the financial statements. The amount is refundable on demand to those terminating their service contracts with the Company and who have no outstanding bill. Review of the supporting documents revealed that the customer deposit cash book reflects a balance of Kshs.2,071,719. Further, the customer deposit balance

held at the bank, was Kshs.1,269,987. Reconciliation of balances between the three records was not provided for audit.

In the circumstances, the completeness and accuracy of the customer deposits balance of Kshs.5,330,850 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflect final revenue budget and actual on a comparable basis of Kshs.49,114,000 and Kshs.42,676,978 respectively resulting to an under-performance of Kshs.6,437,022 or 13% of the budget.

In the circumstances, the underfunding affected implementation of the planned activities and programs and may have impacted negatively on service delivery to the residents of Makueni County.

2. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 26 to the financial statements reflects trade and other payables balance of Kshs.27,164,035. Review of payables records revealed that the balance includes abstraction fee – WARMA, 4% Regulatory fee-WASREB, audit fee and Lease fee - Tanathi Water Board balances of Kshs.1,410,318, Kshs.7,930,644, Kshs.1,293,000 and Kshs.7,513,228 respectively, all totalling Kshs.18,147,190, which have remained outstanding for a significantly long period. Further, trade and other payables balance increased by Kshs.5,285,242 from previous year balance of Kshs.21,878,793, further indicating that the Company is facing challenges in settling its obligations. The Company is exposed to litigations and the risk of incurring penalties and interest for late payments.

3. Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects loss before taxation of Kshs.7,935,543 (2021/2022 - Kshs.586,416). Thus, the financial performance decreased by Kshs.8,521,959 during the period under review. Further, the statement of financial position reflects current liabilities totalling Kshs.27,164,035 which exceeded current assets of Kshs.15,759,348 by Kshs.11,404,687. Thus, the Company is technically insolvent. Further, the trade and other payables balance of Kshs.27,164,035 increased by Kshs.5,285,242 from the previous year's balance of Kshs.21,878,793. The increase may be an indication of inability to settle its obligations as and when they arise. In addition, the Company owes its customers Kshs.4,060,863 borrowed from customer deposits

account for operations. However, the financial statements have been prepared on a going concern basis while Management have not disclosed this fact. The Company may not be a going concern and may not sustain its service in the near future.

My opinion is not modified in respect 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. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the report for the previous year, several issues 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 failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to File Annual Returns

Review of the Company's records revealed that it was incorporated in 2006. However, Management did not provide evidence of filed annual returns with the Registrar of Companies as provided for by the law. No explanation was provided by Management for the failure to file returns.

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

2. Excessive Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.37,114,418 which includes water sales of Kshs.35,488,988 as disclosed in Note 6 to the financial statements. Review of water production records revealed that the Company produced 427,615 M³ of water, out of which only 294,213 M³

or 69% was billed to customers. The balance of 133,402 M³ or approximately 31% of total production represents Non-Revenue Water (NRW) valued at Kshs.11,071,412 which is above the allowable loss of 25% by 6% contrary to the Water Services Regulatory Board guidelines. No satisfactory explanation was provided for the high level of NRW, and the measures put in place by Management to reverse the trend.

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

3. Lack of Approved Water Sales Tariff

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.37,114,418, which includes water sales of Kshs.35,488,988 (2021/2022-Kshs.37,047,326) and as disclosed in Note 6 to the financial statements. However, this amount was not supported by a gazetted water tariff by Water Service Regulatory Board (WASREB).

In the absence of updated and approved tariff structure, the accuracy of the water tariff being applied by the water Company and the actual revenues collected may be understated.

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

4. Non-Adherence to National Cohesion and Integration Act

Review of the Company's personnel records revealed a total of thirty-seven (37) employees out of which thirty-six (36) or 97% were from the dominant ethnic community in the County. This is contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 and Section 65(1)(e) of the County Governments Act, 2012 which states that, in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent (30%) of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County

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

5. Non-Compliance with One Third Deduction Rule

The statement of profit or loss and other comprehensive income and Note 9 to the financial statements reflects staff costs of Kshs.23,813,725. Analysis of the payroll records provided showed that six (6) employees earned a net pay below one third of their basic pay during the year under review contrary to Section 19(3) of the Employment Act, 2007 which states that the total amount of deduction of the wages of an employee shall not exceed two-third (2/3) of the basic salary.

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

6. Failure to Gazette Board Members

The statement of profit or loss and other comprehensive income and Note 11 to the financial statements reflects board expenses of Kshs.1,128,670. Review of records on

board's appointment process showed that although due process was followed in the appointment of the Board of Directors, they were yet to be gazetted.

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

7. Irregular Employment of a Human Resource Officer

During the year under review, the Company employed a Human Resource Officer (HRO), who was confirmed on 1 January, 2023 on permanent and pensionable terms. Review of the personnel file revealed that the vacant position was not advertised, the candidate did not apply for the position, the successful candidate did not meet the minimal requirements for the post and upon employment the officer's starting salary of Kshs.44,200 was way beyond the set minimal level of Kshs.33,300. No explanation has been provided by management on the irregularities on the employment of the HRO officer.

In the circumstances, the regularity of recruitment process of the Company Human Resource Officer could not be confirmed.

