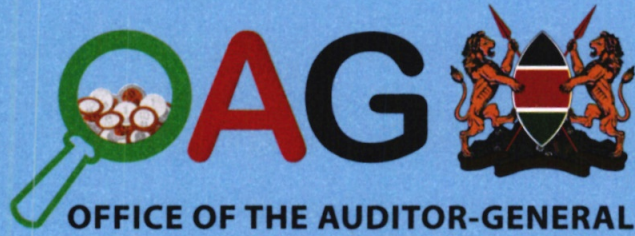


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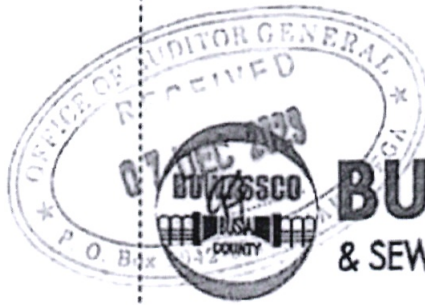
THE AUDITOR-GENERAL

ON

**BUSIA WATER AND SEWERAGE SERVICES
COMPANY LIMITED**

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

PAPERS LAID	
DATE	21/3/2024
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BUSIA WATER
& SEWERAGE SERVICES CO LTD

BUSIA WATER AND SEWERAGE SERVICES COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

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

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1. Acronyms and Glossary of Terms

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

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

2. Key Entity Information

Background information

Busia Water and Sewerage Services Company (BUWASSCO) was incorporated on 14th April 2014 under the Companies Act Cap .486. At County level, the Company is represented by the County Executive Committee Member responsible for Water, Environment, Irrigation and Natural Resources 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 operates through seven (7) schemes namely; Mundika, Nambale, Matayos, Malakisi, Amukura, Amagoro and Bujumba/Burinda.

Principal Activities

The principal activity of the Company is to Provide water and sanitation services to the residents of Busia County and Ensure that County assets for water service provision entrusted to the Company are maintained and are in good working condition

Vision, Mission and Core Values

Vision

A leading, sustainable and reliable provider of quality, affordable water and sewerage services in East Africa.

Mission

To provide safe, reliable affordable water and sewerage services in a sustainable manner to the residents of Busia County.

Core Values

- Professionalism
- Accountability
- Customer Focus
- Equity
- Integrity.

Directors

During the financial ending 30 June 2023, there were no duly appointed Directors who served the entity during the year

Registered Office

P.O. Box 392-50400

Dept. of Water, Irrigation, Environment & Natural Resources compound

Equity Bank-Posta-Forest Road

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Busia, Kenya

Corporate Headquarters

County Government of Busia
Dept. of Water, Irrigation, Environment & Natural Resources compound
Equity Bank-Posta-Forest Road
Busia, Kenya

Corporate Contacts

Telephone: (254) 796523854
E-mail: info@buwasco.co.ke
Website: www.buwasco.co.ke

Corporate Bankers

Bankers
Commercial Bank of Kenya
P.O Box 595-50400,
Busia Branch

Equity Bank
P.O. Box 553-50400,
Busia Branch

Kenya Commercial Bank
P.O. Box 27-50400
Busia Branch



Independent Auditor

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



Principal Legal Advisers

The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. The Board of Directors

Directors	Details
 <p>Mr. Patrick Sanya Odame</p>	<p>He is the Chairperson Board of Directors. Age: He is 61 years old. He holds an MBA in Strategic Marketing and a Bachelor of Science. He has vast experience in Public Sector Management and a seasoned corporate leader with over three decades experience. He is an independent director</p>
 <p>Hon, Eng. Andrew Meso</p>	<p>He is an executive director, the CECM Water, Irrigation, Environment, Natural Resources and Climate Change. He holds a Bachelor of Science Civil Engineering. He holds immeasurable experience in water industry with over a decade of hands on in the industry.</p>
<p>Hon. Topister Wanyama</p>	<p>She is and executive director, CECM Finance, ICT and Economic Planning. She has extensive experience in banking sector.</p>
<p>CPA Michael Etyang Owaya</p>	<p>He is an independent director. He is the Chairperson Finance and Administration Committee at Board Level. Age: He is 46 years old. Holds an MBA in strategic management and a Bachelor of International Business Administration Finance Option Professional Affiliation: Institute of Certified Public Accountants-Kenya</p>

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 <p>Eng. Oliver Khabure</p>	<p>He is an independent director. He is the Chairperson Technical Committee at Board Level.</p> <p>Age: He is 55 years old. Holds an MBA Project Management ; University of Wales BSc Civil Engineering from University of Nairobi.</p> <p>Professional Affiliation</p> <p>Engineers Board of Kenya, Institution of Engineers Kenya, Architectural Association of Kenya, Association of Consulting Engineers,Chartered Institute of Arbitrators.</p>
<p>Ms Marian Murunga</p>	<p>She is an independent director. He is the Chairperson Audit Committee at Board Level.</p> <p>Age: She is 29 years old. Holds a Bacher of Science in Business and Information Management.</p>
<p>Prof Christopher Ngacho</p>	<p>He is an independent director.</p> <p>Age: He is 53 years old. Holds a PhD in Management Science, an MBA and Bachelor of Commerce.</p>
 <p>Eng. Thomas Ojiambo Lukeyo</p>	<p>He is the current Ag. Managing Director. He was appointed on 18th September 2023.</p> <p>Age: He is 43 years old. Holds a MSc. Electrical and Communication, a BSc Electrical and Electronics Engineering. He brings on board a 13 years corporate experience and 4 years of public sector.</p>

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Mr. Erick Ojiambo Nakitari




He is the former Managing Director who served during this financial year 2022/2023.

Holds a Master's of Science in Water Engineering with a vast experience of over 20 years in the Water sector having served in both Public ,Water Sector Based NGO's and the Private Sector both locally and internationally.



Bachelor's Degree in Civil and Structural Engineering. He is 56 years old.

Busia Water and Sewerage Services Company Ltd
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4. Key Management Team

Ref	Management	Details
1.	 <p>Mr. Erick Ojiambo Nakitari Managing Director Masters of Science in Water Engineering</p>	<p>Male 56 years</p> <p>Holds a Master’s of Science in Water Engineering with a vast experience of over 20 years in the Water sector having served in both Public ,Water Sector Based NGO’s and the Private Sector both locally and internationally. Bachelor’s Degree in Civil and Structural Engineering.</p>
2.	 <p>Mr. Collins Oduori Nyota Ag Technical Manager</p>	<p>He has a Bachelor’s degree in Soil, Water, and Environmental Engineering from Jomo Kenyatta University of Science and Technology</p> <p>He is currently undertaking a Master’s of Science Degree in water resource engineering at Masinde Muliro university of Science and Technology</p>
3.	 <p>Ms. Sarah Patrick Akasiba Human Resources Officer</p>	<p>Female, Kenyan Citizen</p> <p>She has a Bachelor of Science in Human Resource professional (CHRP)1</p> <p>She is a member of IHRM</p>

**Busia Water and Sewerage Services Company Ltd
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4.	 Miriam Atieno Okumu Ag. Expenditure Accountant	She holds Bachelor's degree in Business Administration (FINANCE OPTION). Diploma in Business administration Kenya Accounts Technician Certificate 1&2. She has vast experience in finance in public sector
5.	 Dancan Kwena Revenue Officer	Male Kenyan citizen CPA graduate with Diploma in Management(project management Option).He has a vast experience in financial management having worked with private sector for over 10 years.

Busia Water and Sewerage Services Company Ltd
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5. Chairman's Statement

Dear Shareholders and Stakeholders,

I am delighted to present the annual report for Busia Water and Sewerage Services Company Ltd. for the financial year ending June 30, 2023. It has been a year of both challenges and notable achievements for the company.

Financial Performance

The company has seen a commendable growth in sales revenue, reaching Kshs. 62,722,771 compared to the previous year's Kshs. 54,729,599, reflecting a steady upward trajectory. Our primary revenue sources, including water sales and sewerage services, have consistently contributed positively to our financial performance.

Grants and Development Partnerships

This year, we were fortunate to receive grants from the County Government of Busia, Water Sector Trust Fund and the Kenya Urban Roads Authority, totalling Kshs. 15,238,132. These funds were instrumental in various projects, such as infrastructure improvement for water supply, pipeline extension, metering of customers and payment of electricity bills, affirming our commitment to efficient operations.

Budget and Financial Management

While our budget projection for the year was ambitious at Kshs. 285,838,702, we encountered challenges in meeting this target. This shortfall was primarily due to the anticipation of increased funding from donors and development partners, which did not materialize as expected. Consequently, our revenue utilization stood at 25%, impacting our operational capacities.

