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THE AUDITOR-GENERAL

ON

**GUSII WATER AND SANITATION COMPANY
LIMITED**

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



GUSII WATER AND SANITATION 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)**

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

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1. ACRONYMS AND GLOSSARY OF TERMS

The following are Acronyms and glossary of terms that appear in this annual report and financial statements.

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
GWASCO	Gusii Water and Sanitation Company Ltd
SPA	Service Provision Agreement
ECM	Executive Committee Member



2. KEY ENTITY INFORMATION

Background information

The Gusii Water and Sanitation Company Ltd was established as limited liability Company under Companies Act Cap 486 laws of Kenya on 12th June 2006 and commenced business on 1st August 2006. The Company operated as an agent of Lake Victoria South Water Services Board in line with the Water Act 2002 when the company signed a Service Provision Agreement (SPA) under the defunct Municipal Councils and county councils in Kisii and Nyamira.

In accordance with the Water Act 2016 which primarily aligned the water sector to the devolved structure of Government enshrined in the New Constitution of Kenya, 2010, The Company is wholly owned by the County Governments of Kisii and Nyamira by 68% and 32% shares respectively.

At County level, the Company is represented by the County Executive Committee Member responsible for Environment, Water and Sanitation, who together with the Board of Directors are responsible for the general policy and strategic direction of the Company. The Ministry of Water & Irrigation is responsible for policy formulation to create an enabling environment for efficient operation and growth of the sector. Gwasco as a key player derives immense benefits from the strategic direction and long term vision for all institutions in water the sector set by the Ministry.

The Gusii Water and Sanitation Company Ltd is domiciled in Kenya and is licensed by Water Services Regulatory Board (WASREB) in line with Water Act 2016 to provide water and sanitation services in larger Gusii (Kisii and Nyamira) with an approximate area of 1,974 km². The service area jurisdiction include 7 No. schemes in Kisii County namely Kegati, Nyakomisaro, Gesusu, Ogembo, Keumbu, Tabaka and Birongo and 1No. Wastewater Treatment Plant at Suneka and 4 Number schemes in Nyamira County namely; Nyamira, Keroka (Nyangori), Nyansiongo, and Ikonge.

According to the 2019 Kenya Population and Housing Census the population for Kisii county was 1,266,860. The population density is 958 people per Km² with an annual growth rate of 2.75% while population for Nyamira County was 605,576 with a population density of 675 people per Km² and an annual growth rate of 2.4%, resulting to a combined population total of 1,872,436.

Principal Activities

In accordance with Section 78 (1) of the Water Act 2016, the responsibilities and mandate of Gusii Water and Sanitation Company Ltd as a water service provider include:

- a) Provision of water services within the area specified in the license
- b) Development of County assets for water service provision.

Also in accordance with the Memorandum and Articles of Association, among the objects for which the company is established are:



- a) To carry on the business of a Water Services Provider, as defined by the Water Act 2016
- b) To manage and conserve the sources and supply of water in the area of the county governments and in particular, to conserve, redistribute and augment those water resources as consented to by the licensee.
- c) To provide and distribute a constant supply of potable water for commercial, industrial and domestic purposes within the area of the county governments.
- d) To be responsible for the provision, control and maintenance of sewerage and drainage for commercial, industrial and domestic purposes within the area of the county governments.
- e) To maintain and rehabilitate existing water and sewerage infrastructure and facilities, as well as develop infrastructure or facilities for furthering the objects of the company.
- f) To acquire for its own use water pumps, engines, tanks, pipes and any other equipment and chemicals that may be deemed necessary for and connected to the carrying out of the said business of the company.
- g) To be responsible for the treatment and disposal of sewage within the area of the county governments by such times and locations as the company may deem appropriate.

The main objective in the (2020 – 2023) Strategic Plan was the realization of the following 7 Strategic Priorities that formed the core focus:

1. Water and wastewater Infrastructure Development
2. Operational Efficiency
3. Customer Service
4. Pro-poor initiatives
5. Financial Sustainability
6. Institutional Strengthening
7. Corporate Governance

Vision

To be the premier company in the provision of portable water and sewerage services in Kenya.

Mission

The company provides safe water and sewerage services efficiently and effectively to sustainably meet expectations of the customers and other stakeholders.



Core Values

- Customer focus
- Integrity
- Gender Responsiveness
- Professionalism
- Teamwork
- Innovation

Directors

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

1. Mr. David O. Obure	Chairman	- Appointed on 29 th June 2021
2. Mr. Charles N. Moturi	Director	- Appointed on 29 th June 2021
3. Ms. Jemimah M. Mosegere	Director	- Appointed on 29 th June 2021
4. Mr. Isabella N. Lumumba	Director	- Appointed on 29 th June 2021
5. Mr. Saboke O. Kiboma	Director	- Appointed on 29 th June 2021
6. Mr. Kennedy Okemwa Abincha	Director	- Appointed on 9 th August 2022
7. Mr Ronald Gideon Nyakweba	Director	- Appointed on 9 th August 2022
8. John Matiang'i	Director	- Appointed on 9 th August 2022
9. CPA Emily Ongaga	Director	- Appointed on 9 th August 2022
10. Mr. Moses Onderi	Director	- Left on 9 th August 2022
11. Mr. Amos Andama	Director	- Left on 9 th August 2022
12. Mr. Samwel Maiko	Director	- Left on 9 th August 2022

Company Secretary

The Company has not appointed a Company Secretary. The Managing Director is managing the Board affairs as a Secretary to the Board of Directors.

