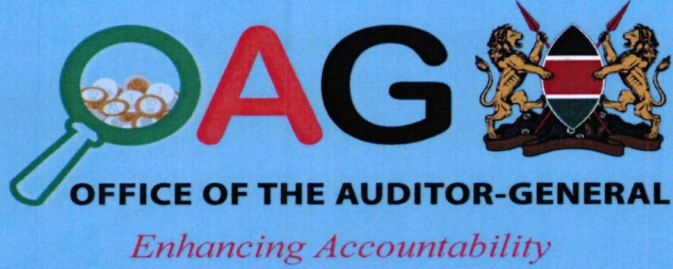


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REPORT

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OF

THE AUDITOR-GENERAL

ON

**AMATSI WATER SERVICES COMPANY
LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**



AMATSI WATER SERVICES COMPANY LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2022**

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



Amatsi Water Services Company Ltd
Annual Report and Financial Statements for the year ended 30th June, 2022

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I. Key Entity Information

Background information

Amatsi water Services Company Limited was established by the 2002 Act of Parliament on 13th November 2005. At County level, the Company is represented by the County Executive Member responsible for water 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 and has branches/regions in Mbale, Sosian, Vihiga, Maseno, Kaimosi Bumbo, Chango and Eburnangwe.

Principal Activities

The principal activity of the Company is to provide water services to urban areas and some sections of the rural parts of Vihiga County.

Directors

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

1. Dr. Omula Robert Kati - Chairperson – Appointed on 5th May. 2021
2. Mrs Florence Janika Mbaya - Director- Appointed on 5th May 2021
3. Mrs Josephine Vijehe Nyambasi - Director - Appointed on 5th May 2021
4. Mr Wycliff Obuhuma Imende -Director – Appointed on 5th May .2021
5. Mr Julius Nyang’or -Director-Appointed on 5th May 2021
6. Hon Geoffrey Vukaya -Director-Appointed on 5th May 2021
7. Hon CPA Alfred Indeche -Director-Appointed on 5th May 2021

Registered Office

P.O. BOX 740-50300- Maragoli.
Lunyerere Water Station
Mbale – Chavakali Road.
Vihiga, KENYA

Corporate Contacts

Telephone: (254) 0799945300
E-mail: amatsiwaterco@gmail.com.
Website: <https://amatsiwater.co.ke>

Corporate Bankers

1. Kenya Commercial Bank –Mbale Branch
P.O. Box 344 - 50300.
Maragoli.
2. Co-operative Bank – Mbale Branch
P.O. Box 960
Maragoli.
3. Equity Bank - Mbale Branch
P.O. Box -50300
4. Safaricom Kenya LTD (M-Pesa pay bill)

Independent Auditors

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 County Attorney

County Headquarters (VIHIGA)

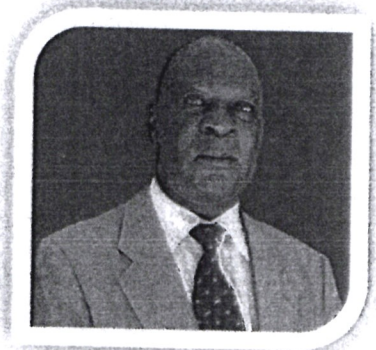
P.O. Box .344 -- 50300

Maragoli, Kenya

BOARD OF DIRECTORS



Dr Robert Kati Omula - -Chairperson (Age 46 years)
Doctor Kati joined the Board on 5th May 2021. He was appointed Chairperson of the Board in January 2022. He holds a Doctorate degree in Philosophy-pedology (Mathematics) Master of Science degree in Mathematics Education and Bachelor of Education Science.



Wycliffe Imende Obuhuma – Director (Age 69 years)
He is a retired teacher and a graduate of Bachelor of Education. He has taught in a number of schools nationally rose through the ranks to become a Principal



Florence Janika Mbaya – Director (Age 64 years)
She joined the Board in May 2021 to represent the Sabatia sub County. She holds a Bachelor of Arts – Literature Governance.



Josephine Vijehe Nyambasi – Director (Age 62 years)
She joined the Board in May 2021 to represent the Hamisi sub County. She holds a Bachelor Degree in Development Studies, Diploma in County Governance

**Amatsi Water Services Company Ltd
Annual Reports and Financial Statements
For the year ended 30th June , 2022**



Julius Nyang'or– Representative LVNWWDA

He joined the Board in May 2021. He holds M.Sc. in information Systems, Hons B.Sc. in Information Systems and B.Sc. in Computer Science.



Hon CPA Alfred Indeche-Director

He joined the Board in May 2021. He holds masters degree in MBA (Finance), Bachelor of Business Administration (Accounts). He is a Certified Public Accountant. He is the CECM Finance and Economic Planning, Vihiga County Government.



Geoffrey Vukaya – Director (AGE42)

He joined the Board in January 2022. He holds a Bachelor of Arts Degree in Mathematics and Economics from Egerton University

THE BOARD OF DIRECTORS

Name	Position Within organisation	Academic Qualifications	Professional qualification	Current Occupation	Age	Gender
1. Dr. Omula Robert Kati	Chairperson	Doctor of Philosophy – pedology (mathematics) Master of science Mathematics Education Bachelor of Education Science	Lecture	Director	45	Male
2. Mrs Florence Janika Mbaya	Director	Bachelor of Arts- Literature & Governance	Administrator	Chairperson B.O.D	63	Female
3. Mrs Josephine Vijeha Nyambasi	Director	Bachelor of Development Studies Diploma in county Governance Diploma in ICT	Administrator	Managing Director	61	Female
4. Mr Wycliffe	Director	Bachelor of Education	Administrator	Director	69	Male

Amatsi Water Services Company Ltd**Annual Report and Financial Statements for the year ended 30th June, 2022**

Obuhuma Imende						
5. Julius Nyang'or	Director	M.Sc. in information Systems Hons B.Sc. in information Systems B.Sc. in Computer Science	Administrator	Director Rep. LVNWW A	51	Male
7. Hon. C.P. A Alfred Indeche	Director	MBA (Finance)	Accountant	CECM Finance	45	Male
8. Hon Geoffrey Vukaya	Director	Bachelor of Arts Degree in Mathematics and Economics	Economics	CECM	42	Male

Amatsi Water Services Company Ltd
Annual Report and Financial Statements for the year ended 30th June, 2022

CORE MANAGEMENT TEAM (CMT)

The day to day operations of the company is run by the Corporate Management Team (CMT) headed by a Managing Director.

The following are the Corporate Management Team:

1	Mr Naftali Agalomba	Ag. Managing Director Higher National Diploma Water Engineering Diploma Water Technology Water Supply Date of Appointment;
2	CPA Tom Akolo	Head Corporate Services MBA Strategic Management Bachelor of Commerce(Accounting) CPA(K),CPS(K) Date of Appointment

Amatsi Water Services Company Ltd
Annual Reports and Financial Statements
For the year ended 30th June , 2022

CORE MANAGEMENT TEAM (CMT)

The day to day operations of the Company is run by Corporate Management Team (CMT) headed by a Managing Director.