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

REPORT ON THE 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 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 overall governance were not effective.

Basis for Conclusion

1. Lack of a Strategic Plan

Review of the Company documents revealed that it lacked a strategic plan that establishes the strategic framework for the delivery of services and timely monitoring and evaluation of performance. Thus, the Company is not able to operate efficiently and in an effective manner in the delivery of its mission resulting to poor water and sewerage services to its clients.

In the circumstances, the effectiveness of the Company's strategy to respond to changing internal and external environment could not be confirmed.

2. Lack of Internal Audit Function

During the year under review, the Company did not have an internal audit function to perform risk assessment processes and evaluate operational effectiveness of the Company through reviews of the internal controls. The Company risks having financial accountability and risk assessment challenges in the absence of an internal audit unit.

In the circumstances, the effectiveness of internal controls, assurance and advisory services could not be confirmed.

3. Lack of Risk Management Policy

Review of documents presented for audit revealed that the company lacked a Risk Management Policy and thus does not have a framework for management of risks hence it is not possible for the entity to identify, assess and control risk.

In the circumstances, the effectiveness of the Company's risk management strategies, fraud prevention mechanism and internal controls that builds robust business operations could not be confirmed.

4. Lack of Information Communication Technology Policy and Disaster Recovery Plan

Review of ICT environment revealed that the Company has two systems, an IT system for water billings and payroll. However, the Company has been operating without an ICT security policy that forms the basis of operating and managing locally built back-end and front-end systems to deliver services. Further, the Company did not have a disaster recovery and business continuity plan.

In the circumstances, the effectiveness of the Company's assurance of data security and business continuity in the event of disaster could not be confirmed.

5. Lack of Human Resource Instruments

During the year under review the Company did not have an approved staff establishment, scheme of service and related salary structure guidelines contrary to Section B2 (1) & (2) of the PSC Human Resource Policies and Procedures Manual of May 2017. It was therefore not possible to confirm the minimum qualifications required for the various officers employed, the basis for assessing the objectivity of the staff recruitment, placement and retention, promotion, career progression and compensation criteria applied.

In the circumstances, the effectiveness of the human resource function could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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


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

exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 March, 2024

Wote Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

13. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	37,114,418	41,422,868
Grants Income	7	4,700,760	4,188,783
Other Income	8	861,800	1,233,750
Finance income		0	0
Other gains/(losses)		0	0
Total Revenue		42,676,978	46,845,401
Expenses			
Staff Costs	9	23,813,725	23,729,442
General and Operations expenses	10	20,828,924	17,526,165
Board Expenses	11	1,128,670	1,177,600
Maintenance Expenses	12	3,741,022	3,851,271
Depreciation and Amortization expenses	13	1,100,180	1,147,339
Finance Costs		0	0
Total Expenses		50,612,521	47,431,817
Profit/(Loss) Before Taxation		(7,935,543)	(586,416)
Income Tax Expense/(Credit)	14	0	0
Profit/(Loss) After Taxation		(7,935,543)	(586,416)
Earnings Per Share – Basic and Diluted	15	(1,587)	(117.28)
Dividend per share	16	0	0
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(7,935,543)	(586,416)
Surplus Or Deficit on Revaluation Of PPE		0	0
Remeasurement Of Net Defined Benefit Liability		0	0
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		0	0
Total Comprehensive Income for The Year		(7,935,543)	(586,416)

Wote Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement Of Financial Position As at 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	17	15,417,116	5,365,390
Intangible assets	18	360,000	0
Investment property		0	0
Total non-current assets		15,777,116	5,365,390
Current assets			
Inventories	19	99,181	43,384
Trade and receivable	20	10,630,308	12,145,498
Bank and cash balances	21	5,029,859	3,112,725
Total Current assets		15,759,348	15,301,607
Total Assets		31,536,464	20,666,997
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	22	40	40
Capital reserve	23	17,021,356	3,815,088
Retained earnings	24	(17,979,817)	(10,044,274)
Capital and Reserves		(958,421)	(6,229,146)
Non-current liabilities			
Customer Deposits	25	5,330,850	5,017,350
Total non-current liabilities		5,330,850	5,017,350
Current liabilities			

Wote Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Trade and other payables	26	27,164,035	21,878,793
Total current liabilities		27,164,035	21,878,793
Total equity and liabilities		31,536,464	20,666,997

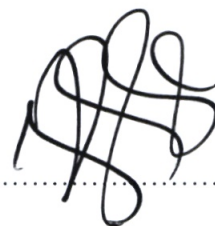
The financial statements were approved by the Board on 31.01.2024 and signed on its behalf by:



JAMES MANTHI
 Ag. Managing Director



DAVID K. MAINGI
 Head of Finance
 ICPAK M/No: 14658



JULIANA MUTISYA
 Chairman of the Board

Wote Water and Sewerage Company Ltd
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15. Statement Of Changes in Equity for the Year Ended 30 June 2023

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2021		40	0	0	(9,457,858)	0	(107,012)	(9,564,830)
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(586,416)	-	-	(586,416)
Capital/Development grants received during the year	23	-	-	-	-	-	3,922,100	3,922,100
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends	16	-	-	-	-	-	-	-
As at June 30, 2022	23	40	0	0	(10,044,274)	0	3,815,088	(6,229,146)
As at July 1, 2022		40	0	0	(10,044,274)	0	3,815,088	(6,229,146)