Operational Highlights

Busia Water and Sewerage Services Company remains committed to its strategic plan for 2020/21 - 2024/25, focusing on infrastructure development, operational efficiency, financial sustainability, and institutional capacity strengthening. Our strategies encompass initiatives to enhance revenue generation, reduce operation costs, and improve service delivery to our customers.

Challenges and Future Plans

We acknowledge the persistent challenges related to liquidity, delayed receivables, and interrupted electricity supply, adversely affecting our operations and customer satisfaction. To counter these hurdles, we are intensifying efforts to stabilize revenue streams, optimize operational efficiency, and enhance customer service through sustainable strategies and innovative solutions.

Environmental and Social Responsibility

The company is dedicated to its role in environmental preservation and community engagement. Our commitment includes safeguarding natural resources, participating in environmental cleanup exercises, and investing in community welfare initiatives, such as constructing public sanitation facilities and decentralized treatment facilities.

Busia Water and Sewerage Services Company Ltd
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Employee Welfare and Market Practices

We prioritize our employees' well-being by offering a conducive work environment, continuous capacity building, and adherence to safety standards. Furthermore, we uphold ethical market practices, ensuring fair competition, responsible supply chain management, and effective product stewardship.

Conclusion

As we move forward, our focus remains on achieving sustainable growth, operational excellence, and community impact. We express gratitude to our stakeholders for their continued support, and we reaffirm our commitment to providing quality water and sanitation services to the people of Busia County.



MR. PATRICK ODAME
Board Chairman

6. Report Of the Managing Director

Busia Water and Sewerage Services Company Limited (BUWASSCO) was incorporated on April 18, 2014 under the Companies Act (Cap 486). Its mandate is to supply water and provide sewerage services to residents of Busia County through a service provision agreement with Water Services Regulatory Board (WASREB). Water and Sanitation Services in Busia were previously provided by Lake Victoria North Water Services Board since 2012 through Kakamega – Busia Water Supply (KWBS), a cross county water services provider.

Water provision being a devolved function, Kakamega and Busia counties resolved to de-cluster from KBWS effective July 1, 2016 with each county forming its own water company. The company has diversified its services across the county and now has Seven Schemes within the County namely, Mundika, Nambale, Malakisi, Amukura, Amagoro, Matayos and Bujumba/Burinda. According to Impact No. 15 WASREB Report 2021/22, BUWASSCO water provision services reached 149,411 people out of a population of 893,681 in Busia County.

The management is working on increasing water production capacity through Rehabilitation/Revival of stalled boreholes within its area of jurisdiction and reduction of non-Revenue water so as to increase revenue for sustainability of the company.

The company is also addressing the high operation and maintenance costs through solarisation of pumping stations so as to reduce on the electricity bills. The management is confident that the company is headed in the right direction of self-sustainability.



Eng. Thomas Ojiambo
Ag. Managing Director

7.Statement of Performance against Predetermined Objectives for FY 2022/23

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

Busia Water and Sewerage services Company Limited has four major themes anchored in its strategic plan 2020/21 – 2024/25 and objectives within the current strategic plan for the FY 2021- FY 2022.

These strategic pillars/themes/issues are as follows:

Pillar /theme/issue 1: Water sanitation and sewerage infrastructure development

Pillar/theme/issue 2: Operational efficiency and customer service

Pillar/theme/issue 3: Financial sustainability

Pillar/theme/issue 4: Institutional capacity strengthening

Busia Water and Sewerage Services Company Limited develops its annual work plans based on the above 4 pillars/themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The company achieved its targets set for the FY 2022/23 period for its 4 strategic pillars, as indicated In the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: Water sanitation and sewerage infrastructure service	Increase water supply coverage from 35% to 60% by year 2025.	. 10km extension . No of installed new meters . No of rehabilitated existing infrastructure . 792 connections	. Procure and install 100km pipeline extension 2’’ and below to unserved areas . increase functional meters . increase sewer connections	10 km Mabale hdpe line 343 new water meters installed. Rehabilitation of sluice valves, air valves, tanks are restoration of stall pipe lines. 317 new water connections & 47 new sewerage connections.
	Increase sewerage coverage from 14% to 30%	. 17km . Compliance to regulatory requirement on	. Expand sewerage network cover to a	Completion of Malaba sanitation sewerage system, 24km.

Busia Water and Sewerage Services Company Ltd
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		handling and disposal of waste water	major town	Rehabilitation of existing Mauko sewerage system.
Pillar/ theme/ issue 1:	Adhere to WHO guidelines and KBS standards on water and waste water	Effective water and waste treatment . Compliance to regulatory requirement on handling disposal of waste water		Enhanced surveillance of water. Monthly waste water and water quality to Kakamega lab. Periodic cleaning of our storage tanks. Acquired a waste disposal license by NEMA for our sewer ponds
Thene 2: operational efficiency and customer services	Reduce non - revenue water from 70% to less than 20%	Percentage of non-revenue water deduction	. Pressure management • Active leak detection	Acquired meter testing bench. Acquired 1055 new water meters to reduce NRW. Replacement of PVC with HDPE pipes
	To ensure 100% safety and optimal utilization of company resources	Strengthen internal controls . ensure effective asset protection	. increase our metering ratio to 100% . Develop and implement a risk management framework	Review of water and disaster risk management plan. Increased metering ratio through enhanced metering. Indicate number of meters installed and or serviced for re use
	Ensure 100% automation and integration and integration of all business process by 2023	. verification of assets . ensure all systems are integrated	stock taking of Company assets	The company carried out its asset's verification exercise successful at the close of this financial year
	To increase customer satisfaction level from 73% to 99% by June 2025	.No of customer satisfaction survey (66). . % of complaints resolved . % of hour supply	. Develop and implement customer services charter . Develop and implement customer	Increased supply hours from 10 to 12. Complain resolution period reduced from 3 days to two days.

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			relationships management system	
	Increase sewerage coverage from 4% to 10% by year 2025	. increase the number of active sewer connection to 747		Increased number of active sewerage connections to 812 from 795 of last year.
Financial sustainability	Improve O&M cost coverage from 62% to 150%	increase the number of active sewer connection from 747 to 2000	. increase the number of active water connection from 85% to 100%	Increased active sewer connections to 812 from 795 of last year
	To improve collection efficiency from 71% to 95% by 2025	.SMS billing . Diversify collection modes	. Improve meter reading and capture	.SMS billing in place Smart metering with smartphones introduced Anew billing system (ERP) in place
	Reduce accounts receivable from Kshs. 66 million to not more than ksh 58 million by 2025. 75 % bad debt	Formulation of debt management policy	Review and implement financial audit policies	
	Increase billing (Actual meter reading) from 60% to 100% increase billing efficiency (Actual meter reading from 60% to 100%)	Metering efficiency	improve meter reading . installation of new meters . replacement of faulty meters . Produce a meter service bench	Improved meter reading from manual to smart reading, this ensures 100%-meter reading. Enhanced metering by installation of 248 consumer meters
	Strengthen financial management system	Financial management	Improve utilization	Quick book software fully utilized and operational

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		system integration	of quick book	
	Achieve 100% organizational alignment	Implement the desired organization structure		
	Improve employee's satisfaction level from 40% to 90%	. improve employee capacity and competencies	Staff gender representation	
	Institutional strengthening	Implement institutional policies and procedures	Develop a board charter	Developed and approved by the board
	Develop risk management framework	Develop risk strategy	Develop risk management policies	Risk strategy has been developed and operational
	Embed good corporate governance in BUWASSCO	Develop board structures and instruments	Board structure and charter development	Board charter developed and operational
	Improve BUWASSCO branding/Corporate image	Identify and implement appropriate branding		Produced banners, fliers, and stands and branded our vehicles. Buwassco exhibition stands at world water day. Branded sewer staff uniforms.

8. Corporate Governance Statement

The company recognizes the importance of corporate governance in creating balance between economic and social goals and between individual and communal goals while encouraging efficiency use of resources , accountability in use of power and stewardship as far as possible to assign the interest of individuals, corporations and society .Good corporate governance is intended to ensure that the powers of the corporation is exercise in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and increasing customer satisfaction and other stakeholders in the context of corporate mission.

Appointment Process & Board of Directors.

On 1st July 2016, the County Government of Busia appointed the first Board of Directors for Busia Water and Sewerage Services Company Limited for a term of three years and gazetted the same on 28th October 2016 (The Kenya Gazette Notice No 8895 of 28th October 2016).