The following are the Corporate Management Team:



Naftali Agalomba – Ag. Managing Director/Technical Manager

He holds a Higher National Diploma in Water Engineering, Diploma in Water Technology Water Supply.



Tom Joshua Akolo - Commercial Manager,

He holds a Master of Business Administration (Strategic Management Option) from Kenyatta University, Bachelor of commerce (Accounting Option) from The University of Nairobi He is also a Certified Public Accountant of Kenya, Certified Secretary and a member of ICPAK and ICS.

CHAIRPERSON'S STATEMENT

Board's composition and activities

After promulgation of the Constitution of Kenya 2010, water Services Provision was developed to the County Government. The company constitutionally became a Vihiga County agency in charge of provision of water and sewerage services. In these regards, we have amended the Memorandum and Articles of Association to incorporate the county Government of Vihiga as new Shareholder.

The board has set up three committees namely, Technical; Finance, Human Resource/ Legal and Administration; and the Audit Committees. Most of the activities take place within the committees and ratification done at the full Board of Directors level.

The Company has observed good corporate governance principals during the financial year.

Thank you and may God Bless you all.



.....
Dr. ROBERT KATI OMULA

CHAIRPERSON

BOARD OF DIRECTOR

REPORT OF THE MANAGING DIRECTOR

The company offices are situated at Lunyerere along Mbale – Chavakali road. The company signed a service provision agreement (SPA) of five years with LVNWSB on 16th March 2006 and assumed full operation on 1st may 2006.

The company was governed by a seven-member Board of Directors drawn from various stakeholders and a Managing Director.

All the schemes have pumping stations for the conveyance of water. Maseno, Kaimosi and Mbale supplies whose sources are rivers have full treatment plants. Sosian, Vihiga and Chango draw their water from protected springs and therefore have partial treatment that involves nominal chlorine dosing.

The operating revenue for the year ended 30th June 2022 was Kshs 11,198,060.

The main focus of the company is to achieve the following: -

- Increase water coverage.
- have a continues supply of water
- Provide safe and affordable water to the residents.
- Have a good working environment for staff in terms of remuneration and working conditions.
- Generally, increase revenue towards self- sustainability

Signed by:



.....

Managing Director.

VI. STATEMENT OF PERFORMACE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

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

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

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

Amatsi water Services Company develops its annual work plans based on the above 8 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2020/2021 period for its 8 strategic pillars.

VII. CORPORATE GOVERNANCE STATEMENT

Governance framework and accountability

Amatsi Water Services Company remains committed to achieving the highest standards of corporate governance and corporate citizenship by adhering to the relevant codes of best practice, principles of fairness, accountability, responsibility, transparency and integrity. This is done pursuant to its

ongoing commitment to ensure that the Company is managed in an efficient, responsible and ethical manner and in the interests of all its stakeholders and public. We strive for continuous improvement, recognising that the achievement of sustainability in service provision is dependent on stable, well-functioning and well-governed environmental, social, economic and governance practices.

Our governance framework is structured to ensure compliance with the laws, regulations and codes of best practice applicable in the country. In addition, our business operations are guided by the principles contained in the Water Act 2016, International Labour Organisation (ILO), Declaration on Fundamental Principles and Rights at Work and the Voluntary Principles on Security and Human Rights.

The Board of Directors' committees and management are responsible for embedding practices into our businesses, consistent with these principles in the mandated area in which AWASCO operates. This is achieved through AWASCO policies and guidelines, as well as audit and assurance procedures, which ensure compliance by all public companies with the applicable laws and regulations as well as the recognised codes of good practice. During the year under review, more emphasis was considered to enhance governance framework, with the aim of ensuring that the company's activities are well-managed and driven by socio-economic imperatives producing responsible, accountable and sustainable outcomes.

The Board has three active committees which are Audit committee; Technical committee; and the Finance, Human Resource, Legal and Administration committee. The committees did not meet four times as per the regulations because the Board was not in place. The newly constituted Board was appointed on 5th May 2021 whereas the previous Board was in office till August 2020 when they held their last meeting. Each committee met twice times, after which the Board met in a Full Board meeting to receive board committee reports and recommendations in view to making decisions on matters raised. During this year under review, the Full Board held meetings three times to review Board committee reports, and three (3) times to review the company's Business Plan.

The Board has a succession plan; they have been inducted and are performing to task with guidance from Mwongozo guidelines.

VIII.MANAGEMENT DISCUSSION AND ANALYSIS

The focus during the year was mainly two issues:

- Increasing coverage area through expansion of water services.
- Reviving of dry lines.

With increased coverage and reduced burden on overheads, the organization was able to meet its obligations on both the customers and other key players at a much lower cost hence progressively moving towards sustainability.

The company as a water service provider in Vihiga envisages an improved service provision and coverage in the next financial year when the following areas will be prioritized.

- Expansion of water services through laying of new pipelines in upcoming urban setups and upgrading of dilapidated infrastructure.
- We intent to serve all our customers and ensure that all get the basic commodity. This will be done through rationing schedule to cover most parts of the County.
- We have a metering plan to cover all customers to account for all the water we produce and supply to them. We have started by metering institutions then cascade down to small household consumers, this, we, believe will increase revenue whereby all customers brought on board will be billed
- Upgrading the entire supply, distribution and service lines and facilities would ensure proper controls and efficient services. This would involve laying an untapped rising main to the distribution tanks, upgrading the tanks to bigger capacities i.e. from 100m³ to 250m³ to 500 m³, laying return lines to service lines, installing necessary fitting along the pipes i.e. the pressure, air and gate valves. This exercise will eliminate illegal connections, improve supply to all customers and activate other dormant connections.
- We are currently improving revenue collection measures and by tapping into the potential in technology. This includes SMS payment and billing, improving our billing system and proactive collection strategies. We have categorized consumers in regard to their consumption patterns and their metering in future. We propose to have digital meters that could be monitored from the office when interfaced with our computers.

Management was responsible for:

- Overall planning, implementing, monitoring and evaluating company performance, productivity and customer satisfaction
- Ensuring that the Company's policies, plans and programmes are implemented as directed by the Board of Directors
- Ensuring that the company has adequate resource capacity (human and non-human) to make its business profitable
- Advising the Board on all matters of the company and reporting to the Board on the same regularly
- Responsible for overall growth and development of the company

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Amatsi water Services Company exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first,

delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

Sustainability strategy and profile

An effective external monitoring system is necessary for directors and core management team, in order to ensure that sustainable development policies, objectives and management systems are appropriate for the complex and rapidly changing world in

which their business operates. Awasco gathers Information on key subjects, including:

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

***i)* Environmental performance**

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

***ii)* Employee welfare**

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

iii) Market place practices-

The organisation should outline its efforts to:

Responsible competition practice.

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

- b) **Responsible Supply chain and supplier relations**
The company maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

- c) **Responsible marketing and advertisement**
AWASCO gives the market products that are of high quality and increased publicity that meet the standards set by various regulatory bodies. The company endeavours to reduce customer response time to complain.