Wote Water and Sewerage Company Ltd
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	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
Issue of new share capital		0	0	0	0	0	0	0
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(7,935,543)	-	-	(7,935,543)
Capital/Development grants received during the year	23	-	-	-	-	-	13,206,268	13,206,268
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June 30, 2023		40	0	0	(17,979,817)	0	17,021,356	(958,421)

Wote Water and Sewerage Company Ltd

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16. Statement Of Cash Flows for The Year Ended 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		37,304,155	41,718,955
Grants Income		0	893,133
Finance Income		0	0
Other Income		504,800	478,750
Customer Deposits		354,500	411,000
Total Receipts		38,163,455	43,501,838
Payments			
Staff Costs		18,393,393	20,110,288
General And Operation Expenses		16,550,882	17,469,479
Board Expenses		982,500	1,026,550
Maintenance Expenses		2,725,790	2,415,496
Finance Costs		0	0
Refund Of Customer Deposits		41,000	188,000
Total Payments		38,693,565	41,209,813
Net Cash From/ (Used In) Operating Activities	28	(530,110)	2,292,025
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(10,309,024)	(860,645)
Grants received for PPE		13,206,268	0
Purchase Of Intangible Assets		(450,000)	0
Purchase Of Investment Property		0	0
Purchase Of Quoted Investments		0	0
Proceeds From Disposal of Quoted Investments		0	0
Net Cash From/ (Used In) Investing Activities		2,447,244	(860,645)
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		0	0
Proceeds From Borrowings		0	0
Repayment Of Borrowings		0	0
Dividends Paid	16	0	0
Net Cash From/(Used In) Financing Activities		0	0
Increase/(Decrease) In Cash and Cash Equivalents		1,917,134	1,431,380
Cash And Cash Equivalents At Beginning Of Year		3,112,725	1,681,345
Effects Of Foreign Exchanges Rate Fluctuations		0	0
Cash And Cash Equivalents At End of the Year	21	5,029,859	3,112,725

Wote Water and Sewerage Company Ltd
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17. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization	Notes
	A	b	C=a+b	D	e= c-d	f=d/c %	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%	
Operating Revenue	44,370,000	0	44,370,000	37,114,418	(7,255,582)	83%	1
Non-Operating Revenue	0	0	0	0	0	0	
Grants	4,000,000	0	4,000,000	4,700,760	700,760	117.5%	2
Finance Income	0	0	0	0	0	0	
Other income	744,000	0	744,000	861,800	117,800	115.8	3
Total Revenue	49,114,000	0	49,114,000	42,676,978	(6,437,022)	86.9%	
Expenses							
Staff Costs	23,111,012	0	23,111,012	23,813,725	(702,713)	103%	
Board Expenses	2,286,000	0	2,286,000	1,128,670	1,157,330	49.4%	4
General and operations Expenses	19,994,168	0	19,994,168	21,929,104	(1,934,936)	109.7%	
Maintenance	3,722,820	0	3,722,820	3,741,022	(18,202)	100.5%	
Finance costs	0	0	0	0	0	0	
Total Recurrent Expenditure	49,114,000	0	49,114,000	50,612,521	(1,498,521)	103%	
Profit or Loss	0	0	0	(7,935,543)	(7,935,543)		
Capital Expenditure	2,500,000	0	2,500,000	872,882	1,627,118	34.9%	5
Total Expenditure	51,614,000	0	51,614,000	51,485,403	128,592	99.8%	

Wote Water and Sewerage Company Ltd

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

Notes:

1. Operating Revenue- Revenue reduced due to low water sales during the year under review.
2. Grants – Grants were more than anticipated.
3. Other Income – New connections were more than anticipated.
4. Board Expense- The Board did not attend benchmarking tours as was anticipated due to low revenue.
5. Capital Expenditure- Most of the capital expenditure items were not done due to lack of funds.

18. Notes To the Financial Statements

1. General Information

Wote Water and Sewerage Company Ltd is established by and derives its authority and accountability from Company's Act. The Company is wholly owned by the Makueni County Government and is domiciled in Kenya. The Company's principal activity is water service provision.

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

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

Wote Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continued)

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

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

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The Company does not issue insurance contracts.</i>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. <i>No effect of amendments on the financial statements for the year ended.</i>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies. <i>This has Not changed the accounting policies disclosed.</i>	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

Wote Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Title	Description	Effective Date
(issued in May 2021)		

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

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

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

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	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

Wote Water and Sewerage Company Ltd

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

Title	Description	Effective Date
	entity complying with conditions specified in the loan arrangement.	

(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

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

Wote Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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 water sales** 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) 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.

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 on-going 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:

Notes to the financial statements (continued)

Summary of Accounting Policies

Item	Years	Rates
Freehold Land		0%
Buildings and civil works	40	2.5%
Plant and machinery	8	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33%
Office equipment, furniture and fittings	5	20%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal.

e) Intangible assets

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

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Notes to the financial statements (continued)

Summary of Accounting Policies

f) Amortization and impairment of intangible assets

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

g) 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 FIFO method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

h) 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 at the rate of 100% of all outstanding amounts for more than 360 days. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

Notes to the financial statements (continued)

Summary of Accounting Policies

i) 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.

j) 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.

k) Trade and other payables

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

Notes to the financial statements (continued)

Summary of Accounting Policies

l) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by County Pension Fund(CPF) and is funded by contributions from both the company and its employees. In addition, the employees on contract are in a gratuity arrangement administered by CPF and is funded by the company.