Registered Office

Gusii Water & Sanitation Company Ltd.
P.O. Box 3880 - 40200
Bobaracho Main Office
Kisii-Keroka Highway
Kisii, Kenya

Corporate Headquarters

Gusii Water & Sanitation Co. Ltd.
Bobaracho Main Office
Kisii-Keroka Highway
Kisii, Kenya



Corporate Contacts

Telephone: (+254) 798754178

Email: info@gwasco.co.ke

Website: www.gwasco.co.ke

Corporate Bankers

Kenya Commercial Bank Ltd

Co-operative Bank of Kenya Ltd

Independent Auditors

Auditor-General

The Office of the Auditor-General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

Principal Legal Advisers

1. The Attorney General

State Law Office, Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

2. Nchogu, Omwanza & Company Advocates

Commissioner for Oaths and Notary Public

P.O.Box 4045-00200

Tel. 0732312183

Nairobi, Kenya



3. THE BOARD OF DIRECTORS

Ref	Directors	Details
1.	 David Ogega Obure	Mr. David O. Obure (62 years) joined the Board of Directors of the company on 29th June 2021, he is the Chairman of the Board. He holds a Bachelor of Commerce and Masters in Personnel Management. He represents Professional Associations in the Board.
2.	 Charles N. Moturi	Mr. Charles Nemwel Moturi (67 years) joined the Board of the company on 29 th June 2021 and was appointed the chairman Technical Board Committee. He holds BBA of purchasing and supplies. He represents Chamber of Commerce.
3.	 Lucy Wachira	Managing Director MBA – Strategic Management, Bachelor in Business Administration, Diploma in Business Administration
4.	 Saboke O Kiboma	Mr. Saboke Obadiah Kiboma (69 years) joined the Board of Gwasco on 29 th June 2023 and was appointed the Chairman Finance, HR and Admin. Committee. He holds Bachelor of Education. He represents Water Users Association in the Board.
5.	 Isabella M Lumumba	M/S Isabella Lumumba (57 years) joined the Board of GWASCO on 29 th June 2021 she holds BA of Education & Masters in Project Management. She represents community Based Organizations/Non-Governmental Organizations in the Board.



6.	 Jemimah Moraa	M/S Jemima Moraa Mosegere (50 Years) joined the board of the company on 29 th June 2021. She is the Chair Audit Board Committee. She holds a Bachelor of Arts and Masters. She represents Institution and Gender in the Board.
7.	 Emily Ongaga	CPA Emily Ongaga is the ECM Finance and Economic Planning in Nyamira County Government.
8.	 John Matiang'i	Mr. John Matiang'i is the CECM for Environment Water Energy Mining and Natural Resources, Nyamira County. Prior to his appointment as CECM, he worked as a deputy director of education in the Ministry of Education, as a Trustee at the Public Service Superannuation Scheme (PSSS) in the National Treasury and Planning, National Treasurer and Branch Executive Secretary at Kenya National Union of Teachers.
9.	 Mr Ronald Gideon Nyakweba	Mr Ronald Gideon Nyakweba is the CECM for Environment Water Energy Mining and Natural Resources, Kisii County. He holds a Bachelor of Education Arts and a Higher Diploma in Strategic and Resource Management. He has over ten years' experience in HRM in senior positions both in government and private sector.
10.	 Mr. Kennedy Okemwa Abincha	Mr. Kennedy Okemwa Abincha is the ECM Finance and Economic Planning in Kisii County Government.



4. KEY MANAGEMENT TEAM

Managers	Details
 Lucy Wahito	Managing Director MBA – Strategic Management, Bachelor in Business Administration, Diploma in Business Administration
 Eng. Dominic Ayora	Technical Manager BSC Civil Engineering, P.E
 Stephen Bosire Rosana	Human Resource Manager Bachelor Degree in Planning and Management, Higher Diploma in Human Resource Management, Degree in Human Resources, Masters ongoing
 Boyani Ong'era	Commercial Manager Brand Management Retail and Masters in Management and Organizational Development (USIU-A)
 Paul Nyasing'a Maragia	Internal Auditor BCOM (Accounting Option) CPA (K)
 CPA Jared Atemba Rasugu	Finance Manager B.COM CPA (K)
 Wilfred Marita Onsomu	Procurement Manager MBA, PSCM, BBA & Mgt, DSM, MKISM



5. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am delighted to present to you the Company's annual report and financial statements for the year ended 30th June 2023. The year under review showed resilient signs following recovery from challenging previous years' unprecedented Covid-19 global pandemic. The period as well marked a significant milestone towards achievement of our reviewed 2018-2022 strategic plan.

In its efforts to strengthen core management, the Board of Directors confirmed the Commercial Manager who was in acting capacity for more than six months to the position of the Managing Director to retain historical memory and professionalism in the Company. Other key positions of core management team were also filled during the year and include finance manager, information, communications and technology manager, technical manager.

The company continued to foster strategic partnership with The Western Kenya Water Project which is supporting the Government of Kenya and County Governments of Bungoma, Busia, Homabay, Kakamega, Kisii, Nyamira, Kisumu, Migori, and Siaya to increase sustained access to water services while enabling better management of water resources. As one of the Water Service Providers in Kenya falling in the county of Kisii and Nyamira, the Company benefitted through various components including Urban Water Services whereby the project in collaboration with the county governments of Kisii and Nyamira supports the company in designing and implementing roadmaps for improvement to structure a realistic and iterative sequence of better customer service and increased revenue, leading to new finance needed for infrastructure improvements and expanded coverage. On Policy and Governance, the project works with county governments and sector stakeholders to strengthen sector governance and improve coordination between county governments and GWASCO. This is crucial for effective devolved sector governance where the company falls.

The Company adheres to the highest standards of corporate governance and business ethics across our businesses and service area in order to safeguard the interests of our customers and stakeholders, and to ensure long-term shareholders' value creation.

In this regard, the Company has enhanced its Board Operations for directors and senior management to attract and retain the right talent to successfully manage and drive the Company's long-term objectives. The Board will continually articulate, implement and review the adequacy and effectiveness of GWASCO's water safety plan, disaster and risk management and internal control procedures in line with the regulator on Corporate Governance to manage our risks and opportunities and promote meaningful engagement with our stakeholders.



Gwasco is the duty bearer towards the realization of universal human basic right on access to safe water and sanitation within its jurisdiction as envisioned in SDG 6 and Constitution of Kenya 2010. Towards this goal, the Company aims to increase water use efficiency while ensuring there exists fresh water supplies. However, Non-Revenue Water remains the greatest hurdle in ensuring water use efficiency is attained.

Through the Ministry of Water, Sanitation and Irrigation and the water sector regulator WASREB, the Company commits to institute measures and implement the NRW management and reduction plan in force and reduce NRW from 67% to the sector benchmark of 25%.

Acknowledgement

On behalf of the Board, I wish to express my heartfelt gratefulness to all our valued shareholders, customers, bankers, suppliers, and financiers for their continued support, mutual trust and utmost confidence in the Company.

My sincere appreciation to the management and staff at all levels for their contributions, commitments, devotion, and hard work, in working together for the Company business sustainability as well as in enhancing their career path with the Company. I am very poised that with their enduring commitment, determination, right attitude and teamwork, the Company will be able to realize its Vision, Mission, and Core Values.