Product stewardship

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

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

Awasco will involve itself in Community involvement by.:

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

X.REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the company's affairs.

i) Principal activities

The principal activities of the company are remains provision water services to resident of Vihiga County

ii) Results

The results of the company for the year ended June 30, 2021 are set out on page 2

Dividends

Subject to the approval of the shareholders, the Directors do not recommend the payment of dividend for the year

iii) Directors

The members of the Board of Directors who served during the year are shown on page viii in accordance with Regulation of the company's Articles of Association, During the year, CECM of water resigned and was replaced by Hon Geoffrey Vukaya.

iv) Auditors

The Auditor General is responsible for the statutory audit of the company's in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2022, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

STATEMENT OF DIRECTORS RESPONSIBILITY

The companies Act require the Directors to prepare financial statements in respect of Amatsi Water and Services Company, which give true and fair view of the state of affairs of the company at the end of the financial year and 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 responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of Amatsi Water Company's 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 ended 30th June 2022. This responsibility includes: (i) maintaining adequate financial managements and ensuring that these continue to be effectively throughout the reporting period;(ii) maintaining proper accounting records, which disclose with reasonable accuracy

Amatsi Water Services Company Ltd
Annual Report and Financial Statements for the year ended 30th June, 2022

at any given time the financial position of the company; (iii) designing ,implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that t they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

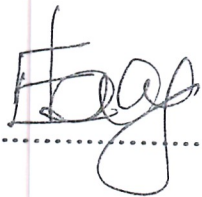
The Directors accept responsibilities for Amatsi Water Services Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with international financial reporting standards (IFRS), and in the manner required by the PFM Act 2012 water act 2016 and company's 2015.

The Directors are of the opinion that the Amatsi Water Services Company financial statements give a true and fair view of the state of the Company's transactions during the financial year ended 30th June 2022, and financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for amatsi Water Services Company Ltd, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of the international control.

Nothing has come to the attention of the Directors to indicate that Amatsi Water Services Company will not remain an ongoing concern for at least the next twelve months from the date of this statement.

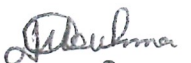
Approval of the financial statements

The company's financial statements were approved by the Board of on2022 and signed on its behalf by:


.....


Ag Managing Director

Edward Luvusi


.....

Chair Finance Committee

Wycliffe Obuhuma


.....

Chairperson of the Board

Dr Robert Kati

REPUBLIC OF KENYA



Enhancing Accountability

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON AMATSI WATER SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Amatsi Water Services Company Limited set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2022, and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of

Report of the Auditor-General on Amatsi Water Services Company Limited for the year ended 30 June, 2022

significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Amatsi Water Services Company Limited as at June 30, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards(IFRS) and do not comply with the Public Finance Management Act, 2012, the Companies Act, 2015 and Water Act, 2016.

Basis for Adverse Opinion

1. Inaccuracy of the Financial Statements

The statement of financial position reflects an inventory amount of Kshs.18,894,060. However, and as disclosed in Note 19 to the financial statements, the inventory casts to Kshs.19,407,655, resulting to unreconciled and unexplained difference of Kshs.513,595.

Further, the statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflects an amount of Kshs.45,774,819 relating to general and operations expenses. However, the general ledger presented for audit reflects an amount of Kshs.52,327,120 hence resulting to an unreconciled and unexplained variance of Kshs.6,552,301.

In addition, the statement of cash flows did not comply with the guidelines on preparation of the financial statements as per the reporting format prescribed by the Public Sector Accounting Standards Board.

In the circumstances, the accuracy of the financial statements could not be confirmed.

2. Variances Between the Financial Statements and the Ledger Balances

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.29,308,698 in respect of staff costs. However, the general ledger balances presented for audit differed with the balances reflected in the Note 11 to the financial statements as detailed below:

	Details	Amount as Per the Ledger in (Kshs.)	Amount as Per the Financial Statements (Kshs.)	Variance in (Kshs.)
1.	Gross Salary and Allowance	24,311,288	23,061,967	1,249,321
2.	Employer's Contribution to Social Security Scheme	823,896	1,647,792	(823,896)
3.	Employer's Contribution to Pension Scheme	730,764	760,064	(29,300)
4.	Gratuity Provisions	1,404,989	1,061,287	343,702
5.	Staff Welfare	-	484,780	(484,780)
	Total			255,047

No reconciliation or explanation was provided for the variance of Kshs.255,047 between the two sets of records.

In the circumstances, the completeness and accuracy of the staff costs of Kshs.29,308,698 could not be confirmed.

3. Long Outstanding Trade and Other Receivables

The statement of financial position reflects an amount of Kshs.107,188,783 in respect of trade receivables as disclosed in Note 20 to the financial statements. This was an increase of Kshs.29,229,129 or 37% over the previous year's balance of Kshs.77,959,654. However, the Company did not have an ageing analysis of her debtors with a third of the debtors owed by Government institutions and other public entities with no evidence of recoveries or any provision for doubtful debtors provided in the financial statements.

In the circumstances, the valuation and recoverability of the disclosed debtors amounting to Kshs.107,188,783 could not be confirmed.

4. Non-Disclosure and Unsupported Overdraft

The statement of financial position reflects an amount of Kshs.2,512,762 in respect of bank and cash balances as disclosed in Note 21 to the financial statements. Included in the cash and bank balances is an overdraft amount of Kshs.660,212 indicated to be a revenue bank account and which was netted off against other bank balances and hence understating the cash and bank balances and current liabilities with Kshs.660,612. Further, no evidence was provided to show that there was authority to overdraw the account.

In the circumstances, the accuracy of the bank and cash balances of Kshs.2,512,762 could not be confirmed.

5. Unsupported Trade and Other Payables

The statement of financial position reflects Kshs.66,290,587 in respect of trade and other payables as disclosed in Note 24 to the financial statements. A review of the trade and other payables records provided for audit revealed the following anomalies:

- i. The Company has not updated the creditor's ledgers to support the movement of trade payables balance from the previous year balance of Kshs.55,165,285 to Kshs.66,290,587.
- ii. Included in the trade and other payables figure of Kshs.66,290,587 is an amount of Kshs.3,000,000 in respect of a loan from Lake Victoria North Water Works Development Agency that has not been supported by a signed loan agreement. It is not clear, and Management has not explained why a loan balance was disclosed alongside trade creditors.
- iii. No invoice or demand notes was presented to support an amount of Kshs.22,964,829 owed to Lake Victoria North Water Works Agency.
- iv. In addition, the ledger presented for audit reflected an amount of Kshs.60,991,795 for trade and other payables resulting to unreconciled and unexplained variance of Kshs.5,298,792.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.66,290,587 as at 30 June, 2022 could not be confirmed.

6. Unremitted and unsupported Statutory Deductions

As disclosed in Note 24 to the financial statements, the statement of financial position reflects Kshs.66,290,587 in respect of trade and other payables which includes Kshs.2,148,319 and Kshs.1,964,333 in respect of unremitted NSSF and PAYE respectively. Further, Note 12 to the financial statements reflects an amount of Kshs.1,306,374 relating to penalties and interests levied by the statutory bodies for failure to remit the statutory deductions. However, no supporting documentations were provided for the unremitted amounts of Kshs.4,122,652 and Kshs.1,306,374 for the statutory deductions and penalties respectively.