On 1st December 2018, the County Government of Busia appointed another Board of Directors for Busia Water and Sewerage Services Company Limited for a term of three years and gazetted the same on 21st November 2018 and revoked the appointments of Gazette Notice No 8895 of 28th October 2016. (Kenya Gazette Notice No 12773 of 21st November 2018 See Appendix 4: Gazette Notices for appointment of BODs). The term of the second Board expired on 30th November 2021 and the company has been operating without a substantive Board of Directors since then. A new Board is in the process of being reconstituted in line with the Water Services regulatory Board (WASREB), Corporate Governance guidelines for the Water Services Sector 2018.

A stakeholders meeting was held on 26th April 2023 and a BOD selection committee formed to undertake the BOD recruitment process including receiving applications, shortlisting, interviewing and making a report to the Shareholder. An advert for applications done and applications received, shortlisting done and candidates invited for the interviews. The interviews were held on 4th and 5th July 2023 and a report done to the Shareholder for appointment. The appointment is expected within the first week of September 2023

Board Charter

Busia Water and Sewerage Service Company Limited has board charter that defines the Board's roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight function. It provides the Board members with an opportunity to think creatively and critically about their strategic and operational plans align with the organization's strategic direction and expectations, with respect to governance

Busia Water and Sewerage Services Company Ltd
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Board Committees

The board charter outlines three key board committee which includes; Audit and Risk Management Committee, The technical committee and Finance and Administration committee.

Board remuneration

By the resolution of the last Board, each director shall receive a net of Kshs.14,000 as sitting allowance and Kshs.2000 lunch and travelling allowance, if lunch is not served during the meeting. The Chairman receives a monthly allowance of Kshs.35,000 subject to 30% tax. As compensation the Board shall be allocated an amount not more than 5% of the total revenue of the Company or Kshs 4 million per annum in line with WASREB's Corporate Governance Guidelines For The Water Services Sector 2018

Busia Water and Sewerage Services Company Ltd
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9. Management Discussion and Analysis

The Company has experienced improvement in sales revenue this financial year at **Kshs. 62,722,771** Compared to the last financial year which stood at **Kshs.54,729,599**. Highlight's sales revenue for the last four year is as shown below.

REVENUE	FY 2022-2023	FY 2021-2022	FY 2020-2021	FY 2019-2020
Water sales	38,652,413	34,345,003	34,245,385	34,530,875
Sewerage services	21,261,809	19,747,146	17,827,937	18,660,644
Billing for other services (Water bowser &Exhauster)	2,808,549	637,450	6,451,000	2,098,350
Total Operating revenue	62,722,771	54,729,599	58,524,322	55,289,869

During this financial year the Company also received grants from the County Government of Busia through the Department of Water, Environment, Irrigation and Natural Resources of **Kshs.8,779,294** by paying of electricity bills. The Company also received infrastructure funds from Kenya Urban Roads Authority of **Kshs.6,458,838.80 for relocation of service lines for road improvements.**

Below is a highlight of grants received from the County Government for the last three financial period as indicated in the table below

GRANTS	FY 2022-2023	FY 2021-2022	FY 2020-2021
County Government Of Busia Through the Department of Water, Environment, Irrigation and Natural Resources	8,779,294	15,518,200	17,624,600

The budgeted revenue for this financial year (FY 2022-2023) was **Kshs. 285,838,702** compared to the last financial year (FY 2021-2022) which was **Kshs.180,918,586**. The increase in budget projection for this financial year was due to high anticipation of donors and other development partners projection on prospective funding for the Company.

The accounts receivables for this financial year is **Kshs. 130,802,554** Compared to the last financial year which was **Kshs.104,509,981**.

	FY 2022-2023	FY 2021-2022	FY 2020-2021
Trade and other receivables	130,802,554	104,509,981	85,829,784
Totals	130,802,554	104,509,981	85,829,784

Busia Water and Sewerage Services Company Ltd

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

Busia Water and Sewerage Company incurred a recurrent expenditure of Kshs.37,049,477 being staff remuneration expenses. The Company reported an operating loss of Kshs. (9,245,190)

Compliance to statutory Requirements

The company continue to experience financial difficulties but during this financial year, the Company was able to comply to all National Hospital Insurance Fund (NHIF) remittance. Other Obligation like Pay As You Earn (PAYE), National Hospital Insurance Fund (NSSF), Local Authority Pension Trust Fund, Staff welfare deductions were partially remitted throughout this financial period due to low income.

Major Risks Facing the Company

Company still faces the major challenge of its ability to effectively collect its receivables and therefore leading to low liquidity position of the Company. Interrupted electricity supply remains also a major challenge for the Company as the Company is not able to effectively and efficiently satisfy our customers with steady supply of water. This causes discontentment among the company's clients thus affecting their ability and willingness to pay within a reasonable time.

Future development and sustainability Plans

The road map towards sustainability is based on the Four Goals of the company's five-year strategic plan (2020/21 – 2024/25) namely; Water and Sewerage Infrastructure Development, Operational Efficiency and Customer Service, Financial Sustainability and Institutional Capacity Strengthening

The strategy aims at attaining commercial viability through; Maximizing of revenue generation and Minimizing of the operation and maintenance (O & M) costs.

The increase in revenue to be achieved through; Steady water supply, Reduction of non-Revenue water, Increased water connections and Improved billing and collections, While reduction in O & M costs to be achieved through; Solarization of pumping schemes (Reduction in KPLC bills), Revival of Boreholes (Reduction in cost of water treatment) and Development of gravity water supplies (requires no pumping).

10. Environmental And Sustainability Reporting

Busia Water and Sewerage Company Limited 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.

i) Sustainability strategy and profile -

Financial sustainability is critical for BUWASSCO to ensure that the Company meets its key mandate of provision of water and sewerage services to the people of Busia County. The Company works closely with the Department of Water, Environment, Irrigation and Natural Resources to ensure that the Company is able to be funded through County allocation so as to guarantee the Company's going concern. The County Government of Busia has ensured this sustained growth through paying of the Company electricity bills.

The company has also through its development partners received funding for solarisation of its borehole at show ground which will ensure a steady supply of water and increase the Company revenue. The road map towards sustainability is based on the Four Goals of the company's five-year strategic plan (2020/21 – 2024/25) namely; Water and Sewerage Infrastructure Development, Operational Efficiency and Customer Service, Financial Sustainability and Institutional Capacity Strengthening.

To effectively realise these strategic areas, the Company requires huge capital investment in infrastructure development and in particular rehabilitation of its leaking tanks at Milimani storage tanks, installation of consumer meter among other interventions which will in the long run improve our revenue generation and reduce on non-revenue water.

ii) Environmental performance

The Company has ensured that natural bamboo forest around its abstraction points are not destroyed to prevent soil erosion and even affect the natural water filtration process before abstraction.

The Company seeks to participate and contribute to a cleaner environment as per The National Environmental Act of 2019 and ensure strict adherence to effluent discharge standards as prescribed by WASREB. This has increased the Company's involvement in community welfare

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

which includes clean up exercises especially in towns within its areas of jurisdiction and by so doing reduces impact on the environmental pollution.

The Company also actively gets involved in tree planting in various schemes across the Company areas of operation.

The Company also contributes to the Society by giving donation especially during public holidays.

iii) Employee welfare

The Company has a well-defined human resource management policy which clearly outlines guiding principles and policies that guide in its hiring process and the general management of the human resource capital within the Company. The Company seeks to develop its human resource capital through frequent capacity building sessions geared towards improvement of performance. The Company works towards ensuring retaining, rewarding and developing the best talent in the Company.