The Board and I wish to express our cordial appreciation to the County Governments of Kisii and Nyamira of steadfast and outstanding commitment and support. Finally, I wish to place on record my solemn gratitude to my fellow members of the Board for their enormous contributions, wise counsel and confidence in the direction of the Company.

Signature:

David Obure

Chairperson

22 February 2024



6. REPORT OF THE MANAGING DIRECTOR

The wellbeing and safety of our people remained and continues to be a key priority, and we made commendable progress in the year 2022-2023 in developing innovative initiatives and resources to effectively provide clean and safe water and sanitation services.

Beginning in the role, my focus was to acquaint myself and comprehend our customers, people, shareholders and other stakeholders. Customers are one of our greatest assets, it was imperative to acquire more knowledge on how best they can be supported, which became my primary focus when I commenced. With the company reeling from the effects of COVID-19 and presented challenges in that respect, I have been able to meet minimum service level standards as envisioned by the regulator and sector players.

Quality of service

The company continued to expand its customer base by network expansion and improving connectivity in areas of Kiogoro, Nyamataro, Nyamira, and Ogembo. This was aimed at progressive realization of the right to water with regard to the accessibility as provided for in the Constitution of Kenya 2010 and SDG 6. To enhance drinking water quality, we continued to observe best industry practices in the treatment process and safe disposal of fecal matter in our sewerage system. Moreover, we initiated development of a water safety plan and disaster risk management to consistently ensure the safety of drinking-water supplies through the use of a comprehensive risk assessment and risk management approach which will be concluded in the ensuing year. Of critical importance was improved hours of supply from 16 to 20 hours per day due to expanded capacity at Kegati treatment works from 8,000 cubic meters per day to 27,000 cubic meters per day and at Nyamira treatment works from 800 cubic meters to 3,200 cubic meters per say which ensures availability of water and sanitation services to meet increased demand.

Economic efficiency

We endeavored to streamline personnel related expenses to ensure they are proportionate to the Operation and Maintenance costs by engaging more proactive team of professionals in the core management team in Finance, Technical, ICT and commercial divisions. To ensure financial sustainability, we enhanced our efforts toward increasing internally generated funds to meet the company's operation and maintenance costs. With sustained efforts the company's collection from billable services improved with corresponding revenue billing. The improved collection efficiency



from these operations ensured that the Company meets outstanding obligations as and when they fell due.

Operational sustainability

Water losses emerging from apparent and real perspectives threatened sustainability of the company. To adequately measure and evaluate the efficiency of our operations, we recruited a Non-Revenue Water Management Officer to strengthen the Company Non-Revenue Water Unit and support in its reduction. Since staff establishment remains one of the driving force, Staff in employment for every 1000 connections remained at 10. This was attributed to factors such as our utility being cross-county, the nature of human settlement in our service area (the distances between connections and number of towns served namely Kisii town and its environs, Kegati, Keumbu, Ogembo, Tabaka, Keroka, Gesusu, Nyansiongo, Nyangori and Nyamira town and its environs), skills mix, and that the Company provides water and sewerage services together. Finally, metering ratio for the company continued to improve which now stands at 100%.

Financial performance

The Company recorded sales for the year 2022-2023 amounting to Kshs. 217,775,365 against Kshs. 190,644,280 for the year 2021/2022 representing 11% increase. The increase in sales turnover was purely as result of internal growth within the service provision area.

Signature:

Lucy Wahito Wachira

Managing Director/Secretary to the Board

22 February 2024



7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FINANCIAL YEAR 2022-2023

The Company has 4 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the financial year 2022/2023. These strategic pillars/ themes/ issues are as follows:

1. Pillar /theme/issue : Financial perspective
2. Pillar/theme/issue : Customer Perspective
3. Pillar/theme/issue : Internal (process) perspective
4. Pillar/theme/issue : Learning and growth perspective

The Company 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 performance targets set for the FY 2022/2023 period for its 4 strategic pillars, as indicated in the diagram below:

Vision:	To be the premier company in the provision of potable water and sanitation services in Kenya			
Mission:	To provide safe water and sanitation services efficiently and effectively to sustainably meet expectations of the customers and other stakeholders.			
Strategic Priorities	Increase Access to Water and Sanitation			
Financial perspective	Strategic Objective	Measures	2022	2023
	Increase the coverage and access to clean and safe drinking water and sanitation services	% increase in water access	45%	65%
		Increased number of active connections	9,500	11,600
		% increase in sewerage access	13%	16%
	Improve financial sustainability to cover all operational costs and attain 100% O&M cost recovery	Increase in Billing and revenue	10M	17M
		% increase in collection efficiency	82%	90%
		Increase O&M cost coverage	75%	85%
		% reduction in NRW	57	53
		Reduction in dormant accounts	3,750	2,900
Customer Perspective	Identify and implement appropriate communication and branding for the company	Identify and implement appropriate communication and branding for the company	All main offices (Kisii and Nyamira) branded GWASCO with	All other regional offices branded GWASCO with branded



			branded boards erected	boards erected	
		Develop and update company website & social media platforms for consumer interaction	Updated Website in line with Strategic Plan	Developed social media platforms	
		Promotion and participation in CSR activities	1 CSR conducted	2 CSR conducted	
	Improved Customer Relations	Develop and implement customer service management systems	Procurement of the CRM	Implementation of the CRM	
		Develop and implement a customer service charter	development and approval of the customer service charter		
	Provide quality water and sanitation services that meet and surpass our customers and other stakeholders' expectations.	Increase in Hours of supply (hrs)	15	17	
		No. of customer satisfaction surveys	1	1	
		Drinking water quality - Compliance with residual chlorine	93%	95%	
		Improve on consumer complaint and resolutions	70%	85%	
	Internal (process) perspective	Fortify and internalize Organizational capacity and processes	Automate and integrate ICT in all business processes like Management Information System (MIS), Geographical Information System (GIS), Monitoring and Evaluation Framework	Procurement of the MIS and update of the GIS system	linking of GIS with MIS
			Number of policies to be developed	2	2



		Regulatory compliance	80%	90%
		Disaster and Risk Management plan (DRM)	Disaster and Risk Management plan (DRM) developed	
		Governance ranking	45%	55%
Learning and growth (People) perspective	Develop and enhance knowledge management, effective communication and employee satisfaction.	Capacity build and develop employee skills	TNA report and training plan developed	
			TOT program developed	
			1 Bench marking visit	1 Bench marking visit
		Enhance the management of Employee performance	Developed and approved PM policy	
			Performance evaluation conducted for Utility management	
		Foster Innovation & Increase Employee satisfaction	Institutionalization of the research and engineering unit and conducting customer satisfaction survey	

**8. CORPORATE GOVERNANCE STATEMENT**

The Board regularly reviews and assesses the governance structures that apply to Gusii Water and Sanitation Company Ltd to ensure they are consistent, both in form and in substance, with best practice. The Board considers that the Company is substantially in compliance with the Wasreb Corporate governance guidelines and the Mwongozo Code issued by the State Corporation Advisory Committee.