In the circumstances, the completeness and accuracy of the trade payables of Kshs.5,429,026 could not be confirmed.

7. Unsupported Provisions

The statement of financial position reflects an amount of Kshs.1,465,871 in respect of provisions, which as disclosed in Note 23 to the financial statements comprise of provision for leave and gratuity of Kshs.404,584 and Kshs.1,061,286 respectively. However, no ledger or support documentation was provided to support the provision on gratuity of Kshs.1,061,286.

In the circumstances, the existence, completeness and accuracy of the gratuity provision of Kshs.1,061,286 could not be confirmed.

8. Unsupported Customer Deposits

The statement of financial position and as disclosed in Note 25 to the financial statements reflects customer deposits balance of Kshs.13,234,888. However, only an amount of Kshs.673,820 was supported by a customer deposit register leaving a balance of Kshs.12,561,068 not supported. Further, the customer deposits bank account as disclosed in Note 21 to the financial statements reflects a balance of Kshs.2,249,372 which is less than the customer deposit balance of Kshs.13,234,888 by Kshs.10,985,516.

In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs.13,234,888 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of 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, the Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unremitted Income Tax Arrears

Note 24 to the financial statements reflects an amount of Kshs.1,964,333 owing to Kenya Revenue Authority. However, records available indicates that the company owed Kenya Revenue Authority an amount of Kshs.1,539,780 which included principal amount of Kshs.1,205,433 and penalties and interest of Kshs.334,347. Review of records revealed that the company made a part payment of Kshs.187,014 on 26 October, 2022 and committed to pay Kshs.45,000 per month and which was not adhered to. In addition, an analysis of the payroll for the year revealed that the Company had not remitted to Kenya Revenue Authority principal income tax amounting to Kshs.424,553 as at year end.

In the circumstance, the Company was in breach of her tax obligations.

2. Non-Remittance of NSSF Arrears

Note 24 to the financial statements reflects an amount of Kshs.2,148,319 owed to the National Social Security Fund which included principal amount of Kshs.1,176,292 and penalties and interest of Kshs.972,027. However, out of the total outstanding balance of Kshs.2,148,319, the Company had only paid Kshs.351,532 and hence risking attracting further penalties that may impact negatively on its cash flow position in future.

The Company Management is therefore in breach of her statutory obligations.

3. Non-Compliance with the Law on Ethnic Composition

Analysis of the payroll indicated that the company has fifty-five (55) employees out of which fifty-three (53) are from the dominant ethnic community translating to 96% of the staff. This is contrary to Section 7(2) of the National Cohesion and Integration Act 2008, which stipulates that no public establishment shall have more than one third of its staff

from the same ethnic community. Additionally, out of fifty five (55) employees, forty two (42) are males representing 76% of the staff in contravention of the one third gender rule.

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

4. Appointment of Board Members

The County Executive Committee Member (CECM) in charge of water appointed five (5) Board Members on 24 May, 2021. However, it was noted that the Board Members have not yet been gazetted as required by the Governance Parameter 1.1 (11) of the Mwongozo Code of governance for State Corporations. In addition, disclosed in Note 13 to the financial statements are Board sitting allowances of Kshs.2,770,030, travelling and accommodation allowances of Kshs.2,232,800. In addition, four (4) members, who included the Chief Officer Water, the Managing Director of Lake Victoria North Water Works Agency, the CEC in charge of Water and the CECM in charge of Finance, were paid a combined amount of Kshs.687,300 without any basis.

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

5. Non-Compliance with the Law on Acting Appointment

Included in the company payroll is an amount of Kshs.196,986 paid to four (4) staff in form of acting allowances for over nine (9) months. This is contrary to Section 34(3) of the Public Service Commission Act, 2017 which states that “an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months. Also, it is not clear why the company has not filled these posts.

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

6. Uncompleted Pipeline Extension Project

The company contracted and paid three contractors a total of Kshs.8,967,782 to supply, install, lay and rehabilitate the pipeline network connections at Luanda and Emuhaya area at a cost of Kshs.2,990,362. Supply, installation, laying and rehabilitation of pipeline network connections in Hamisi Sub-county and pump installation and water distribution line in Vihiga sub county at a cost of Kshs.2,983,700 and supply, installation, laying and rehabilitation of pipeline extension at Lutego Area and pipe network connection at Mudete area at a cost of Kshs.2,993,720. The project was financed by a conditional liquidity support grant from the Water Sector Trust Fund.

However, a review of supporting documentation revealed that the contractors were paid full contract amounts without project completion certificates, site minutes, inspection and acceptance reports.

Further, pipe line extension works on the connections at Luanda and Emuhaya Area at the Esirabe line in Emuhaya was carried out using one (1) inch PVC pipes instead of the 1.6-inch, 2 inch and 4-inch PVC pipes provided in the bill of quantities while pipeline extension works on the network connection at Mudete Area at the Lutego area was carried out using one (1) inch PPR pipes instead of 3 inch PVC pipes while 2 inch HDPE pipes were used instead of 4 inch PVC pipes as stipulated in the bill of quantities. Also, a control chamber was not constructed as provided for in the bill of quantities.

Further, physical verification of the projects carried out on 14 February, 2023 revealed that none of the pipeline extensions was operational and the contractors were paid the full contract amounts without deducting retention monies to cover for the defect liability period as required. It was also noted that 3% withholding tax amounting to Kshs.268,534 was not deducted on the payments made to the contractor's contrary to the provisions of the Income Tax Act, Cap 470.

In the circumstance, the Company did not obtain value for money on the amount spent on the pipeline extension project.

7. Unaccounted for Pipeline Extension Materials

During the year under review, the company procured one thousand (1000) 2-inch class D PVC pipes and other assorted fittings at a cost of Kshs.1,400,000. According to the user requisition, the pipes and other assorted fittings were meant for a 2.4 km pipeline extension from Olang to Ekwanda. However, physical verification of the project carried out on 14 February, 2023 revealed that only one (1) km stretch of the pipeline extension had been laid and yet there were no stock of pipes and assorted fittings in store. No explanation was provided as to how the balance of pipes and assorted fittings were utilised.

In the circumstances, the Company did not obtain value for money of the amounts of Kshs.1,400,000 spent on purchase of pipes and assorted fittings

8. Non-Revenue Water

Records provided for audit indicated that the company produced 1,775,507 cubic meters of water during the year under review, out of which 1,579,387 cubic meters was available to customers for sale but only 1,107,691 cubic metres was billed to customers. The balance of 471,696 cubic metres or 30% of water produced represents unaccounted for water or non-revenue water. The non-revenue water was 5% above the 25% limit according to Water Services Regulatory Board guidelines resulting to a loss of 76,849 cubic meters. Had the non-revenue water been billed at the rate of Kshs.25 per cubic meter applied in the year under review, the company would have recorded additional revenue amounting to Kshs.1,921,231.