The Company provides a conducive work environment and employees are encouraged to observe integrity, confidentiality and professionalism while undertaking their duties in and outside the Company. We encourage a culture of team work, Valuing the cultural diversity within the workplace, being sensitive to safety at all times, security, society and environment. Further, The Company seeks to improve its employees through structural programs for personal and professional development

Regarding Occupational Safety Health and Safety Act of 2007, the Company aim to ensure a safe and healthy working environment for all our employees and customers. The Company aims to comply with all relevant legislation, regulations and best practices, guidelines recommended by the National Health and Safety Authorities. The Company continues to liaise with staffs through staffs meeting regarding safety policies and practices so that they can continue maintaining a healthy, safe and enjoyable work

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Busia Water and Sewerage Services Company strive to ensure there is strict adherence to the Public Procurement and Disposal Act of 2015 and the Competition Act of 2012 in all its business transactions

b) Responsible Supply chain and supplier relations

The company ensures that it pays its suppliers within a reasonable period of time to create a better working relationship that ensures a steady supply of goods and services when need arises.

c) Responsible marketing and advertisement

BUWASSCO holds its marketing strategies inform of water clinics and public barazas to advertise its services to the public hence increase the customer base. Introduction of branded t-shirts for the staff working in the field helps market the commodity. Issuing of brochures and flyers to people visiting the company premises, and during stakeholders' meetings..

d) Product stewardship

The company has ensured that it produces the best water quality and tested within the area of jurisdiction in Busia County. It has always been complimented by offering conventional sewerage and related services such as water bowsers and exhauster

v) Corporate Social Responsibility / Community Engagements

BUWASSCO exists to transform lives by providing affordable clean and safe water to households and commercial entities. This is our purpose, the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant services, and improving operational excellence

The Company has also ensured that public sanitation toilets are constructed in various bus parks within the county starting with the Busia Town Bus Park. The Company has constructed a decentralized treatment facility at Port Victoria to reduce the amount of waste disposal in Lake Victoria which is the main source of drinking water for a lot of families within that town.

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

11. Report Of the Directors

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

i) Principal activities

The principal activities of the Company are:

Provide water and sanitation services in an effective, efficient and economical manner and shall report to County government of Busia in accordance to the provision of Public Financial Management Act of 2012.

Comply with all provisions of the laws of Kenya relating to the performance of its obligation, including those relating to occupational health and safety of employees.

In addition, the company shall operate a quality monitoring and assurance system in accordance with the international standards. Ensure that assets entrusted to the company are maintained and are in good working condition.

Develop programmes for advancement of skills and competency of the company employees. Establish mechanism for promoting customer relations

ii) Results

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

iii) Dividends

The company has not declared dividends for the year ended 2023 since it does pay dividends and any surplus is use enhance its principle activity

iv) Directors

There were no appointed Directors in this financial period.

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

v) **Auditors**

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 .The Auditors who were appointed in office are continuing for the next financial year.

By Order of the Board



.....
Name: *Thomas Ojiambo*

Secretary to the Board

Date:

12. Statement Of Directors' Responsibilities

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

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

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015) – *Company should quote applicable legislation as indicated under which they are regulated*).

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

Statement of Directors' Responsibilities (Continued)

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

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

Approval of the financial statements

The company financial statements were approved by the Board on 24th / AUG / 2023 and signed on its behalf by:



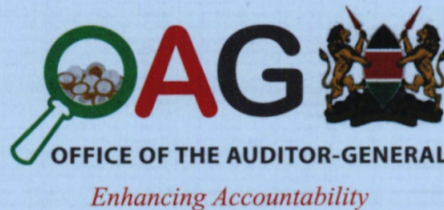
.....
Name *Patricia Odame*
Chairperson of the Board



.....
Name *Thomas Ojiambo*
Managing Director

REPUBLIC OF KENYA

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 BUSIA WATER AND SEWERAGE SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Busia Water and Sewerage Services Company Limited set out on pages 1 to 57 which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a

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

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Busia Water and Sewerage Services Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Share Capital

The statement of financial position reflects a balance of Kshs.100,000 in respect of ordinary share capital of the Company which, as disclosed in Note 19 to the financial statements, consists of 20,000 authorized, issued and fully paid up ordinary shares of Kshs.5 par value each. However, share certificates were not provided to support the balance.

In the circumstances, the accuracy and completeness of the ordinary share capital balance of Kshs.100,000 could not be confirmed.

2. Long Outstanding Trade and Other Receivables

The statement of financial position reflects a balance of Kshs.130,802,554 in respect of trade and other receivables as disclosed in Note 17 to the financial statements. This amount is net of a provision for bad and doubtful debts of Kshs.16,715,228. However, out of the total receivables of Kshs.130,802,554, amounts totaling Kshs.105,420,155 or 81% were over 120 days old as at 30 June, 2023. No justifiable explanation was provided for the failure to recover the long outstanding debts.

In the circumstances, the accuracy and recoverability of the trade and other receivables balance of Kshs.105,920,155 could not be confirmed.

3. Unsupported and Long Outstanding Trade and Other Payables

The statement of financial position reflects a balance of Kshs.141,399,517 in respect of trade and other payables which, as disclosed in Note 25 to the financial statements, includes Kshs.23,059,812 relating to creditors inherited from the defunct Kakamega - Busia Water Company. However, supporting documents like ledgers, local purchase/service orders, invoices, goods received notes, and contract agreements were not provided for audit review to support the balance.

Further, and as indicated in the previous year's report, the Company's trade and other payables has been on an increasing trend. During the year under review, the balance increased by Kshs.27,379,986 from Kshs.114,019,531 reported in the previous year to the Kshs.141,399,517 as at 30 June, 2023. No justifiable explanation was provided for the failure to pay the creditors.

In the circumstances, the accuracy, completeness and authenticity of trade and other payables balance of Kshs.141,399,517 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a revenue budget and actual on comparable basis amounts of Kshs.285,838,702 and Kshs.71,502,065 respectively, resulting to under-funding of Kshs.214,336,637 or 75% of the budget. Similarly, the statement reflects actual expenditure of Kshs.80,063,756 against approved budget of Kshs.285,838,702 resulting to under-performance of Kshs.205,774,936 or 72% of the budget.

The under-funding and under-performance affected planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, in the Progress on Follow-up of Auditor's Recommendations section of the financial statements, Management has indicated that some issues have been resolved while others have not been resolved. No explanation was provided for the failure to resolve all the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Remit Statutory Deductions

The statement of financial position reflects a balance of Kshs.141,399,517 in respect of trade and other payables which, as disclosed in Note 25 to the financial statements, includes Kshs.81,246,681 relating to other creditors, out of which Kshs.27,143,499 is owed to Laptrust. Failure to pay the amount attracts interest and penalty of 5% of the outstanding amounts as provided by Sections 53A(1) of the Retirement Benefits Act, 1997 which requires an employer who has deducted an employee's emoluments for remittance to the Scheme to remit the amounts deducted failing which recovery proceedings should be instituted against the employer.

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

2. Lack of Water License

During the year under review, the Company did not have a water license issued by Water Services Regulatory Board (WASREB) for purposes of carrying out water business. This was contrary to the provisions of Section 85(1) of the Water Act, 2016 which stipulates that a person shall not provide water services except under a license issued by the Board.

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

3. Excessive Non-Revenue Water

The statement of profit or loss and other comprehensive income, as disclosed in Note 6 to the financial statements, indicates that during the year under review, the Company produced 1,151,566 cubic meters of water valued at Kshs.38,652,413 out of which only 595,490 cubic meters valued at Kshs.19,987,674 were billed to customers while 556,076 cubic meters or 48% of water valued at Kshs.18,664,739 were not billed and therefore constituted non-revenue water (NRW). The loss of 48% of the water was above the 25% loss allowed by the Water Services Regulatory Board (WASREB). No justifiable explanation was provided for the 23% excess loss through NRW.

In the circumstances, the high NRW is an indicator of inefficiency and ineffective use of public and water resources, which may negatively impact on the Company's profitability and ability to sustain service delivery.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of a Risk Management Policy

During the year under review, the Company operated without a risk management policy contrary to the provisions of Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism and develops a system of risk management and internal control that builds robust business operations.

In the circumstances, detection and prevention of possible risks that might have adverse impact on Company's operations may not be detected.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company financial statements are 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 control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to liquidate the Company or to cease its 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 the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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


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

disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 February, 2024

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

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

	Note	2022-2023 Kshs	2021-2022 Kshs
Revenue			
Revenue	6	62,722,771	54,729,599
Less: Cost of sales	7	(21,233,725)	(20,066,628)
Gross profit		41,489,046	34,662,971
Other Income			
Grant from the County Government of Busia	8	8,779,294	29,448,996
Other gains/(losses)			
Total Revenue		50,268,340	64,111,967
Expenses			
Administration cost	9	(48,244,608)	(56,349,034)
Maintenance Expenses	10	(10,298,006)	(7,042,981)
Depreciation and Amortization expenses	11	(901,499)	(2,010,894)
Finance Costs	12	(69,417)	(94,217)
Total Expenses		(59,513,530)	(65,497,126)
Profit/(Loss) Before Taxation		(9,245,190)	(1,385,159)
Income Tax Expense/(Credit)			
Profit/(Loss) After Taxation		(9,245,190)	(1,385,159)