The Board of Directors

The Board of Directors is entrusted with the ultimate responsibility of the management, general affairs, direction and performance of the Company. The Company has been vested with requisite powers, authorities and duties to sustainably achieve its core mandate of Water Service Provision. The Management Committee of the Company is headed by the Managing Director and has business / functional heads as its members, which look after the management of the day-to-day affairs of the Company.

The Board of our Company has a good mix of Executive and Non-Executive Directors with half of the Board of the Company comprising of Independent Directors. As on date of this Report, the Board consists of ten Directors comprising one Non-Executive Chairman, Eight independent Directors and One Executive Director who is the Managing Director. The Board is constituted taking into account Articles and Memorandum of Association, diversity of skills, age, value addition, and gender, academic qualifications and experience necessary to help Gusii Water and Sanitation Company achieve its goals and objectives.

The composition of the Board represents an optimal mix of professionalism, knowledge and experience and enables the Board to discharge its responsibilities and provide effective leadership to the business. The positions of the Chairman of the Board and the Managing Director of the Company are held by separate individuals, where the Chairman of the Board is a Non-Executive Director. None of the Directors of our Company are inter-related to each other.

Board governance***a. Process of appointment and removal of directors***

Board appointments is a transparent and competitive process to ensure the public served has an opportunity to participate in decision making in service delivery directly affecting them. Vacant positions are advertised in the media and on the website of the Company and the criteria set out by WASREB is be used. An ad hoc nominating committee of the board of directors comprising county and select committee from two or three primary/key stakeholders assess applications and ensure that not only is the Leadership and Integrity criteria met but shall perform a background check to ensure the candidates add value to the Company. The select committee receives the applications, vet them to ensure that they comply with the Fit and Proper Test plus the eligibility criteria and ultimately conduct interviews. The Report of the selection committee shall be submitted to the shareholder who is required as shareholder and function owner to ensure that only persons who add value to the company are appointed. A letter of appointment issued by the county secretary that adheres to the articles of association of the Company is given after ratification of names of the accepted directors at annual general meeting by the shareholders. The letter contains a termination clause on poor performance and misconduct and ensures that it captures that unless the board is retired due to poor performance a third of the members shall retire every year from the third year. Board members shall serve a maximum of six (6) years based on the approval of the shareholders and on performance issues. Before a board member begins to serve he must be inducted in governance training customized for the water services



sector and sign a code of ethics based on the Leadership and Integrity Act 2012 and the Public Officer Ethics Act 2003. The list of ratified board members and the stakeholder group they represent are maintained on the website of the Company and communicated to WASREB. The Company board service was not disrupted by the election cycle of 2022 and independent oversight was not compromised by the cycle.

b. Roles and functions of the board

The Board is responsible for the supervision of the business and affairs of the Company and the monitoring of the performance of the Company on behalf of shareholders. The Board also places emphasis on regulatory compliance. The Board is responsible for directing the Company and enhancing its value for shareholders. It has adopted a formal Corporate Governance Code that details the Board's role, responsibilities, membership and operation. Responsibility for the day-to-day management of the Company has been delegated to the Managing Director (MD) and her management team. A key responsibility of the Board is its oversight of senior management and, in this regard, all Company core management team are subject to annual performance reviews and goal planning. In addition, the Board monitors the performance of the MD against the Board's requirements and expectations. The Board is structured to bring to its deliberations a range of experience relevant to the Company's operations.

Functions of the Board of Directors

1. Before commencing business sign the code of ethics as circulated by WASREB.
2. Have a schedule of full board meetings at the end of every year for the next year.
3. Have only one full board meeting in every quarter.
4. Inform the respective LVSWB/ successors / assignee of other meetings not within the schedule of board meetings.
5. Define the limits of authority of the Managing Director and other top executives in a schedule of duties.
6. Approve an annual budget in consultation with the respective LVSWDA / successors / assignee in accordance with the Service Provision Agreement.
7. Devote sufficient time to their responsibilities.
8. Have an approved organizational structure and adhere to the staff efficiency ratio guideline of 8 staff per 1,000 connections.
9. Have a performance management and appraisal system in place.
10. Map out communication strategy for internal and external liaisons to include at least one public forum in its area of supply.
11. Define how the Board will operate including:
 - (a.) Submission of the following information to them by management on a quarterly basis:
 - i.) Amount of regulatory levy and other levies paid.
 - ii.) Service obligation and performance report for supply area providing commercial and technical issues.
 - iii.) Financial report reflecting the levels of tariff revenues and subsidies.
 - (b.) Submission of the following reports on an annual basis:

Financial report.

 - i.) Audited financial report for the year ending.



ii.) Performance achievement report covering commercial and technical improvements on performance.

12. Embark on benchmarking with other GWASCOs to constantly monitor management performance and the financial progress of the company.
13. Evaluate its own performance at least once every year based on the Service Provision Agreement.
14. Ensure that the company is properly managed and for the attainment of lawful objectives.
15. Ensure that the company's affairs are not managed or conducted in a manner oppressive to any of its shareholders or for fraudulent purposes.
16. Ensure that the company complies with all statutory requirements, including directives issued by WASREB.
17. Ensure that sitting allowances and other expenditures of the board and its committees do not exceed two percent of the annual recurrent budget for GWASCO.

c. Board charter

There is an existing board charter during the year under review.