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 and is currently at Kshs. 1,080 per employee per month.

m) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 22nd August 2022.

The Company's budget is prepared on the same 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 as well as the 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.

n) Comparative figures

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

o) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023. However the County Government of Makueni transferred the managing director on 18th October 2023 therefore he could not be available to sign the final report.

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

Some of the estimates and assumptions include:

- Depreciation of property, plant and equipment
- Amortization of intangible assets
- Provisions

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.

- Depreciation on reducing balance method on an estimated useful life
- Amortization of intangible assets on straight line method on an estimated useful life.

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.

Wote Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

Provisions applicable are: Provision for bad and doubtful debts at 100% of debtors above 360 days and provision for audit fees based on the previous invoice.

Wote Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continues)

6. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water sales	35,488,988	37,047,326
Sewerage Services	0	0
Billing for other services*	1,625,430	4,375,542
Total	37,114,418	41,422,868

Billing for other services refers to income generated from services such as meter charges, water trucking transport charges etc.

7. Grants Income

	2022-2023	2021-2022
	Kshs	Kshs
Operational grants from Government entities-Seconded staff	4,700,760	3,295,650
Recurrent/operational grants from other agencies-WSTF	0	893,133
Capital grants amortised	0	0
Donations from County Governments	0	0
In Kind contribution/donations from other agencies	0	0
Total	4,700,760	4,188,783

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2022-2023 KShs
Water Ministry	4,700,760	0	2,500,000	4,700,760	7,200,760
Water Sector Fund (UPC)	0	0	10,706,268	0	10,706,268
Water Sector Fund (CLSG)-Depreciation	0	0	0	0	0
USAID-KIWASH	0	0	0	0	0
Total	4,700,760	0	13,206,268	4,700,760	17,907,028

Wote Water and Sewerage Company Ltd
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Notes to the financial statements (continued)

8. Other Income

	2022-2023	2021-2022
	Kshs	Kshs
Fine and penalties	357,000	755,000
Miscellaneous income (8b)	504,800	478,750
Total	861,800	1,233,750

8(b) Miscellaneous income

	2022-2023	2021-2022
Description	Kshs	Kshs
Skilled Labor	332,000	310,000
New connection fee	166,000	152,000
Disconnection on owners request	800	400
Change of name	6,000	8,000
Others	0	8,350
Total	504,800	478,750

9. Staff Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross Salary and Allowances(9b)	21,495,854	20,975,221
Casual workers' Wages	0	445,000
Medical insurance schemes	348,250	350,950
Employer's contributions to social security schemes	225,294	83,200
Employer's contributions to pension scheme	364,677	377,132
Gratuity provisions	1,355,750	1,270,193
Staff welfare	20,000	10,000
WIBA	0	217,746
NITA	3,900	0
Total	23,813,725	23,729,442
The average number of employees during the year	37	43

Wote Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continued)

9(b) Gross Salary and Allowances

Description	2022-2023	2021-2022
	Kshs	Kshs
Salaries for Company Staff	13,605,734	14,975,241
Salaries top-up for seconded staff	3,189,360	2,704,330
Seconded staff Salaries paid by Government	4,700,760	3,295,650
Total	21,495,854	20,975,221

Wote Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continued)

10. General and Operations Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Chemicals	102,636	24,960
Electricity	12,542,103	11,304,174
Fuel, oil, lubricants, and gases	238,500	283,783
Office supplies	456,923	352,123
Uniform and protective clothing	0	27,000
Telecommunication	343,733	236,560
Postage and courier	26,815	4,450
Insurance	130,405	0
Domestic Traveling and subsistence	505,000	369,500
Staff training and development	137,000	0
Bank Charges	109,365	58,732
Publicity and advertising	73,080	145,660
Audit fees-current provision	232,000	232,000
Audit fees – prior year under/(over) provision	(272,720)	64,000
Licensing	37,011	75,000
Levies – WASREB/WRA	1,946,662	2,160,492
Stakeholders' expenses	0	76,000
Operational allowances	271,000	241,750
Professional fees	11,200	11,200
Other administrative costs	303,526	273,526
Other operating/general expenses	1,568,151	1,346,171
Provision for doubtful debts-Increase/(decrease)	1,518,933	(35,906)
Operating transport	547,601	274,990
Total	20,828,924	17,526,165

Wote Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continued)

11. Board Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Chairman Honoraria	287,200	223,200
Sitting allowances	450,500	593,000
Transport	200,000	120,000
Travel and accommodation	0	110,000
Other board expenses	190,970	131,400
Total Board Expenses	1,128,670	1,177,600

12. Maintenance Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Plant and Equipment	1,475,381	731,091
Infrastructural networks	1,058,755	2,265,492
Motor vehicles/bikes	1,078,121	786,348
Office equipment	128,765	68,340
Total Maintenance Expenses	3,741,022	3,851,271

13. Depreciation and Amortization Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Property, plant, and equipment	1,010,180	1,147,339
Intangible assets	90,000	0
Total Depreciation and Amortization	1,100,180	1,147,339