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

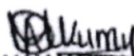
15. Statement of Financial Position As at 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	2,622,455	3,305,954
Total Non-Current Assets		2,622,455	3,305,954
Current Assets			
Inventories	16	1,083,014	337,695
Trade and receivable	17	130,802,554	104,509,981
Bank and cash balances	18	1,155,856	2,916,615
Total Current Assets		133,041,424	107,764,291
TOTAL ASSETS		135,663,879	111,070,245
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	19	100,000	100,000
Donor Grant	26	6,458,838	0
Retained earnings	22	(12,294,476)	(3,049,286)
Capital and Reserves		(5,735,638)	(2,949,286)
Non-Current Liabilities			
Total Non-Current Liabilities			
Current Liabilities			
Trade and other payables	25	141,399,517	114,019,531
Total Current Liabilities		141,399,517	114,019,531
TOTAL EQUITY AND LIABILITIES		135,663,879	111,070,245

The financial statements were approved by the Board on 24TH / AUG / 2023 and signed on its behalf by:



.....
 Name *Thomas Ojiambo*
 Managing Director



.....
 Name *Miriam Okumu*
 Head of Finance



.....
 Name *Patrick Odame*
 Chairman of the Board



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

	Notes	Ordinary share capital	Retained earnings	Capital/ Development Fund	Total
As at July 1, 2021	19	100,000	(1,664,127)	0	(1,564,127)
Profit for the year		-	(1,385,159)	-	(1,385,159)
As at June 30, 2022		100,000	(3,049,286)	0	(2,949,286)
As at July 1, 2022		100,000	(3,049,286)	0	(2,949,286)
Profit for the year		-	(9,245,190)	-	(9,245,190.)
Capital/Development grants received during the year		-	-	6,458,838	6,458,838
At June 30, 2023		100,000	(12,294,476)	6,458,838	(5,735,638)

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

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

	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash Flows From Operating Activities			
Cash generated from/(Used in) operations	27	(8,001,597)	(1,209,460)
Net Cash From/(Used In) Operating Activities	27	(8,001,597)	(1,209,460)
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	15	(218,000)	(1,788,066)
Net Cash From/(Used In) Investing Activities		(218,000)	(1,788,066)
Cash Flows from Financing Activities			
Financing through capital development fund		6,458,839	0
Net Cash From/(Used In) Financing Activities		6,458,839	0
Increase/(Decrease) In Cash And Cash Equivalents		(1,760,759)	(2,997,526)
Cash And Cash Equivalents At Beginning Of Year		2,916,615	5,914,141
Effects Of Foreign Exchanges Rate Fluctuations		0	0
Cash And Cash Equivalents At End Of The Year	27	1,155,856	2,916,615

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

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2022-2023	2022-2023	2022-2023	2022-2023		
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	84,856,000	-	84,856,000	62,722,771	22,133,229	74%
Non-Operating Revenue	-	-	-	-	-	
Grants	200,982,702	-	200,982,702	8,779,294	192,203,408	4%
Finance Income	-	-	-	-	-	
	-	-	-	-	-	
Total Revenue	285,838,702	-	285,838,702	71,502,065	214,336,637	25%
Expenses						
Staff Costs	61,373,438	-	61,373,438	37,049,477	24,293,961	60%
Board Expenses	4,591,894	-	4,591,894	0	4,591,894	0%
General and operations Expenses	44,748,990	-	44,748,990	11,195,131	33,553,859	25%
Operations and Maintenance	97,159,532	-	97,159,532	21,233,725	75,925,807	22%
Maintenance expenditures	11,433,548	-	11,433,548	10,298,006	1,135,542	90%
Finance costs	174,300	-	174,300	69,417	104,883	40%
Total Recurrent Expenditure	219,481,702	-	219,481,702	79,845,756	139,635,946	
Profit or Loss	-	-	-	(9,245,190)		
	-	-	-	-		
Capital Expenditure	66,357,000	-	66,357,000	218,000	66,139,000	0.3%
	-	-	-			
Total Expenditure	285,838,702		285,838,702	80,063,756	205,774,946	28%

Budgetary Notes

Operating revenue

The operating revenue utilisation of 74% was occasioned by frequent power disconnection of our treatment works, intakes and boreholes. This reduced our volume of production which decreased the revenue that was estimated to be generated from operations.

Grants

The Company did not realize the grants budgeted for fully due to lack of board of directors during the financial year. This has resulted to unfunded proposals until when the company has board of directors.

Staff Costs

The Company budgeted for staff costs with an assumption of operating at full capacity of the vacancies in the approved staff establishment and organogram. However, some of the vacancies were not fully filled in due to financial constraints experienced by the company. This is also attributed to lack of board of directors to recruit and substantively fill in management positions. There were also two management staff at scale II and III who exited the company during the year i.e., internal auditor and commercial and finance manager and were not replaced. This reduced the staff cost significantly and brought about the underutilization of the vote head as shown above.

Board Expenses

The board of directors expense was not utilized in totality as there was no board of directors during the financial year. The budget was prepared on assumption that the board of directors would be recruited during the financial year which did not happen.

General and operations Expenses

This vote head was underutilized because of the financial constraints the company is currently facing as a result of not realizing the budgeted revenue.

Operations and Maintenance

The operations and maintenance vote head was underutilized due to financial constraints the company is currently facing as a result of not realizing the budgeted revenue as it was budgeted against the revenue estimates.

Bank Charges

The company bank transactions were minimal that is why the vote head was underutilized.

Capital Expenditure

The company did not receive funding from development partners as it was budgeted to undertake capital expenditure. This is due to lack of board of directors as it is part of requirements for funding from development partners.

19. Notes To the Financial Statements

1. General Information

Busia Water and Sewerage Services Company Ltd is established by and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the Busia County Government and is domiciled in Kenya. The Company's principal activity is to supply water and sewerage services to the residents of Busia 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 .

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.

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

Notes to the financial statements (continued)

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

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

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

Notes to the Financial Statements (Continued)

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

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

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

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

iii. Early adoption of standards

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

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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 recognised in profit or loss in the income statement.

Notes to the financial statements (continued)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Freehold Land	0	
Leasehold Land	0	
Buildings and civil works	25	4%
Infrastructure works	12.5	8%
Plant and machinery	12.5	8%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	12.5	8%

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

e) Intangible assets

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

f) Amortization and impairment of intangible assets

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

g) Investment property

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

Notes to the financial statements (continued)

Summary of Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

Notes to the financial statements (continued)

Summary of Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

Notes to the financial statements (continued)

Summary of Accounting Policies

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

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

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

p) Borrowing costs

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

Notes to the financial statements (continued)

Summary of Accounting Policies

q) Cash and cash equivalents

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

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 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 and is currently at Kshs. 1080 per employee per month.

u) Provision for staff leave pay

Notes to the financial statements (continued)

Summary of Accounting Policies

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

v) Exchange rate differences

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

Notes to the financial statements (continued)

Summary of Accounting Policies

w) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 21 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 profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 7 of these financial statements.

Notes to the financial statements (continued)

Summary of Accounting Policies

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Notes to the financial statements (continued)

Summary of Accounting Policies

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Fifteen percent of receivable above one hundred and eight days has been raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions have been included .

Notes to the financial statements (continues)

6. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water sales	38,652,413	34,345,003
Sewerage Services	21,261,809	19,747,146
Billing for other services*	2,808,549	637,450
Total	62,722,771	54,729,599

Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water bowser services etc.