d. Board membership, work plan and meetings

The following summarises Board attendance during the year

Board Members	Full Board		Board Committee		
		Finance, HR & Procurement	Technical Committee	Audit Committee	Special Board
	Frequency of meetings/ Attendance				
	6	8	8	8	2
Mr. David O. Obure					
Mr. Charles N. Moturi					
Ms. Jemimah M. Mosegere					
Mr. Isabella N. Lumumba					
Mr. Saboke O. Kiboma					
Mr. Kennedy Okemwa Abincha					
Mr Ronald Gideon Nyakweba					
John Matiang'i (Appointed on 9th August 2022)					
CPA Emily Ongaga (Appointed on 9th August 2022)					
Mr. Moses Onderi (Left on 9th August 2022)					
Mr. Amos Andama (Left on 9th August 2022)					
Mr. Samwel Maiko (Left on 9th August 2022)					



e. Succession plan

The Company has a succession plan where all Board members do not retire at the same time. Two thirds of the Board members other than those from the County Governments, retire from office by rotation every three years. The retiring members are determined on the basis of those who have served longest.

f. Induction and training

The Company conducts induction and training program on every new Board of Directors appointed to provide insight and capacity to steer the Company's operations.

g. Board and member performance

The following summarises membership and responsibilities of Board committees during the year:

Finance, HR & Procurement Committee

Technical Committee of the Board

Audit Committee

Committee				
<i>Finance, HR & Procurement Committee</i>				
<i>Technical Committee of the Board</i>				
<i>Audit Committee</i>				

Finance, HR & Procurement Committee

The Finance, HR & Procurement committee is responsible for ensuring that the Company's financial and administrative policies are adequate and has the right staff, at the right place and doing the right thing at the right time for the right course. The committee is also responsible for reviewing the Company's annual budget and quarterly financial reports. They also collaborate with Technical Committee in reviewing the viability of the Company's new projects.

Technical Committee of the Board

The committee is responsible for strategic planning, exploration of opportunities and developing proposals for funding and investment programs for the Company. This committee has oversight responsibility of ensuring that Company is complying with the agreements signed between it and the financiers. It also ensures that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.



Audit Committee

The committee comprises three non-executive directors and regularly invites Internal Audit Manager to its meetings. The Internal Audit Manager of the Company is the Secretary of the Committee. The committee is charged with the responsibility of ensuring adequate operating and control process are applied to safeguard the Company assets by reviewing internal Controls Measures of the Company and recommends appropriate remedial action where necessary. The committee also reviews all areas of risk and weaknesses in the Company and considers Internal Audit reports. They also ensure that appropriate action is taken on the recommendations of both Internal and external Auditors.

h. Conflict of interest

i. Board remuneration

Directors are entitled to sitting allowance for every meeting attended, lunch allowance (accommodation allowance and mileage reimbursement where applicable), within set limits of Board Minutes as per WASREB guidelines. Furthermore, Chairman is paid a monthly honorarium.

j. Ethics and conduct

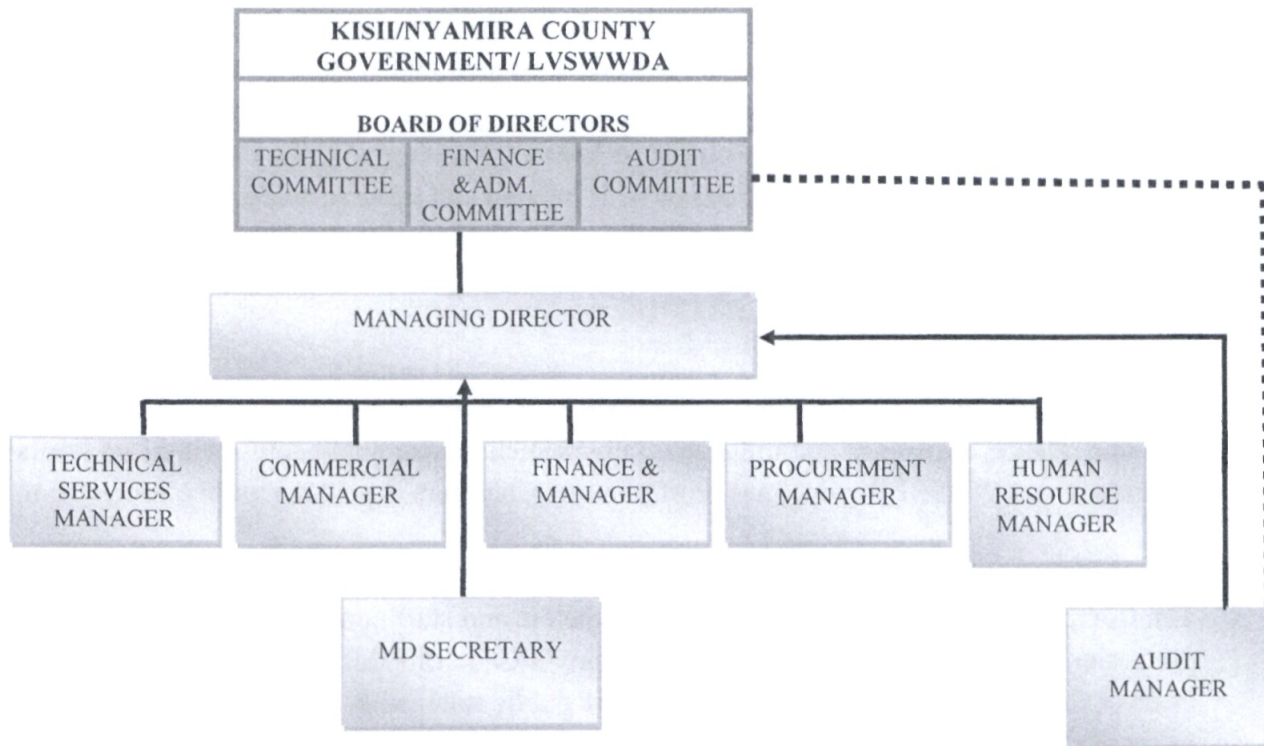
The Company works towards ensuring that Directors and staff conduct themselves with integrity and professionalism in accordance with the Company's Code of Ethics for employees and the Directors Code of Conduct issued by WASREB. These are public statements that stipulate expectations and hold us accountable for our business conduct. Directors and all employees are required to read, understand, sign and remain bound by their provisions. The Company intends to carry out integrity awareness, training, risk assessments and enforcement of corruption prevention measures. The Company remains open to receiving complaints and making follow-ups on allegations and cases of unethical conduct. Objective analysis of reported cases will be done and appropriate action instituted to control and mitigate any risk arising. The Company continues to collaborate with external partners to entrench a culture of ethics and integrity.

k. Governance audit.