14. Income Tax Expense/(Credit)

Current taxation

	2022-2023	2021-2022
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	(2,764,482)	(1,430,768)
Current tax: prior year under/(over) provision	0	0
Current year deferred tax charge	0	0
Prior year under-provision for deferred tax	0	0
Total	(2,764,482)	(1,430,768)
Current Tax payable	0	0

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Notes to the financial statements (continued)

Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2022-2023	2021-2022
	Kshs	Kshs
Profit before taxation	(7,935,543)	(586,416)
Tax at the applicable tax rate of 30%	(2,380,663)	(175,925)
Current tax	0	0
Prior year under-provision	0	0
Tax effects of expenses not deductible for tax purposes	1,025,088	0
Tax effects of income not taxable	(1,410,228)	(1,256,635)
Tax effects of excess capital allowances over depreciation/amortization	1,321	1,792
Deferred tax prior year over-provision	0	0
Total	(2,764,482)	(1,430,768)

Notes to the financial statements (continued)

15. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs.(7,935,543) (2021-2022: KShs. (586,416) by the average number of ordinary shares in issue during the year of 5,000 (2021/22: 5,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

16. Dividend Per Share

The directors do not recommend payment of dividends.

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Notes to the financial statements (continued)

17. Property, Plant and Equipment

2022-2023	Freehold land	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
Cost Or Valuation									
At July 1, 2022	150,00	661,800	1,422,100	1,619,701	3,145,539	209,880	62,072	0	7,271,092
Additions	0	0	872,882	0	0	0	0	10,189,024	11,061,906
Transfers	0	0	0	0	0	0	0	0	0
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
At June 30, 2023	150,000	661,800	2,294,982	1,619,701	3,145,536	209,880	62,072	10,189,024	18,332,998
Depreciation									
At July 1, 2022	0	78,691	177,763	657,198	786,385	151,463	54,202	0	1,905,702
Charge For the Year	0	14,578	264,652	120,311	589,788	19,277	1,574	0	1,010,180
Impairment Loss	0	0	0	0	0	0	0	0	0
Disposal	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
At June 30, 2023	0	93,269	442,415	777,509	1,376,173	170,740	55,776	0	2,915,882
Net Book Value At June 30, 2023	150,000	568,531	1,852,567	842,192	1,769,366	39,140	6,296	10,189,024	15,417,116

[Capital works in progress relates to Kitikyumu water project funded by Water Sector Fund under UPC 8TH Call. The scope of work include 7.9 Km pipeline installation, 1No water kiosk, 1No steel elevated tank and 1No masonry Tank whose total budget is Kshs16.4Million]

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Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2021-2022	Freehold land	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
Cost or valuation									
As at 1 July 2021	150,000	661,800	0	1,404,595	0	209,880	62,072	0	2,488,347
Additions	0	0	1,422,100	215,106	3,145,539	0	0	0	4,782,745
Transfers	0	0	0	0	0	0	0	0	0
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
As at 30th June 2022	150,000	661,800	1,422,100	1,619,701	3,145,539	209,880	62,072	0	7,271,092
Depreciation									
At July 1, 2021	0	63,739	0	519,698	0	122,691	52,235	0	758,363
Charge for the year	0	14,952	177,763	137,500	786,385	28,772	1,967	0	1,147,339
Impairment loss	0	0	0	0	0	0	0	0	0
disposal	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
As at 30th June 2022	0	78,691	177,763	657,198	786,385	151,463	54,202	0	1,905,702
Net book value									
At June 30, 2022	150,000	583,109	1,244,337	962,503	2,359,154	58,417	7,870	0	5,365,390

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Notes to the financial statements (continued)

17 (b) Property, Plant and Equipment at Cost

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

	Cost or Valuation	Normal Annual Depreciation Charge
Computers and related equipment	14,480	4,827
Office equipment, furniture and fittings	4,880	976
Total	19,360	5,803

18. Intangible Assets

	2022-2023	2021-2022
	Kshs	Kshs
Cost		
At July 1	467,000	467,000
Additions	450,000	0
Disposals	(0)	(0)
At June 30	917,000	467,000
Amortization		
At July 1	467,000	467,000
Charge for the year	90,000	0
Disposals	(0)	(0)
Impairment loss	(0)	(0)
At June 30	557,000	467,000
Net book value		
At June 30	360,000	0

[Intangible assets relates to billing system, payroll system and company website]

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Notes to the financial statements (continued)

19. Inventories

	2022-2023	2021-2022
	Kshs	Kshs
General stores	0	0
Chemicals & Laboratory items	98,506	39,861
Water fittings and Accessories	0	0
Water meters	0	0
Uniform and protective clothing	0	0
Fuel, oil and lubricants	675	3,523
Motor vehicle spare parts	0	0
Goods in transit	0	0
Stationery and general stores	0	0
Finished goods	0	0
Work in progress	0	0
Less: Impairment of stocks	(0)	(0)
Total	99,181	43,384

20. Trade and Other Receivables

	2022-2023	2021-2022
	KShs	KShs
Trade receivables (note (20a))	10,630,268	12,121,232
Deposits and prepayments	0	0
VAT (Value Added Tax) recoverable	0	0
Staff receivables (note 29 (b))	0	24,226
Other receivables	40	40
Gross trade and other receivables	10,630,308	12,145,498
Provision for bad and doubtful receivable	0	0
Net trade and other receivables	10,630,308	12,145,498