7. Cost of Sales

	2022-2023	2021-2022
	Kshs	Kshs.
Opening Stock		134,590
Chemicals	4,958,173	3,849,567
Electricity Bills	15,644,295	12,827,203
Water Resource Authority-Siaya	128,007	1,066,084
Water Resource Authority-Bungoma	503,250	0
WASREB	0	2,189,184
Total	21,233,725	20,066,628

8. Grants Income

	2022-2023	2021-2022
	Kshs	Kshs
Operational grants from Government entities		
Recurrent/operational grants from other agencies –WSTF	0	13,930,796
Condition liquidity support		
Capital grants amortised	0	0
Donations from County Government of Busia	8,779,294	15,518,200
In Kind contribution/donations from other agencies	0	0
Total	8,779,294	29,448,996

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Notes to the financial statements (continued)

9. Administrative Costs

Staff Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Basic Salaries for Employees	23,376,094	24,952,973
Casual Wages	149,330	199,450
Employer contribution-Lap trust	2,375,469	2,337,901
Provision for Gratuity	130,000	565,410
Leave and Passage	234,267	210,966
Acting Allowances	103,818	66,066
Airtime Allowances	670,000	713,000
Commuter Allowances	1,918,000	1,983,000
House Allowance	6,427,000	6,636,000
Special Duty Allowances	293,199	166,466
Medical Allowances	271,600	392,600
Seconded Staff	241,200	325,070
Staff Uniform and Protective Clothing	0	0
N.S.S.F Employer contribution	859,500	911,600
Salary Refunds	0	876,859
Performance rewards	0	154,700
Total	37,049,477	40,492,061
The average number of employees during the year		
Permanent employees-Management	-	-
Permanent employees	46	47
Temporary and contracted employees	38	41
Seconded staff	3	2
Total	87	91

General and Operations Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Motor vehicle inspection	82,949	0
Training, workshops and seminars	3,284,555	1,442,870
General Office expenses	1,452,335	433,165
Staff Uniform and protective clothing	6300	23,350
Telephone, postage and telegram	607,732	477,791
Newspapers, Periodicals and Library Expenses	0	0
Insurance of motor vehicle	438,600	261,692
ICT Expenses	818,835	598,937
Maintenance of Office Buildings, Repair & Renovations	13350	53,940
Team Building	0	63,700
Travelling and accommodation	950,950	1,582,984
Repair office equipment	9500	0
Security services	1,185,600	1,915,500
Advertising and promotions	120000	164,944
Audit fees	400,000	400,000
Legal fees	216000	100,000
Consultancy and professional fees	0	121,900
Licensing and levies	115250	0
Hospitality expenses	578,695	595,260
Printing and Photocopying	12,000	20,400
Provision for doubtful debts	0	5,494,642
Office stationery	902,480	910,498
Total	11,195,131	14,661,573

Summary Administrative costs

	2022-2023	2021-2022
Description	KShs	Kshs
Staff Costs	37,049,477	40,492,061
General administrative expenses	11,195131	14,661,573
Total Administrative Expenses	48,244,608	55,153,634

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Board Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Board Allowances	0	924,000
Chairman Honoraria	0	175,000
Other Board Expenses	0	96,400
Other allowances	0	0
Total Board Expenses	0	1,195,400

10. Maintenance Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Maintenance of pumps and Equipment	579,970	1,275,223
Repair and maintenance Buildings	31,450	0
Maintenance of water supply	1,874,737	2,792,779
M/vehicles fuel expenses	2,117,900	1,759,977
Repair and maintenance	31,150	0
Water Quality Tests and Reagents	0	0
Other professional fees	9,600	0
Maintenance of motor vehicles	646,030	1,215,002
Motor vehicles	34,500	0
Hiring of motor vehicles and equipment's	99,000	0
Motor cycle fuel	5,000	0
Service commissions and fees	1,740,372	0
Regulatory levy WASREB	2,498,747	0
Operation and maintenance other	629,550	0
Total Maintenance Expenses	10,298,006	7,042,981

11. Depreciation and Amortization Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Property, plant, and equipment	901,499	2,010,894
Total Depreciation and Amortization	901,499	2,010,894

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12. Bank Charges

	2022-2023	2021-2022
Description	Kshs	Kshs
Bank Charges	69,417	94,217
Others (specify)	0	0
Total	69,417	94,217

13. Earnings Per Share

There were not dilutive or potentially dilutive ordinary share as at the reporting date.

14. Dividend Per Share

There were no dividend declared this financial year.

Notes to the financial statements (continued)

15. Property, Plant and Equipment

2022-2023	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost Or Valuation									
At July 1, 2021			7,535,004	1,494,796	3,062,451	1430620	618,959		14,141,830
Additions			702,897	207,000	519,169	58500	300,500		1,788,066
Transfers				-	-				
Disposals				-	-				
At June 30, 2022			8,237,901	1,701,796	3,581,620	1,489,120	919,459		15,929,896
Depreciation									
At July 1, 2021			5,705,937	508718	2,750,838	1,177,740	469,815		10,613,048
Charge For the Year			659,033	136144	830,782	311,380	73,557		2,010,894
Impairment Loss			-	-	-	-			
Disposal			-	-	-	-			
At June 30, 2022			6,364,970	644,862	3,581,620	1489120	543,372		12,623,942
Net Book Value At June 30, 2022			1,872,931	1,056,934	0	0	376,087		3,305,954

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Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2022-2023	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost or valuation									
As at 1 July 2022			8,237,901	1,701,796	3,581,620	1,489,120	919,459		15,929,896
Additions			157,500	0	0	60500	0		218,000
Transfers			0	0	0	0	0		0
Disposals			0	0	0	0	0		0
As at 30th June 2023			8,395,401	1,701,796	3,581,620	1,549,620	919,459		16,147,896
Depreciation									
At July 1, 2022		6,364,970	63	644,862	3,581,620	1,489,120	543,372		12,623,942
Charge for the year		671,632.08		136,143.68	0	201,66.66	73,556.72		901,499.15
Impairment loss		0		0	0	0	0		0
disposal		0		0	0	0	0		0
As at 30th June 2023		7,036,602		781,006	3581620	1,509,287	616,929		13,525,441
Net book value									
At June 30, 2023		1,358,799		920,790	0	40,333	302,530		2,622,455

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Notes to the financial statements (continued)

Valuation

No valuation of Property, Plant and Equipment was carried out in this financial period.

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

	Cost or valuation	Normal annual depreciation charge
Plant and machinery		
Motor vehicles, including motor cycles	3,581,620	
Computers and related equipment	1,489,120	
Total	5,070,740	

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Notes to the financial statements (continued)

16. Inventories

	2022-2023	2021-2022
	Kshs	Kshs
Chemicals & Laboratory items	146,712	0
Pipes and fittings	250,582	0
Stationery and general store	685,720	337,695
Total	1,083,014	337,695

17. Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Water supply receivables (note (17a))		
Mundika Scheme	72,693,263	54,856,426
Matayos Scheme	12,114,947	7,883,081
Malakisi -Malaba Kocholia	4,497,275	14,779,943
Sewer Only connection	34,359,144	26,108,908
Bujumba/Burinda	1,785,359	0
Nambale Scheme	9,059,222	6,376,265
Amukura	4,424,074	0
Amagoro	8,584,498	0
Gross trade and other receivables	147,517,782	110,004,623
Provision for bad and doubtful receivable (17b)	(16,715,228)	(5,494,642)
Net trade and other receivables	130,802,554	104,509,981

17 (a) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	147,517,782	110,004,623
Provision for doubtful receivables	(16,715,228)	(5,494,642)
Net trade receivables	130,802,554	104,509,981
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,722,256	
Between 30 and 60 days	9,323,400.	
Between 61 and 90 days	5,513,191	
Between 91 and 120 days	8,823,552	
Over 120 days	105,420,155	
Total	130,802,554	

17. (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2022-2023	2021-2022
	KShs	KShs
At the beginning of the year		
Additional provisions during the year	16,715,228	5,494,642
Recovered during the year		
Written off during the year		
At the end of the year	16,715,228	5,494,642

18. Bank and Cash Balances

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	1,098,333	2,845,021
Cash in hand	19,480	0
Mobile money account	38,043	71,594
	1,155,856	2,916,615

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Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

		2022-2023	2021-2022
Financial institution	Account number	KShs	KShs
a) Current account			
Commercial banks			
Equity Bank Revenue Account	0780279267508	257,550	110,385
Equity Bank Expenditure Account	0780279267525	76,615	44,612
Cooperative Bank Revenue Account	01141237264000	134,500	83,792
Cooperative Bank Expenditure Account	01141237264001	10,555	15,939
Sub- total		479,220	254,728
b) On – call deposits			
Commercial banks			
Cooperative Bank Customer deposit	1141237264002	247,657	432,482
Kenya Commercial Bank customer deposit Account	1302126061	151,511	2,157,811
Sub- total		399,168	2,590,293
c) Fixed deposits account			
Other Commercial banks		0	0
others		0	0
Sub- total		0	0
d) Others(specify)			
Infrastructure Account	01141237264003	219,945	0
M-pesa Pay Bill No	689872	38,043	71,594
Cash in Hand		19,480	0
Sub- total		277,468	71,594
Grand total		1,155,856	2,916,615

19. Ordinary Share Capital

	2022-2023	2021-2022
	Kshs	Kshs
Authorized:		
20,000 ordinary shares of Kshs.5 par value each	100000	100000
Issued and fully paid:		
20,000 ordinary shares of Kshs.5 par value each	100000	100000

Notes to the financial statements (continued)

20. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

21. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

22. Retained Earnings

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

	2022-2023	2021-2022
	Kshs	Kshs
Retained earnings	(12,294,476)	3,049,286
Totals	(12,294,476)	3,049,286

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23. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%.