The Companies Act, 2015 vests sole responsibility on Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company. Director's responsibility stems from the premise that suitable accounting policies are consistently applied supported by reasonable and prudent judgments and estimates on proper accounting records kept disclosing with reasonable accuracy the financial position of the Company. Additionally, applicable accounting standards which include International Financial Reporting Standards and Relevant Laws of Kenya, Water Act, State Corporations Act, Public Financial Management Act, 2012 among others are followed as well as the duty to exercise care, skill and diligence. To achieve this, they have a fiduciary duty to ensure adequate internal control systems are in place to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. Governance audit was conducted by Water Services Regulatory Board in November 2022.



Governance structure





9. MANAGEMENT DISCUSSION AND ANALYSIS

The financial statements comprise two components:

- Financial performance
- Operational performance

A further analysis is made on the following

As part of the financial statements, included are the statement of financial position, statement of comprehensive income, statement of changes in equity and the statement of cash flows

Results of operations are recorded using accrual basis of accounting whereby transactions are reported when underlying events occur regardless of the timing of cash flows. In this regard, revenues and expenses are reported in these financial statements for some items that will result in cash flows in future fiscal periods which include accounts receivable and accounts payable.

The statements of cash flows present the flow of cash and cash equivalents during the last two fiscal years. The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in these financial statements.

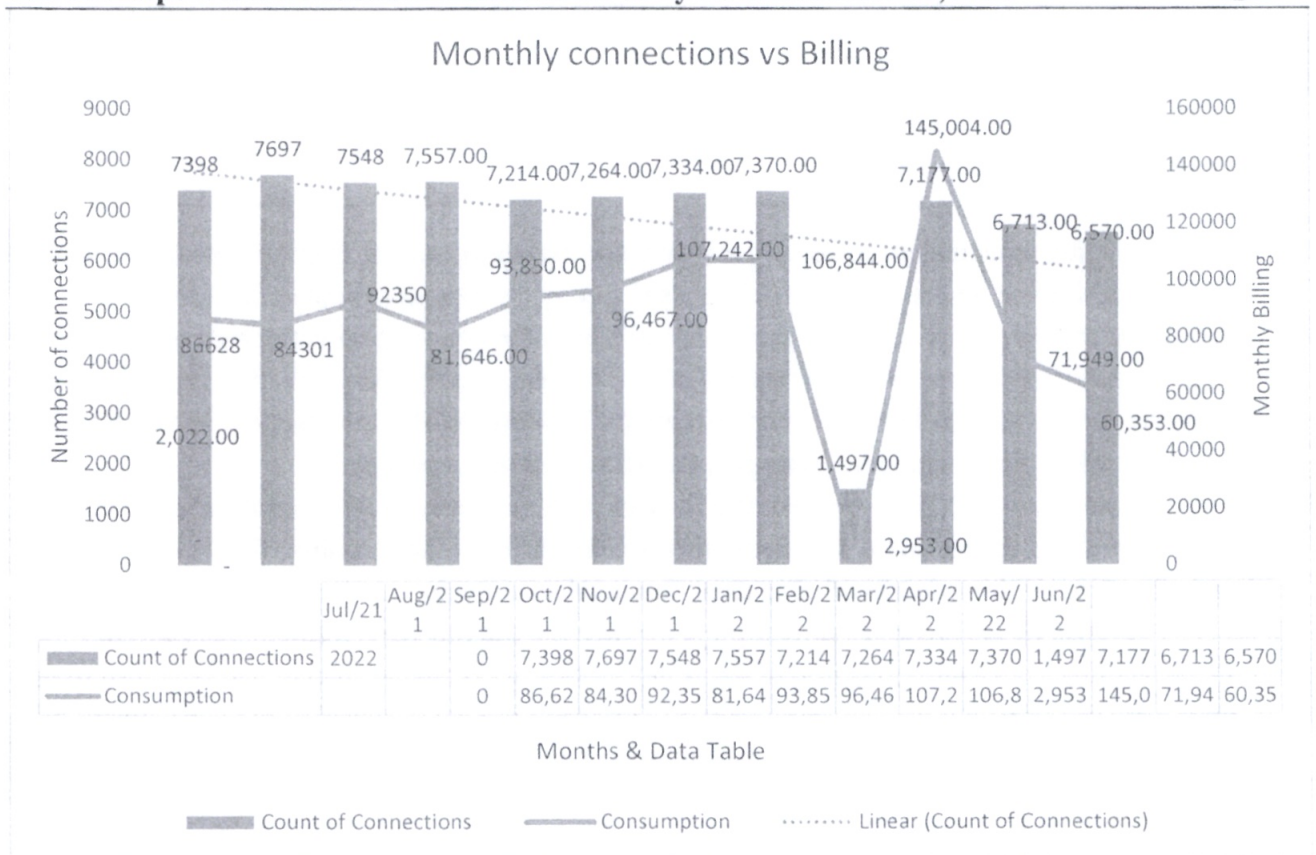
a. Operational and financial performance for the last three to five year period

The Company undertook extension of the water intakes at Nyangori, Kegati and Nyamira water works during the last five year period. As a result of Rehabilitation and Expansion of the treatment works and distribution network, there has been an increase in production in Kisii and Nyamira.

PRODUCTION DATA		2019	2020	2021	2022	2023
KISII	Water Produced m ³	1,771,211	3,088,185	4,051,796	3,863,494	4,104,757
	Water Sold m ³	755,412	854,564	985,031	828,235	948,376
	NRW(m ³)	1,015,799	2,233,621	3,066,765	3,035,259	3,156,381
	NRW %	57%	72%	76%	79%	77%
NYAMIRA	Water Produced m3	124,321	313,423	498,127	429,392	484,307
	Water Sold m3	55,521	108,648	178,368	201,352	230,560
	NRW(m3)	68,800	204,775	319,759	228,040	253,747
	NRW %	55%	65%	64%	53%	52%

As outlined in the Company strategic plan to increase connectivity from 37% to 47% and due to expanded network, the company has witnessed an increase in the number of customers whose demand for water and sanitation services has been indicated as shown below:

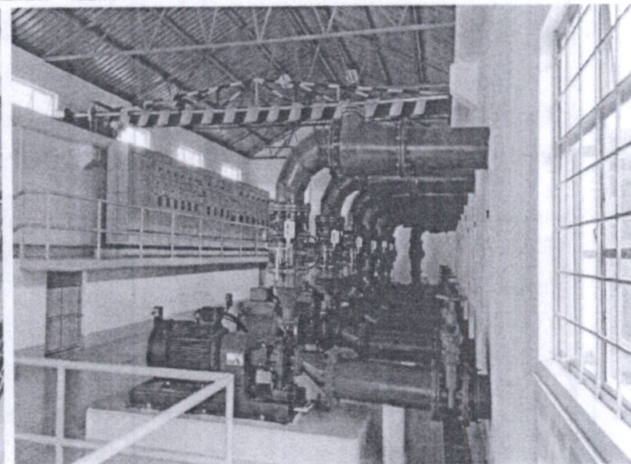
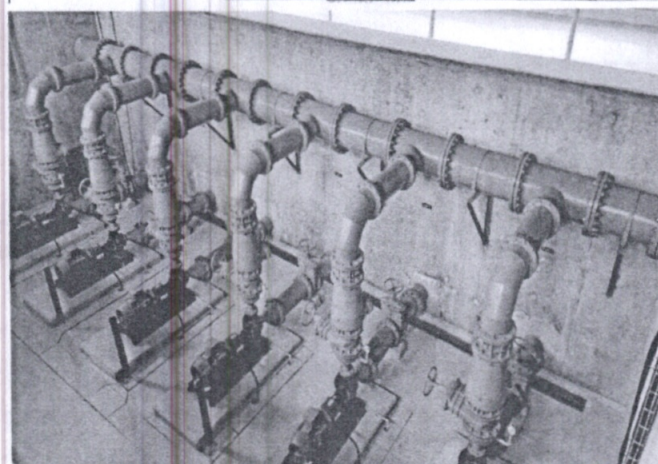
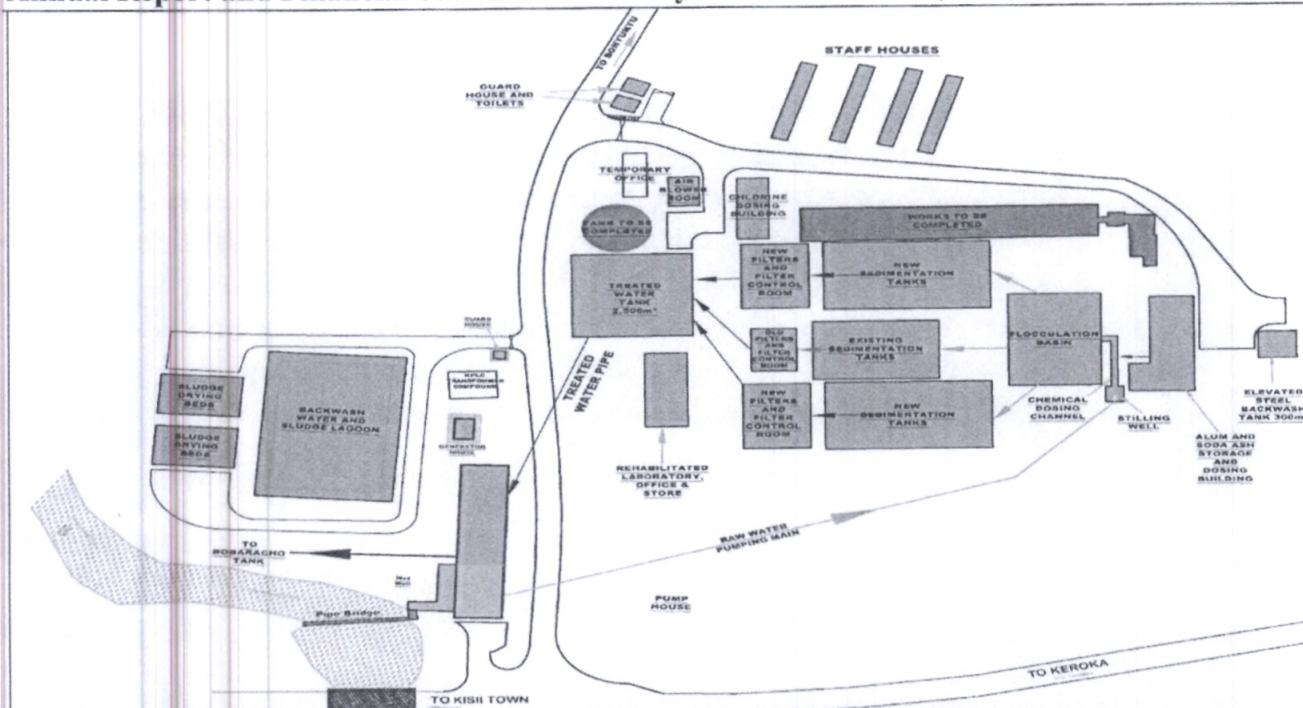
CONNECTIVITY		2019	2020	2021	2022	2023
Kisii	Active	5,602	5,880	6,547	5,453	6,738
	Dormant	2,238	1,828	1,537	4,284	5,169
	Total	7,840	7,708	8,084	9,737	11,907
Nyamira	Active	1,508	1,608	1,805	1,326	1,638
	Dormant	1,038	1,320	1,263	1,042	1,415
	Total	2,546	2,928	3,068	2,367	3,053
Total active Connections		10,386	10,636	11,152	12,104	14,959



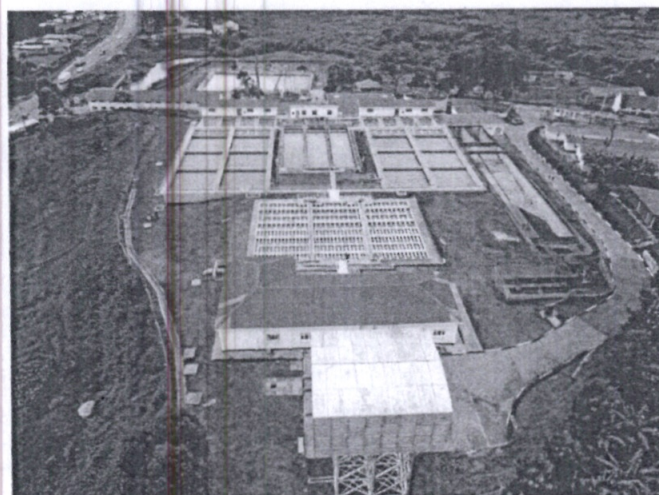
b. Key projects or investments decision implemented or ongoing

Capacity of Treatment Works before the Project was 6,500m³/day. Following the completion of the project, Capacity of Treatment Works after the Project was improved to 27,000m³/day. Total Population Served in the service area before Project was 32,260. After the completion of the project, the population currently served in the service area and last mile connectivity is projected at 210,000 persons.