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Notes to the financial statements (continued)

20. (a) Trade Receivables

	<i>2022-2023</i>	<i>2021-2022</i>
	Kshs	Kshs
Gross trade receivables	12,858,128	12,830,159
Provision for doubtful receivables	(2,227,860)	(708,927)
Net trade receivables	10,630,268	12,121,232
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	2,216,821	2,874,544
Between 30 and 60 days	921,037	360,481
Between 61 and 90 days	1,525,918	1,369,883
Between 91 and 120 days	1,156,063	1,135,983
Between 121 and 180 days	2,912,402	3,015,230
Between 181 and 240 days	779,720	912,360
Between 241 and 360 days	1,118,307	1,215,415
Over 360 days	2,227,860	1,946,263
Total	12,858,128	12,830,159

20. (b) Staff Receivables

	<i>2022-2023</i>	<i>2021-2022</i>
	Kshs	Kshs
Staff surcharges	0	24,226
Amounts due after one year	0	24,226

21. Bank and Cash Balances

	<i>2022-2023</i>	<i>2021-2022</i>
	Kshs	Kshs
Cash at bank	4,993,819	2,724,586
Cash in hand	2,400	320
Mobile money account	33,640	387,819
	5,029,859	3,112,725

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Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

Sub- total		39,140	391,139
		<i>2022-2023</i>	<i>2021-2022</i>
Financial institution	Account number	KShs	KShs
a) Current account			
Equity Bank-Expenditure	0670-291-950-577	167,184	176,408
Equity Bank-CLSG	0670-280-469-759	1,853	1,853
Equity Bank-Kitikyumu	0670-282-621-684	3,017,244	0
Sub- total		3,186,281	178,261
b) On – call deposits			
Equity Bank-Revenue	0670-191-950-573	(271,488)	780,659
- Mwaani Borehole	0670-191-717-962	4,207	4,207
-Deposits	0670-191-950-545	1,257,487	1,758,459
-Deposit	Performance Bond(WASREB)	814,232	0
Sub- total		1,804,438	2,543,325
c) Others(specify)			
Cash in transit		0	0
Cash in hand		2,400	320
Mobile money account		33,640	387,819
Post Bank		3,100	3,000
Grand total		5,029,859	3,112,725

22. Ordinary Share Capital

	<i>2022-2023</i>	<i>2021-2022</i>
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
Issued and fully paid:	0	0
Issued and NOT paid:		
2 ordinary shares of Kshs.20 par value each	40	40

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Notes to the financial statements (continued)

23. Capital and Reserves

	2022-2023	2021-2022
	<i>Kshs</i>	<i>Kshs</i>
Initial Capital inherited from previous scheme		
Accruals	(94,638)	(94,638)
Creditors	(79,201)	(79,201)
Customer Deposits used on operations	(340,350)	(340,350)
Inventories	1,093	1,093
Debtors	370,444	370,444
Cash and Bank Balances	35,640	35,640
Total Initial Capital	(107,012)	(107,012)
Water Sector Trust Fund Grant -CLSG	1,422,100	1,422,100
Water Sector Trust Fund Grant-Kitikyumu-(WIP)	13,206,268	0
USAID- KIWASH	2,500,000	2,500,000
Total Capital Grants	17,128,368	3,922,100
Total Capital Reserve	17,021,356	3,815,088

24. Retained Earnings

The retained earnings represent amounts available for the Company's business activities and expansion since no distributions are made. The amount is shown in the statement of changes in equity.

However, we have assessed the entity's ability to continue as a going concern and disclose that the Company's ability to sustain its operations will depend on Government subsidy and other stakeholder's support. The company's high operational costs have led to the persistent losses, negative retained earnings and negative working capital.

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Notes to the financial statements (continued)

25. Refundable Deposits and Prepayments

	<i>2022-2023</i>	<i>2021-2022</i>
	<i>Kshs</i>	<i>Kshs</i>
Customer deposits	5,330,850	5,017,370
Prepayments by customers	226,016	281,783
Retention/Contract deposits	0	0
Others (Specify)	0	0
Total	5,556,866	5,299,153

Aging Analysis for Refundable Deposits and Prepayments

	2022-2023		% of the total	2021-2022	% of the total
Under one year	580,516		10.4%	692,783	13.2%
1-2 years	692,783		12.5%	771,167	14.5%
2-3 years	771,167		13.9%	997,602	18.8%
Over 3 years	3,512,400		63.2%	2,837,601	53.5%
Total	5,556,866			5,299,153	

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Notes to the financial statements (continued)

26. Trade and Other Payables

	2022-2023	2021-2022
	Kshs	Kshs
a) Operational		
Trade payables	5,802,130	3,152,507
Revenue received in advance	226,016	281,783
Employee payables	2,770,954	1,822,759
Other payables	17,612,053	16,621,744
Sub-total Operational Payables	26,411,153	21,878,793
b) Capital Assets		
Payables for capital assets	752,882	0
Sub-total Capital assets payables	752,882	0
Total Current Payables	27,164,035	21,878,793

Aging Analysis for Trade and other Payables

	2022-2023	% of the total	2021-2022	% of the total
Under one year	8,828,819	27%	7,839,556	29%
1-2 years	2,160,497	6.6%	1,939,788	7.2%
2-3 years	1,939,788	6%	1,556,486	5.8%
Over 3 years	19,565,781	60.2%	15,560,313	58%
Total	32,494,885		26,896,143	

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Notes to the financial statements (continued)

27. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	0	0	0	0	0
Non-current benefit obligation	0	0	0	0	0
Total	0	0	0	0	0

Retirement benefit Asset/ Liability

The Company does NOT operate a defined benefit (DB) scheme but instead operates a defined contribution (DC) scheme.