24. Borrowings

Description	2022-2023	2021-2022
	KShs	KShs
a) Internal Borrowings		
Balance at beginning of the year		
internal borrowings during the year	2,514,567	0
Repayments of during the year	0	0
Balance at end of the year	2,514,567	0

Notes to the financial statements (continued)

The analyses of both external and domestic borrowings are as follows:

	2022-2023	2021-2022
	KShs	KShs
Internal Borrowings		
Kenya Shilling borrowing from KCB customer deposit account	1,999,800	0
Kenya Shilling borrowing from Coop deposit account	514,767	0
Total balance at end of the year	2,514,567	0

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Notes to the financial statements (continued)

25. Trade and Other Payables

	2022-2023	2021-2022
	Kshs	Kshs
Trade payables		
Pan Africa Chemicals	1,540,119	1,155,918
Ajie Investment	382,000	382,000
Brinet Ventures	46,800	106,800
Memory Soft international	40,600	40,600
Bulls Security Services	2,219,956	2,257,759
Agra Motor Garage	0	66,800
Conerstone Security Services	376,768	0
Davis and Shirliff	349,444	0
Migori Auto Spare	31,400	31,400
Dominion Dishes	11,700	0
Double Shasha	0	0
Graneat Motors Services	720	0
Meliako Contractors	14,930	0
Kibo Africa Limited	265,484	65,484
Laser Insurance Brokers	410,589	805,413
Sulis East Africa Ltd	21,830	0
Malcoms Agencies	408,042	408,042
Kel Chemicals Limited	1,260,520	1,260,520
Py-rex East Africa Limited	95,700	95,700
Lionel General Stationaries Offices	267,750	390,805
Aquatreat	95,290	95,290
Boderline Contractors	223,250	249,000
Omondi Plumbers and General Contractors	198,950	198,950
Palulu Fabrication and General Engineer	15,000	0
Spellion Kenya Limited	55,620	0
Stepvits Enterprises Limited	68,010	0
Tonner Solutions	88,640	88,640
Redseal Solutions Ltd	236,280	236,280
Jolof Enterprises	110,000	110,000
Joflo	75,200	0
Mulembe International Hotel	56,300	56,300
Farmview Hotel	434,460	395,210

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Charlink General Supplies	441,600	441,600
CIC Group	261,741	232,278
Coast Industrial and Safety Supplies Ltd	280,440	231,536
Aidatek Enterprises Ltd	119,990	119,990
Butaya Ventures	110,745	110,745
Kifaru Auto works	0	13,000
Kenya Power and Lighting Company	2,631,664	6,582,459
Pride kings	1,124,828	1,124,828
320 Technologies	136,880	136,880
ATS Travel	54,000	16,400
Bondo Pride	145,595	145,595
KSB Pumps	154,280	154,280
Mt Kenya Furniture	222,000	222,000
Superworld	431,850	431,850
The Breeze	0	72,650
Juma Mulika	20,800	0
Dovic Ventures Limited	115,300	215,300
Safaricom Ltd	132,672	
Axar motors ltd	19,400	
Brett technologies	330,000	
Bridgit Akwanga	22,400	
Bumaki Limited	10,204	
Maratech agencies	320,000	
Chef west	40,000	
Collection Africa LTD	1,740,372	
Sarah Patrick	10,900	
Collins Oduory	16,000	
Ludovick Ogude	11,200	
Vincent Sirima	25,899	
Polycarp Wasikoli	25,900	
Motapanel company limited	72,000	
Dalda petrol station	448,000	
First African Insurance	418,686	
J.O JUMA &Co.Advocates	150,000	
Keaton System	24150	
NITA	21,751	
National Media Group	59,999	
National Media Group	77,894	
Osons Junior Enterprises	25,000	
Shibalink Company limited	2,862	

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Spenomatic Labs and Chemicals	1,752,701	
Tactical Surveillance	231,000	
NTSA	3050	
Transafrika Water System Ltd	163,329	
Yapharick General Suppliers	260,400	
Brimmatech investments	732,110	
WASREB performance guarantee	912477	
WRA -Bungoma	2,815,505	
Sub-total	26,528,926	18,748,302
CREDITORS FROM JOINT KAKAMEGA BUSIA		
Auditor General	541,333	541,333
Beatwam Limited Integrated	183,164	183,164
Aquatreat	0	0
Bedrock Holdings Ltd	219,623	219,623
Betco Engineering	16,667	16,667
CIC Group	7,032	7,032
Coast Industrial and Safety Supplies Ltd	233,317	233,317
Double Shasha	122,250	122,250
Gm Busolo Contractors	26,000	26,000
Golf Hotel	17,400	17,400
Highrise Designers	19,777	19,777
ICEA Lion General Assurance	594,287	594,287
Julika Automobiles	66,478	66,478
Kakamega General Motors	60,112	60,112
Kinetics Enginneering Ltd	348,708	348,708
Legal Fee	333,333	333,333
Lake Victoria North Water Works Development Agency	19,397,035	19,397,035
Morisam Construction	31,627	31,627
Nupaxx Services	585,833	585,833
Pamida Engineering	343	343
Pan Africa Chemicals Ltd	0	0
Postal Corporation of Kenya	2,277	2,277
Sahajanand Spares Corner Limited	36,667	36,667
Terranova Autospare	39,410	39,410
Tyretec Autospare	19,333	19,333
Wasreb	0	0
Water and Solar Terchnologies Limited	15,053	15,053
Wekesa Simiyu Advocates	142,753	142,753
Sub-total	23,059,812	23,059,812

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Other Creditors		
Net Salaries	13,278,608	6,493,927
N.S.S.F	6,381,593	3,106,440
NITA	287,523	287,523
Commissioner of Income Taxes	2,250,913	826,423
Laptrust	27,143,499	22,867,871
Co-operative Bank of Kenya	3,427,392	3,427,392
Board of Directors Sitting Allowances	1,494,500	1,494,500
BUWASSCO Welfare Association	965,225	846,025
The Standard Group	344,694	344,694
Ukulima Sacco	1,530,861	1,489,061
Wevarsity Sacco Society	153,717	153,717
Auditor General	2,800,000	2,400,000
Prepaid Water	518,333.	829,320
WASPA	679,600	124,000
WASREB	9,663,517	7,164,770
W.R.M.A	5,313,021	5,115,112
Lake Victoria North Water Works Development Agency	5,013,685	5,013,685
Sub-total	81,246,681	61,984,460

Customer Deposits

	2022-2023	2021-2022
	<i>Kshs</i>	<i>Kshs</i>
Opening Balance	10,226,957	10,062,599
Add: deposits received during the year	338,640	164,358
Less: Refunded deposits during the year	(1500)	0
Total Closing balance	10,564,097	10,226,957
Grant Total	141,399,517	114,019,531

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Aging Analysis for Refundable Deposits

	2022-2023		% of the total	2021-2022	% of the total
Under one year	337,140.00		3%		
1-2 years	164,358.00		2%		
2-3 years	351,210.00		3%		
Over 3 years	9,711,389.00		92%		
Total	10,564,097				

	2022-2023
	<i>Kshs</i>
Buwassco debts	26,528,926
Inherited	23,059,812
Other	81,246,681
Customer Deposits	10,564,098
Total	141,399,517

Aging Analysis for Trade and other Payable

	2022-2023	2021-2022
	<i>Kshs</i>	<i>Kshs</i>
Trade payables		
at June 30, the ageing analysis of the gross trade payables was as follows:		
Less than 30 days	3,912,346	
Between 30 and 60 days	7,725,186	
Between 61 and 90 days	5,202,563	
Over 91 days	124,559,422	
Total	141,399,517	

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Notes to the financial statements (continued)

26. Donor grant

	2022-2023
	<i>Kshs</i>
Kenya Urban Roads Authority	6,458,838
Total	6,458,838

27. Notes to The Statement of Cash Flows

	2022-2023	2021-2022
	<i>Kshs</i>	<i>Kshs</i>
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	(9,245,190.)	(1384159)
Depreciation	901,499	540504
Amortisation		0
(Gain)/loss on disposal of property, plant and equipment		
Operating profit/(loss) before working capital changes	(8,343,691)	625735
(Increase)/decrease in inventories	745,319	126,605
(Increase)/decrease in trade and other receivables	(26,292,573)	(18,680,197)
Increase/(decrease) in trade and other payables	27,379,986	16,680,696
Increase/(decrease) in retirement benefit obligations		
Increase/(decrease) in provision for staff leave pay		
Customer adjustment during the year	0	37701
Cash generated from/(used in) operations	(8,001,597)	(1,209,460)
(b) Analysis of cash and cash equivalents		
Short term deposits		
Cash at bank	1,136,376	2916615
Cash in hand	19,480	0
Balance at end of the year	1,155,856	2,916,615