In the circumstances, the Management was in breach of water regulatory guidelines.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matter discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures

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

Basis for Conclusion

Lack of Risk Management Policy

During the year under review, the company acquired a billing software. It was also noted that the company has developed a Technology and Communication Policy that outlines disaster preparedness and data recovery strategies. However, it was noted that the company has not developed Risk Management Policy that is required to ensure that business risks are either avoided, reduced to an acceptable level, or managed to enable the company achieve its objectives.

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 not been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are not in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

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

Management is 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 Responsibilities for the Audit

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

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 June, 2023

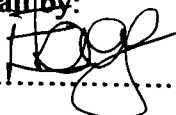
XIII. STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2022.

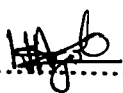
Description	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue			
Operating Revenue	6	54,254,710	42,514,742
Grants Income	7	51,760,001	57,432,641
Other Income	8	2,492,413	
Finance income	9		
Other gains/(losses)	10		
Total Revenue		108,507,124	99,947,383
Staff Costs			
General and Operationas expenses	11	30,308,019	27,926,442
Board Expenses	12	48,472,819	47,974,048
Maintenance Expenses	13	5,345,686	2,841,605
Depreciation and Amortization expenses	14	12,932,445	6,722,371
Finance Costs	15	1,455,003	130,902
Total Expenses	16	98,513,972	85,595,368
Profit/(loss) Before Taxation		9,993,152	14,352,015
Income Tax Expense/ (Credit)			
Profit/(Loss) After Taxation		9,993,152	14,352,015
Other Comprehensive Income			
Profit/(Loss) After Taxation		9,993,152	14,352,015
Surplus Or Deficit On Revaluation Of PPE			
Remeasurement Of Net Defined Benefit Liability			
Fair Value Gain /(Loss) On Investmnts In Equity			
Instruments Designated As At FVTOCI			
Total Comprehensive Income For The Year		9,993,152	14,352,015


XIV STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

Description	Note	2021-2022	2020-2021
Assets		Kshs	Kshs
Non-Current Assets			
Property, Plant and Equipment	20	8,958,815	9,988,181
Intangible assets	18	2,979,454	-
Total Non-Current Assets		11,938,269	9,988,181
Current Assets			
Inventories	19	18,844,026	22,656,439
Trade and receivables	20	107,188,783	77,959,654
Bank and cash balances	21	2,512,762	5,029,251
Total Current Assets		128,545,571	105,645,344
TOTAL ASSETS		140,483,840	115,633,525
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	22	129,400	129,400
Capital/Development fund		25,101,623	21,289,637
Retained earnings		32,671,421	22,678,269
Capital and Reserves		57,902,444	44,097,306
Non-Current Liabilities			
Total Non-Current Liabilities			
Current Liabilities			
Provisions- gratuity and leave allowance	11	1,465,871	384,270
Trade and other payables	24	66,971,886	55,165,285
Customer Deposits	25	13,234,888	12,585,500
Deferred Income	26	908,751	3,401,164
Total Current Liabilities		82,581,396	71,536,219
TOTAL EQUITY AND LIABILITIES		140,483,840	115,633,525

The financial statements were approved by the board on.....19-5.....2023 and signed on its behalf by:


Name: EDWARD LUVUSI


Name: Herbert Mutwa


Name: Dr. Robert Kati

Ag Managing Director

Head of Finance

Chairperson of the Board

ICPAK M/No.....

Statement of Changes in Equity for The Year Ended 30th June 2022

	Ordinary Share	Retained Earnings	Capital development	Total
Description	kshs	kshs	kshs	kshs
As at July, 2020	129,400	8,326,254	-	8,455,654
Profit for the year		14,352,015		14,352,015
Capital /Development grants received during the year			21,289,637	21,289,637
As at June 2021	129,400	22,678,269	21,289,637	44,097,306
As at July 2021	129,400	22,678,269	21,289,637	44,097,306
Profit for the year		9,993,152		9,993,152
At June 30,2022	129,400	32,671,421	21,289,637	54,090,458

VI. Statement of Cash Flows for The Year Ended 30th June 2022

	Note	2021/2022	2020/2021
		Kshs	Kshs
Cash Flows From Operating Activities			
Receipts			
Operating Revenue		43,623,225	31,933,153
Non- Operating Revenue			
Other Income			
Finance			
Customer Deposits		649,388	298,300
Total Receipts		44,272,613	32,231,453
Payments			
Staff Costs		24,248,970	23,245,271
Board Expenses		5,242,803	2,751,530
General And Operation Expenses		6,586,621	4,933,360
Maintenance		18,178,685	34037892
Finance Costs			
Refund of Customer Deposits			
Total payments		54,257,079	64,968,053
Net Cash From/(Used In) Operating Activities		(9,984,466)	(32,736,600)
Cash Flows from Investing Activities			
PPE DTF		-9624973	
Purchase of Intangible Assets		(2,724,072)	
Net Cash From/(Used In) Investing Activities		(12,349,045)	-
Cash Flows from Financing Activities			
grant		24,850,000	36,421,291
Proceeds From Borrowings			
Net Cash From/(Used In) Financing Activities		24,850,000	36,421,291
Increase/(Decrease) In Cash And Cash Equivalents		2,516,489	3,684,691
Cash And Cash Equivalents At Beginning Of Year		5,029,251	8,713,942
Cash And Cash Equivalents At End Of Year		2,512,762	5,029,251

STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2022

	Final budget	Actual on comparable basis	Performance differences	% Of utilization
	2021/2022	2021/2022		
Revenue	Kshs	Kshs	Kshs	
Operating Revenue	72,120,000	54,254,710	17,865,290	75%
Non- Operating Revenue				
Grants	34,200,000	51,760,001	(17,560,001)	151%
Finance Income				
Other Income				
Total Revenue	106,320,000	106,014,711		
Expenses				
Staff Costs	39,142,086	30,308,019	8,834,067	77%
Board Expenses	3,066,000	5,345,686	(2,279,686)	174%
General and operations Expenses	11,621,914	48,472,819	(36,850,905)	417%
Maintenance	50,070,000	12,932,445	37,137,555	26%
Depreciation and amortization		1,455,003	(1,455,003)	
Finance costs				
Total Recurrent Expenditure	103,900,000	98,513,972		
Profit or Loss	2,420,000	7,500,739		
Capital Expenditure	2,420,000	3,405,090	(985,090)	141%
Total Expenditure	106,320,000	101,919,062		

Notes to the budget

- Revenue performance at 75%

The company metering ratio is currently at 60%, the management is targeting 100% metering to meet the 25% gap between actual revenue and budgeted revenue.

- Grants performance at 151%

The company budgeted for Kshs 34,200,000, however a total of Kshs 51, 760 ,000 was received in form of grants. This increase was due to funding from water sector to address the adverse effects of covid pandemic and put up a decentralized treatment facility to cater for sewer disposal beside normal grants received from the county government to settle electricity bills.