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 and is currently at 6% employee's pensionable pay per employee per month to a limit of Kshs 1,080. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund (CPF). Employees contribute 5% while employer contribute 5% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

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Notes to the financial statements (continued)

28. Notes to The Statement of Cash Flows

	2022-2023	2021-2022
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(7,935,543)	(586,416)
Depreciation	1,010,180	1,147,339
Amortization	90,000	0
(Gain)/loss on disposal of property, plant and equipment	0	0
Operating profit/(loss) before working capital changes	(6,835,363)	560,923
Working capital changes:		
(Increase)/decrease in inventories	(55,797)	23,474
(Increase)/decrease in trade and other receivables	1,515,190	(509,470)
Increase/(decrease) in trade and other payables	4,845,860	2,217,098
Increase/(decrease) in retirement benefit obligations	0	0
Increase/(decrease) in provision for staff leave pay	0	0
Cash generated from/ (used in) operation	(530,110)	2,292,025
(b) Analysis of cash and cash equivalents		
Cash at bank	4,993,819	2,724,586
Cash in hand	2,400	320
Mobile money account	33,640	387,819
Balance at end of the year	5,029,859	3,112,725

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Notes to the financial statements (continued)

Other Disclosures

29. Related Party Disclosures

County Government of Makueni

The County Government of Makueni is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Makueni 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
- Government of Kenya
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WRA
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

	2022-2023	2021-2022
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies	6,556,810	7,822,320
Total	6,556,810	7,822,320
b) Grants from the Government		
Grants from National Govt Agencies	10,706,268	2,315,233
Grants from County Government	7,200,760	3,295,650
Donations in kind	0	2,500,000
Total	17,907,028	8,110,883
c) Key management compensation		
Directors' emoluments	1,128,670	1,177,600
Compensation to key management	7,667,760	5,605,950
Total	8,796,430	6,783,550

Notes to the financial statements (continued)

30. 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.

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

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Notes to the financial statements (continued)

Credit Risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Trade Receivables	12,858,128	5,819,839	4,810,429	2,227,860
Other Receivables	40	0	40	0
Investments	0	0	0	0
Bank balances	5,029,859	5,029,859	0	0
Total	17,888,027	10,849,698	4,810,469	2,227,860
At 30 June 2022 (previous Year)				
Trade Receivables	12,830,159	5,740,891	6,380,341	708,927
Other Receivables	40	0	40	0
Investments	0	0	0	0
Bank balances	3,112,405	3,112,405	0	0
Total	15,942,604	8,853,296	6,380,381	708,927

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Notes to the financial statements (continued)

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June current year				
Trade payables	1,769,866	1,259,301	8,541,558	11,570,725
Other payables	1,605,284	945,670	0	2,550,954
Provisions	232,000	0	0	232,000
Payables to related parties	177,270	147,066	17,590,854	17,915,190
Customer Prepayments	0	226,016	0	226,016
Total	3,784,420	2,578,053	26,132,412	32,494,885
At 30 June previous year				
Trade payables	1,083,135	519,166	1,550,206	3,152,507
Other payables	1,524,308.50	310,746	4,876,350	6,711,404.50
Provisions	232,000	0	0	232,000
Payables to related parties	221,269	955,929	15,341,250	16,518,448
Customer prepayments	0	281,783	0	281,783
Total	3,060,712.50	2,067,624	21,767,806	26,896,142.50

Notes to the financial statements (continued)

(iii) Market risk

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.

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Notes to the financial statements (continued)

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:

	2022-2023	2021-2022
	Kshs	Kshs
Retained earnings	(17,979,817)	(10,044,274)
Capital reserve	17,021,356	3,815,088
Total funds	(958,461)	(6,229,186)
Total borrowings	0	0
Less: cash and bank balances	(5,029,859)	(3,112,725)
Net debt/ (excess cash and cash equivalents)	5,029,859	3,112,725
Gearing		

31. Incorporation

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

32. Events After the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period. However the County Government of Makueni transferred the managing director on 18th October 2023 therefore he could not be available to sign the final report.