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Notes to the financial statements (continued)

Other Disclosures

28. Related Party Disclosures

County Government of Busia

The County Government of Busia is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Busia has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water ,Environment, Irrigation and Natural Resources
- County Government of Busia
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Kenya Urban Roads Authority Funds

Transactions with related parties

	2022-2023	2021-2022
	Kshs	Kshs
a) Support from related parties		
WSTF-Construction of DTF		17,200,000
WSTF-Conditional Liquidity Support Grant		13,937,669
WSTF-Nambale Mjini-Mayenje Water Project	5,964,957	0
Total	5,964,957	31,137,669
b) Grants from the Government		
Grants from National Govt Agencies		
WSTF-Construction of DTF	0	17,200,000
WSTF-Conditional Liquidity Support Grant	0	13,937,669
Grants from County Government of Busia	8,779,294	15,518,200
Kenya Urban Roads Authority	6,458,838	0
Total	15,238,132	46,655,869

29. 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:

Notes to the financial statements (continued)

(i) Credit risk

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

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has not been recognised in the financial statements. The company has significant concentration of credit risk on amounts due from Busia County Assembly, Department of Livestock Busia County Government and Busia County Referral Hospital.

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

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short,

medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

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

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

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

Notes to the financial statements (continued)

b) Foreign currency sensitivity analysis

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

c) Interest rate risk

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

i) Management of interest rate risk

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

Notes to the financial statements (continued)

ii) Sensitivity analysis

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

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

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Notes to the financial statements (continued)

iv) Capital Risk Management

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

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.

Prior year Adjustments

During the year 2018/2019, it was discovered that changes in working capital for creditors was incorrect. The increase in creditors stood at Kshs. 10,258,537, whereas the correct amount is Ksh 9,877,730. This entailed an overcharge of Kshs. 380,807 occasioned by errors in subtraction of the opening balances and closing balances of creditors. $(64,560,804 - 54,683,074 = 9,877,730)$. In addition the changes in working capital for debtors stood at (8,277,947) which was incorrect whereas the correct amount was Ksh(8,160,778) occasioned by mathematical errors. These errors were subsequently disclosed and restated as shown below.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AS AT 30 JUNE 2019

	Note	2019	2019	Effect on 2019
		Restated	Reported	
		Kshs	Kshs	Kshs.
Changes in working capital				
Increase /(Decrease) in Creditors	16	(9,877,730)	(10,258,537)	(380,807)
(Increase)/Decrease in Debtors	12	(8,160,778)	(8,277,947)	(117,169)
Net Cash from(Used in) operating activities		1,699,223	1,962,861	

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AS AT 30 JUNE 2019

	Note	2019	2018
		Kshs	Kshs
Cash Flows from Operating Activities			
Profit /(Loss) before tax		(4,741,914)	(12,377,308)
Add: Non cash adjustments			
Provision for Depreciation	15	367,731	1,487,826
		(4,374,183)	(10,889,482)
Changes in working capital			
Increase /(Decrease) in Creditors	16	9,877,730	9590452
(Increase)/Decrease in Debtors	12	(8160,778)	(4825795)
(Increase)/Decrease in Stocks	11	(17,729)	1447614
Net Cash from(Used in) operating activities		1,699,223	6,212,271
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(240,000)	-
Net cash generated from/ (used in) investing activities		(240,000)	-
Cash flows from financing activities			
Net cash generated from/ (used in) financing activities		-	-
Movement in Cash & Cash equivalents			
At the start of the year		2,774,091	3,625,031
Increase /Decrease of cash at year end		(2,914,960)	(850,940)
Prior year Balance adjustments		744,837	0
Balance as at 30th June		603,968	2,774,091

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20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Follow up on Auditor General Recommendation for the Financial Year ended 30 June ,2021				
1	Lack fixed asset register	The management has since developed a template of asset register and availed for audit verification but a certified asset register will be developed after valuation has been carried out by a registered valuer	Not yet Resolved	N/A
2	Unsupported Bank &Cash balance	The management provided all the support documents	Resolved	
3	Unsupported expenditures-administration costs	The management provided all the support documentation for the expenditures	Resolved	
Report on Lawfulness & Effectiveness in use of Public Resources				
1	Lack of legal instruments	The management provided the MOA &A.O.A for verification. In addition, currently the Company has	Partially resolved	FY 2023/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		already initiated the process of transfer of shares to The County Government which were Previous owned by Individual shareholders		
2	Non –Revenue water	<p>The company has already embarked on projects/activities which are aimed at significantly reducing Non-Revenue Water</p> <p>i. New billing system and Smart meter reading - the company through the support of Lake Victoria North Water Works Agencies is currently implementing an Enterprise Resource Planning (E.R.P) & Customer Relation Management (CRM) system to enhance reduction in Ccommercial NRW since meter reading is done using smart phones that are GPS enabled.</p> <p>ii. Metering of Consumers- Through the support of a Development Partner, Kenya Market Trust (KMT)/Gatsby</p>	Phased resolution of Non-Revenue water	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Africa, the Company received a total of 700 consumer meters in two batches of 300 and 400 meters. The first batch 300 cold water meters are already installed while the second batch of 400 meters are currently being installed. The partner has also trained the Company staff on best practices of NRW management.</p> <p>Additionally, through the support of Water Sector Trust Fund (WSTF), the company has received funding for procurement and installation of 755 Cold water consumer meters. Metering is key in reduction of commercial NRW for the company to be able to attain the set benchmark of 25%.</p> <p>i. Smart metering- The company has also engaged other experts and partners including Liason and Go soft Africa who are currently carrying out pilots on smart metering in a bid to cut down on NRW. This is being realized through trainings, data analysis,</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		and installation of smart metering technologies. Trainings/Capacity buildings -The staff have undergone trainings on NRW management to help in reduction of NRW. Further trainings are being undertaken in partnership with Water Services Providers Association (WASPA) and Kenya Water		
Follow up on Auditor General Recommendation for the Financial Year ended 30 June ,2020				
1	Ownership of Property ,Plant and Equipment	The management has since received the asset register(Dansal Report) of the assets under the custody of Lake Victoria North Water Works Development Authority(LVNWWDA)	Not yet fully resolved	
2	Variance on trade and other Receivables	The notes the financial statement have seen been amended and reflect accurate receivable balance	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	Bank and Cash Balances. Cash flow statement to be corrected	Corrected statement of cash flow and prior adjustment have been done	Resolved	
4	Unsupported Customer deposits	The schedule for customers deposits have since been verified through the bank deposit statements	Partially Resolved	June 2024
Report on Lawfulness and Effectiveness In Use of Public Resources				
2	Water Charge Tariff expired in 2018	The management has since presented the company tariff adjustment proposal for approval by WASREB.	Partially Resolved	2024
3	Unapproved Transfer from Customers deposits	The Management has ensured that all transfers from Customer deposits are approved by the Board	Resolved	
4	Non - Compliance with Fiscal Responsibility- Wage bill	The management is still in engagement with its Core shareholder Busia County Government and development partners to support in funding of economically viable projects that will increase the company revenue base	Partially resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5	Unremitted Statutory Deduction and penalties	The management is working on improving its revenue generation and minimizing its operation costs so as to be able to meet its obligation as to when they fall due.	Not yet fully resolved	
6	Irregularities in Procurement of Security Services	The management agrees with the audit observations. The same has been rectified by ensuring that the service providers are procured in line with the public Procurement and Asset disposal act of 2015. The current service providers have been issued with the contracts.	Resolved	
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT, AND GOVERNANCE				
	IT Internal Control weakness	The company has so far developed an IT Policy	Resolved	

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report.

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Name

A handwritten signature in black ink, appearing to be a stylized set of initials or a name.

Signature:

Managing Director

Date.....24/08/2023.....

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Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statement (Yes/No)
Nambale Mjini-Mayenje Water Project	08W/BUSIA/BUSIA/97	WSTF	1 YEAR	15,658,013.70	YES	NO

Status of Projects completion

(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.)

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Nambale Mjini-Mayenje Water Project	18,640,492.50	5,956,349.95	60%	18,640,492.50	5,956,349.95	WSTF & BUWASSCO

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Appendix III: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Kenya Urban Roads Authority	3/3/2023	Development	6,458,838	0	6,458,838				6,458,838
			0		0				0
Total			6,458,838		6,458,838				6,458,838