- Staff cost performance at 75 %

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

- Board expenses performance at 174%

The board expenses had been budgeted for at Kshs 3,066,000, however the actual expenditure was Kshs 5345686 resulting to over expenditure of Kshs 2,279,686, this was due to holding extra special meetings.

- General and Operation expenses performance at 111 %

The over expenditure of Kshs 1,310,531 forms part of what was financed by the proceeds from the continuity liquidity grant support from water sector trust fund to assist the company over the adverse effects of covid 19 pandemic

- Maintenance expenses performance at 91%

The activities under maintenance includes pipeline extension which had not completed at the end of the financial year.

IX. Notes to the Financial Statements

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

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

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

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

Notes to the Financial Statements

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

- i. **New and amended standards and interpretations in issue effective in the year ended 30 June 2022**

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

- ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.**

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

- iii. ***Early adoption of standards***

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

Notes to the Financial Statements

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and 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.

Summary of Significant Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the company in the form of actual goods and/or services rather than the money or cash terms. These donations may include vehicles, equipment, utilities or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded but disclosed.

c) Property, plant and equipment

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

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

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

Notes to the financial statements

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

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

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

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

Notes to the Financial Statements

Summary of Significant Accounting Policies

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

g) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred

to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

h) Inventories

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

i) Trade and other receivables

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

j) Taxation

i) Current income tax

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

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

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

Notes to the Financial Statements

Summary of Significant Accounting Policies

k) Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow

all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Notes to the Financial Statements

Summary of Significant Accounting Policies

l) Cash and cash equivalents

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

m) 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.

n) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from January 1, 2022. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time..

o) Provision for staff leave pay

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

Notes to the financial statements

Summary of Significant Accounting Policies

p) Exchange rate differences

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

q) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 30th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

r) Service concession arrangements

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

s) Comparative figures

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

t) 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, 2022

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial

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statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

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

c) Provisions

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

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

6. Operating income

Operating Revenue	2021-2022	2020-2021
	Kshs	Kshs
Water Sales	50,417,228	39,146,782
Sewerage Services	3,973,509	3,367,960
Billing for other services		-
Total	54,390,737	42,514,742

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7 Grants Income		
	2021-2022	2020-2021
	Kshs	Kshs
Operational grants from Government entities	22,941,264	16,459,725
Recurrent/operational grants from other agencies	24,850,000	35,452,141
Capital grants amortized		
Donations from County Governments	3,968,737	4,551,625
In Kind contribution/donations from other agencies		969,150
Total	51,760,001	57,432,641

8 Other Income		
	2021-2022	2020-2021
	Kshs	Kshs
Sale of Tender	-	-
Fine and penalties	-	-
Rental income	-	-
Insurance compensation	-	-
Miscellaneous income (specify)	-	-
Total	-	-

9) Finance Income	2021-2022	2020-2021
Description	Kshs	Kshs
Interest income from treasury bonds	-	
Interest income from treasury bills	-	
Interest from receivables	-	
Interest from commercial banks and financial institutions	-	
Interest on staff loans	-	
Dividends	-	
Total	-	

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10 Other Gains and Losses	2021-2022	2020-2021
Description	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	-	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
Total	-	-

11. STAFF COST	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowance	24,061,288	23,698,494
Casual workers' wages	1,888,224	1,376,870
Medical insurance schemes		
Employer's contributions to social security schemes	1,647,792	1,598,988
Employer's contributions to pension scheme	760,064	
Provisions for leave pay	404,584	
Gratuity provisions	1,061,287	1,252,090
Staff welfare	484,780	
	30,308,019	27,926,442

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(12) General and Operations Expenses	2021-2022	2020-2021
Description	Kshs	Kshs
Chemicals	6,692,001	9,397,872
Electricity	24,256,165	29,542,898
Fuel, oil, lubricants, and gases	558,000	279,000
Office supplies	149,680	161,030
Telecommunication, Postage and Courier and INT	313,672	127,931
Rent and rates	21,000	77,517
Domestic Travelling and subsistence	3,661,245	3,111,343
Staff training and development	79,000	47,300
Bank Charges	223,100	208,136
Security services	1,148,406	306,240
Penalties & Interest on PAYE & NSSF	1,306,374	
Audit fees	348,000	644,000
Consultancy fees	2,600,000	1,400,000
Licensing and levies	6,510,251	2,326,926
Donations	75,000	125,000
Hospitality	500,000	185,000
Water quality	30,925	33,855
Total	48,472,819	47,974,048

13 Board Expenses		
Description	2021-2022	2020-2021
	Kshs	Kshs
Chairman Honoraria	342,856	20,000
Sitting allowances	2,770,030	663,325
Medical Insurance		
Induction and Training	-	546,050
Travel and accommodation	2,232,800	1,612,230
Other allowances		
Total Board Expenses	5,345,686	2,841,605

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14. Maintenance Expenses	2021-2022	2020-2021
Description	Kshs	Kshs
Infrastructural networks	12,932,445	6,540,816
Motor Vehicles		181,555
Total	12,932,445	6,722,371

15 Depreciation and Amortization Expenses	2021-2022	2020-2021
Description	Kshs	Kshs
Property, Plant and Equipment	1,029,367	130,902
Intangible assets	425,636	
Total	1,455,003	130,902

16. Finance costs		
	2021-2022	2020-2021
Description	Kshs	Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Others (specify)	-	-
Total	-	-

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17 Property Plant and Equipment

	Plant and machinery	Motor vehicles,	Computers & related equipment	Office equipment, Furniture & fittings	Capital work in Progress	Total
2020/2021						
Cost or valuation	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1,2020	376,850	1,290,400	1,062,196	233,477	9,624,973	12,587,896
Additions						
Transfers						
Disposals						
At June 30,2021	376,850	1,290,400	1,062,196	233,477	9,624,973	12,587,896
Depreciation						
At July 1,2020	137,140	1,290,400	998,164	43,108		2,468,812
Charge for the year	37,685		64,032	29,185		130,902
Impairment loss						
Eliminated on disposal						
At June 30,2021	174,825	1,290,400	1,062,196	72,293		2,599,714
Net book value at June 30,2021	202,025	-	-	161,184	9,624,973	9,988,182
	Plant and machinery	Motor vehicles,	Computers & related equipment	Office equipment, Furniture & fittings	Capital work in Progress	Total
2021/2022						
Cost or valuation	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1,2021	376,850	1,290,400	1,062,196	233,477	9,624,973	12,587,896
Additions	9,624,973					

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Transfers					(9,624,973)	
Disposals						
At June 30,2022	10,001,823	1,290,400	1,062,196	233,477	-	12,587,896
Depreciation						
At July 1,2021	174,825	1,290,400	1,062,196	72,293		2,599,714
Charge for the year	1,000,182			29,185		1,029,367
Impairment loss						
Eliminated on disposal						
At June 30,2022	1,175,007	1,290,400	1,062,196	101,478	-	3,629,081
Net book value at June 30,2022	8,826,816			131,999		8,958,815
Capital Work in Progress Relates to DTF project in Mbale scheme.						