Wote Water and Sewerage Company Ltd
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19. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported Trade and other payables	Trade and other payables is inclusive of Kshs 11,304,174 for electricity bills which were then provided.	RESOLVED	
2.	Long outstanding Trade and other Receivables	The management reinforced the debt collection unit which has proved to be effective. The management also intends to propose an upward review on the provision.	NOT RESOLVED	June 2024
3.	Non-disclosure of operational revenue	The current billing system which was on trial in April and May 2022 could not be trusted to bill the trucking water sales accurately for the months of May and June 2022. However, when the systems operations were confirmed to be	RESOLVED	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		functionally accurate, the same was billed in the month of July 2022		
4.	General and operational expenses	The company is committed to ensure that the list of pre-qualified suppliers is updated as required by law. The company is also committed to ensure that the necessary documentations in regard to the procurement process are in place as required.	RESOLVED	
5.	Maintenance costs	<ul style="list-style-type: none"> • The company has employed competent plumbers, pipefitters and artisans who do the water pipeline maintenance and therefore the Company does not engage Engineers. • The repair and maintenance services done on vehicles is 	RESOLVED	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>recorded in the work ticket as required.</p> <ul style="list-style-type: none"> • maintenance expenses have ETR attached except for a few cases of emergencies that require quick responses 		
6.	Declining Financial performance	<p>This was caused by high cost of electricity, maintenance of the aged infrastructure which causes frequent bursts, reduced revenue realization and high rate of inflation. However, to mitigate this , the Government of Makueni County is supporting the Agency by funding the installation of solar system at Mwaani booster station</p>	NOT RESOLVED	June 2024
7	Budget formulation & performance overview	<p>The underfunding and under expenditure was noted because Kamunyolo dam was anticipated to be complete and operational during the financial year in</p>	NOT RESOLVED	June 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		question and hence was factored in during budget formulation. However, the rains were not sufficient enough to fill the dam and therefore not operational.		
8.	Irregular customer deposit	The withdrawals were made through the approval of the Board in order to pay for electricity expenses and other company operations when the company had financial constraints.	NOT RESOLVED	JUNE 2026
9.	Non-compliance with public sector Accounting Standards Board reporting Framework	Under management discussion and analysis we could not make use of graphical presentation due to lack of appropriate accounting software that can serve that purpose. The management is committed to sourcing for resources for acquisition of appropriate accounting		

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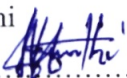
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		software		
10.	Excess Non- Revenue water	<p>During the year the Non-Revenue Water (NRW) reduced from 38% the previous year to 32% which is a remarkable improvement though still far above the recommended 25% by the regulator.</p> <p>The Management is also considering establishing a Non-Revenue Water unit under a Non-Revenue water Champion as advised by the regulator (WASREB).</p>	NOT RESOLVED	JUNE 2024
11.	Non –compliance with a third deduction rule	The company has endeavoured to comply with the regulation and keen to ensure that no similar incidences occur in future.	NOT RESOLVED	June 2024
12.	Non adherence to National cohesion	The company is committed to ensure adherence to the	NOT RESOLVED	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		above in our future recruitments		
13.	Lack of approved water sales tariff	The company first had to apply for an operating License with Water Service Regulatory Board (WASREB) which is a key basic requirement during tariff application. Having acquired the operational license early 2023, the tariff application process has been initiated and currently on going.	NOT RESOLVED	June 2024
14.	Unclear ownership of the company	The has been initiated by the County Government of Makueni	NOT RESOLVED	June 2024
15.	Gazettement of the Board of Directors	The management is in consultation with the Makueni County government on this matter and therefore it is expected to be dealt with as required.	NOT RESOLVED	June 2024
16.	Lack of Risk	The company is currently	NOT	June 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Management policy	using the County Government policy. The company is committed to have the above policy manuals together with any other important operating manuals when funds are available	RESOLVED	
17.	Lack of an internal audit function	The company is in the process of recruiting an internal auditor during the next financial year (2023/24) and the same has been factored in the budget.	NOT RESOLVED	January 2024
18	Lack of disaster recovery plan	The company is currently using the County Government plan and is committed to have own when funds are available.	NOT RESOLVED	June 2024.

James Manthi
 Signature.....

Ag. Managing Director

Date.....31/01/2024.....

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Appendix II: Projects Implemented by the Company

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.KITIKYUMU	08W/MAKUENI/WOTE /81	WSTF-UPC	12 MONTHS	14,148,995.49	Yes	YES
2.KITIKYUMU	08W/MAKUENI/WOTE /81	.MAKUENI COUNTY GOVERNMENT	12 MONTHS	2,500,000	Yes	YES

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	KITIKYUMU	16,844,042	10,189,024	95%	16,844,042	10,189,024	WSTF/ MAKUENI COUNTY

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Appendix III- Inter-Entity Confirmation Letter

The company DID NOT disburse funds to another entity during the year

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 20xx							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 20xx				Amount Received by [beneficiary entity] (KShs) as at 30 th June 20xx (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
		0	0	0	0	0	0
Total							

Appendix IV: Reporting of Climate Relevant Expenditures

There were no expenditures on climate change

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
				0	0	0	0		

Appendix V: Reporting Disaster Management Expenditure

Date:						
Entity						
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
					0	0

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Statement of Comprehensive income	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County Department of water.	16/03/2023	Development	2,500,000	0	2,500,000	0	0	0	2,500,000
Water Sector Trust Fund (WSTF)	19/4/2023	Donor Fund	10,706,268	0	10,706,268	0	0	0	10,706,268
Ministry planning and Devolution-National Government	30/6/2023	Direct payment	4,700,760	4,700,760	0	0	0	0	4,700,760
Total			17,907,028	4,700,760	13,206,268	0	0	0	17,907,028