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18.Intangible Assets		
Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At July 1	3,405,090	-
Additions	-	-
Disposals	-	-
At June 30	3,405,090	-
	-	-
Amortization		
At July 1	-	-
Charge For The Year	425,636	-
Disposals	-	-
Impairment Loss	-	-
At June 30	425,636	-
Net Book Value		
At June 30	2,979,454	-

[This refers to billing software purchased by the company)

19 .INVENTORY		
	2021/2022	2020/2021
	Kshs	Kshs
Chemicals	513,595	1,366,800
Water fitting and accessories	6,157,857	766,053
Water Meters	12,172,574	20,523,586
TOTAL	18,844,026	22,656,439

(Inventory represents values of water treatment chemicals and water meters kept at our store as at 30th June 2022

(Inventories represents values of water treatment chemicals and water meters kept at our store as at 30th Jun 2022)

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20. Trade and Other Receivables

Description	2021-2022	2020-2021
Trade Receivables	Kshs	Kshs
Gross Trade and Other Receivables	107,188,783	77,959,654
Net Trade and Other Receivables	107,188,783	77,959,654
[No provision for bad debts was provided for as the finance manual was be being reviewed]		
At June 30, the ageing analysis of gross Trade Receivables was as follows:		
Less than 30 Days		
Between 30 and 60 Days		
Between 61 and 90 Days		
Between 91 and 120 Days		
Over 120 Days		
Total	107,188,783	77,959,654

21. Bank and Cash Balances

Description	2021-2022	2020/2021
	Kshs	Kshs
Cash at bank	2,512,762	5,742,841
Cash in hand		-
Total	2,512,762	5,742,841

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Detailed analysis of the cash and cash equivalents

Description		2021-2022	2020-2021
Financial institution	Account number	Kshs	Kshs
a) Current Account			
KCB			
a) Revenue account	KCB A/C NO.		
	1110554516	-660,212	-5,406
b) Customer deposits account	KCB A/C NO.		
	1170433855	2,249,372	1,612,253
c) Water Bowser	KCB A/C NO.		
	1170433928	4,442	-2,926
d) M pesa (PAYBILL)	803783	8,940	24,166
	EQUITY A/C NO		
e) Equity Bank	960279000000	908,751	1,192,978
f) COOPERATIVE BANK	COOP A/C		
		1,469	2,921,776
g) BARCLAYS BANK	BARCLAYS A/C NO		
	2029623603		-
Grand total		2,512,762	5,742,841

22(a) Issued share capital

	2021/2022	2020/2021
	Kshs	Kshs
COUNTY GOVERNMENT OF VIHIGA	4997	4997
DEPARTMENT OF ENVIRONMENT WATER & NATURAL RESOURCE (VIHIGA COUNTY)	1	1
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING (VIHIGA COUNTY)	1	1
OFFICE OF THE COUNTY SECRETARY (VIHIGA COUNTY)	1	1
TOTAL	5,000	5,000

The par value for share is Kshs 20: (5,000*20 = Kshs 100,000)

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22(a) Share premium

	2021/2022	2020/2021
	Kshs	Kshs
COUNTY GOVERNMENT OF VIHIGA	29,397	29,397
DEPARTMENT OF ENVIRONMENT WATER & NATURAL RESOURCE(VIHIGA COUNTY)	1	1
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING(VIHIGA COUNTY)	1	1
OFFICE OF THE COUNTY SECRETARY(VIHIGA COUNTY)	1	1
TOTAL	29,400	29,400

23. Provisions		
Description	2021-2022	2020/2021
	Kshs	Kshs
Provision for leave	404,584	384,270
Provision for gratuity	1,061,286	1,252,090
Total	1,465,870	1,636,360

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

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24. TRADE PAYABLES AS AT 30 JUNE 2022			
		2021/2022	2020/2021
S/N	NAME	Kshs	Kshs
1	WARMA	7,043,650	5,708,342
2	LVNWSB	22,964,829	23,024,829
3	WASREB	7,679,992	5,972,420
4	BROADPARK	61,700	61,700
5	KINETICS LTD	240,380	240,380
6	GRATUITY	1,061,287	-
7	SACCO RTNS	945,922	945,922
8	WELFARE DEDUCTIONS	26,800	-
9	NEW FRIENDS MOTORS	136,150	136,150
10	PRIDE KINGS	765,600	421,080
11	MUSIMBI AGENCY	82,050	5,590
12	CIZAH	25,520	25,520
13	KENAO	3,594,000	3,246,000
14	BORROWINGS FROM DEPOSIT	533,465	533,465
15	LOAN FROM LVNWSB	3,000,000	3,000,000
16	NYANZA LTD	30,000	78,000
17	ROTALINK	40,850	40,850
18	UNISOURCE ENERGY AUDIT	148,348	148,348
19	VICTORIA ENTERPRISES	133,200	133,200
20	LIQUID TELECOM	62,560	62,560
21	LENSAFE	52,670	-
22	UMEME	58,420	-
23	HEMARA HOTEL	133,200	-
24	SOSA COTTAGES	142,300	142,300
25	BOADA	125,030	143,785
26	GUSANGA LTD	61,000	49,000
27	KEBS	2,887,212	2,777,640
28	NEW AUTO GARAGE	98,750	98,750
29	LIKIFA	-	29,600
30	MOSOP SECURITY	38,280	76,560
31	SALWAN SQUAD	114,840	127,600
32	CRATER	193,210	0
33	LEGAL CASE	2,219,878	2,219,878
34	MICHI	26,500	5,800

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35	LEXIDE		26,000
36	BETCO	25,755	25,755
37	VIHIGA FM	10,500	10,500
38	MINISTRY OF INFORMATION	547,316	547,316
39	GOVERNMENT PRINTERS	20,880	20,880
40	ELECTRICITY	6,394,440	5,079,565
41	MARK PERFORMANE	385,140	-
42	NSSF	2,148,319	0
43	PAYE	1,964,333	0
44	EARTHVIEW	300,000	-
45	NISSI	104,000	0
46	SCADA INVESTMENTS LTD	330,210	0
47	JOHNIKA GENERAL SUPPLIERS	7,200	0
48	TASANGA ENTERPRISES	6,200	0
	TOTAL	66,971,886	55,165,285

25 .Customer Deposits

	2021/2022	2020/2021
	kshs	kshs
Opening Balance	12,585,500	12,287,200
Add Deposits Received during the year	649,388	298,300
Closing Balance	13,234,888	12,585,500

(Customer deposits refers to Deposits received from customers to mitigate the company against losses Which may arise from non- payment of water consumed and bills raised.

. The deposits are refundable on demand by the customers in case of transfer or movement from the premises

The company inherited customers from the water ministry. Previously, the ministry was using one account for both revenue collection and customer deposits

In 2015 the company opened a separate account to cater for customer deposit which had a balance of Kshs 2,249,372 as at end of reporting period.)

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26 DEFERRED INCOME

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

YEAR	AT THE START OF THE YEAR	DURING THE YEAR	TOTAL	WRITE BACK DURING THE YEAR TO INCOME	AT THE END OF THE YEAR
2020/2021	Kshs	Kshs	Kshs	Kshs	Kshs
WSTF(DTF PROJECT)	7,452,205	4,694,788	12,146,994	(10,954,016)	1,192,978
WSTF (CLSG)	-	26,659,238	26,659,238	(24,451,052)	2,208,186
TOTAL	7,452,205	31,354,026	38,806,232	(35,405,068)	3,401,164

27. RELATED PARTY DISCLOSURES

County Government of Vihiga

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

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

Other related parties include:

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

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A. Grants from National and county government of Vihiga	kshs	kshs
Grants received-Vihiga county electricity	22,951,264	16,459,725
In Kind contributions/ donations chemicals-Vihiga County	3,968,737	4,551,625
in Kind contributions/ donations chemicals Wstf		969,150
Wstf Clsg	24,650,000	26,659,238
Wstf Dtf Project		4,694,788
sub total	51,570,001	53,334,526
B. Expenses incurred on behalf of related party		
Payment of salary and wages for Vihiga County water office employees	-	-
sub total	-	-
C. Key management compensation		
Directors emoluments	5,224,330	683,325
compensation to Managing Director	2,020,110	1,833,000
compensation to Key Management (TM&CM)	878,100	2,036,100
sub total	8,122,540	4,552,425
TOTAL	59,692,541	57,886,951

28. 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:

29. Liquidity risk management

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

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

- **Market risk**

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

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

- **Interest rate risk**

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

- **Management of interest rate risk**

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

30. Incorporation

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

31. Events After the Reporting Period

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

32. Currency

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS
2020-2021 FY

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

Reference no.	Issue Observation from Auditor	Management comments	Status:(Resolved) Not Resolved	Time frame
1	Inaccuracies in cost of sales	<p>On variance of Ksh.1, 028,146</p> <p>The schedule provided to the auditor at the time of audit reflected Kshs 29,586,280 and not Kshs 28,514,898 as indicated by the auditor hence the variance not accurate.</p> <p>On omission of staff directly involved in production:</p> <p>The omission was resolved by apportioning the cost to production and the right figure is Kshs 15,934,090.</p> <p>On variance of Kshs 2,021,714</p> <p>The of variance of Ksh. 2,021,714 relating to staff cost was as a result of omission of temporary staff cost to the financial statements.</p> <p>On the omission of water quality of Kshs. 33,855 on computation of cost of sales:</p>		

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		Management observed that there was an omission of Ksh.33, 855 and this was corrected by passing a journal entry.		
2	Unsupported Other Incomes	The management received Kshs 4,694,788. from Wstf (dtf) in the year under review and not 11,001,089 as earlier reported in the financial statements. the correct income for the year was kshs30,114,990 as tabulated below and not Kshs 36,421,291. journal entry See Annex 2A.		
3	Inaccuracies in Property, Plant and Equipment	That figure of Ksh. 9,624,972 relates to works in progress on decentralized treatment facility not recognized under plant property and equipment because this is works in progress and this will be reported in the financial statements after a final inspection report and certificate of works completion issued.	Solved	
4	Inaccuracies in Trade and Other Receivables	The management did not provide a policy on provision for bad and doubtful debts during the audit however a debt management policy has been developed and its now available for further review. See annex 4A. The company also acquired	Solved	

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		<p>billing software (Majisoft) with the capability of generating the analysis of debtors.</p> <p>On unexplained differences Kshs 1,712,699: This was under cast in the financial statement and was corrected by passing a journal entry. The correct figure was Kshs 33,645,852.</p>		
5	Inaccuracies in Bank and Cash Balances	Reconciliation was done to correct anomaly. An extract of the cashbook and the reconciliation statement has been provided for further review.	Solved	One week
6	Unsupported Trade and Other Payables	The management has circularized to the Lake Victoria North water works development agency to ascertain the existing of the loan facility from there records.	Solved	Six months
7	Inaccuracies in customer Deposits	The necessary ledgers have been availed to address the variance in customer deposits.	On going	Sixty days
8	Unsupported Inventory	All items received from the project were captured in the books adhering to the right procedures. In regards to Kshs20,523,586, the procurement documents are available for audit verification.	Solved	One week

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9	Unsupported Transfer From the County Government	The relevant documents have been attached for further verification.	Solved	One week
Other Matter 1	Budgetary Control and Performance	The management responded by giving out measures to counter the budget variances.	On going	
1.	Non- Revenue Water Management	Necessary measures have been put in place to address the NRV	On going	
2	Non- Compliance law on Ethnic Composition	Relevant respond was given on the issue in relation to amatsi water services company ltd.	Not - Solved	
3	Non- Compliance with Law on Fiscal Responsibility – Wage Bill	The company inherited Personnel from the defunct local Authorities as they were, and recruited locally before the promulgation of the constitution 2010. Currently the Company is ensuring inclusivity through placing adverts in local dailies and the Company Website.	On going	
4	Non- Compliance with the Public Sector Accounting Standards Board Requirements	The company inherited personnel from the defunct local Authorities with the wage bill as it was. Currently recruitment is on need basis and on contract basis.	Solved	One week

APPENDIX II: Projects Implemented by Amatsi Water Services Company

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	MBALE HOUSEHOLD SANITATION PROJECT	17,214,223	16,305,472	98	17,214,223	16,305,472	WS TF
	TOTAL	17,214,223	16,305,472	98	17,214,223	16,305,472	

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement	Consolidated in these financial statements (Yes/No)

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					ement (Yes/No)	
1	02HS/LVNWWDA/VIHIGA/AMATSI/015	WSTF	12MONTHS	100%	YES	YES
2						

ENTITY NAME:AMATSI WATER SERVICES COMPANY				
Break down of Transfers from the State Department &County Government				
FY 2021/22				
A	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	
	WSTF(CLSG)	17.12.2021	24,650,000	2021/2022
		Total	24,650,000	
B	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>2021/2022</u>
	COUNTY GOVERNMENT OF VIHIGA	vary	22,941,264	
		Total	22,941,264	
C	Donor Receipts	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	2021/2022
	COUNTY GOVERNMENT OF VIHIGA(CHEMICALS)	24.12.2021	3,968,737	
		Total	3,968,737	

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

Finance Manager
 Sign..........

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**APPENDIX III: RECORDING
OF TRANSFERS FROM
OTHER GOVERNMENT
ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/De velopment/O thers	Total Amount - KES	Where Recorded/rec ognized				Re cei va ble s	income statement	Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	0			
Ministry of Water(wstf clsg)	17.12.2021	Recurrent	24,650,000	yes	NO		0	NO	24,650,000	24,650,000
Ministry of Water(wstf) county government of Vihiga		Development	908,751	no	YES	908,751		NO	908,751	908,751
county government of Vihiga		Recurrent	22,951,624	yes	NO	NO		NO	22,951,624	22,951,624
county government of Vihiga	24.12.2021	Recurrent	3,968,737	yes	NO	NO		NO	3,968,737	3,968,737
Total			52,479,112			908,751			52,479,112	52,479,112