Kegati Intake and Treatment Works



6 Nr Raw Water Pumps Capacity of Each 280m³/hr Pumps / Control Panel & Treated Water Pumps 6 Nr @ 280m³/hr

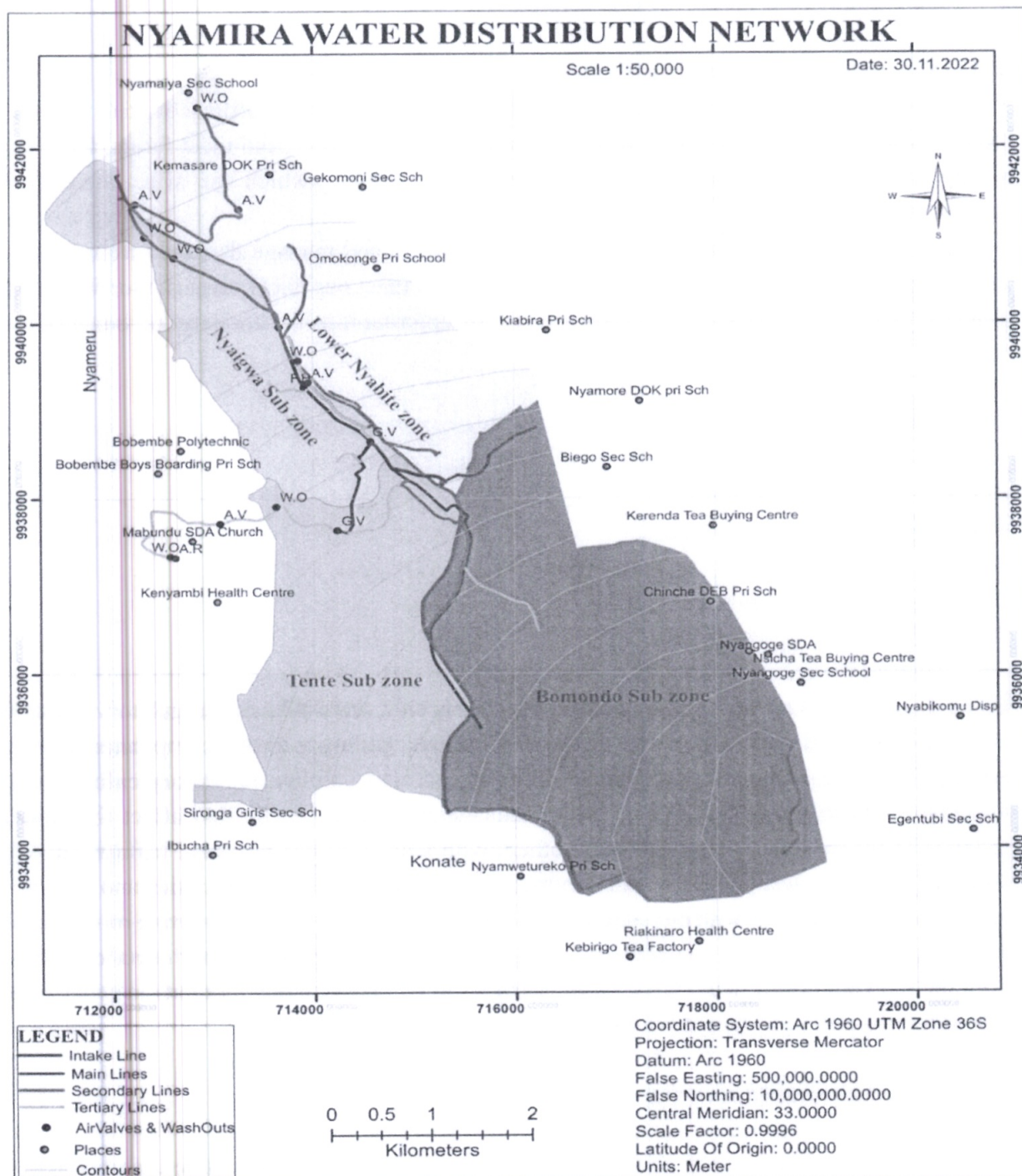




Bobaracho Tank Site and Offices



Kisii Water Supply Coverage Area



Nyamira Water Supply Coverage Area

c. Compliance with statutory requirements

The Company has endeavoured to comply with statutory requirements as laid down by the Government of Kenya. Statutory returns are timely submitted like the NSSF, NHIF and Pay as You Earn. Pension obligations for staff are late but a payment plan has been agreed upon with respective schemes.



d. Major risks facing the organisation

Risk: Water resources and climate change

Risks description: Failure to develop our infrastructure, to improve its resilience and to manage demand would mean that we would not be able to meet our statutory duties and meet future demand. Climate change will increase instances of severe flooding and drought which can affect the availability of resources and the operation of our infrastructure.

Mitigation: We operate in an area of serious water stress and manage demand through our metering programme. We have also consistently endeavoured to meet our NRW targets. Our Water Resources Management Plan is developed to take account of opportunities for cooperation between WASREB and WARMA.

Water resources and climate change

Water safety plan

Disaster and risk management

Regulatory and legal compliance

Water Access

Customer relations management

NRW and Revenue growth

Collection Efficiency

Risks description: Our business operates within a specific legislative and regulatory framework and many of our activities have an impact on the environment. Failure to ensure compliance with regulatory and legislative requirements may lead to criminal and civil liability, regulatory enforcement actions and disruption to the business and loss of management time. It will also affect the perception of GWASCO by customers, regulators and others with a stake in our business. Mitigation: We have a wide range of policies, processes and controls to ensure that we meet our duties and obligations. We also monitor compliance with our statutory obligations for the purpose of reporting on our performance and for the purpose of our compliance. We review annually compliance performance and processes with the relevant department. We monitor changes to compliance requirements in order to adapt our processes and policies when required.

Security and information security

Risks description: The security and resilience of our information infrastructure is essential to maintain our service to the public. We must protect ourselves from loss of data and systems, and cyber-attacks and keep customers' data up-to-date and safe. Failure to protect personal data may lead to enforcement actions and legal actions and would cause reputational damage. Loss or corruption of data would result in disruption to the business and additional costs.

e. Material arrears in statutory and other financial obligations

No matter involvng financial probity has been reported in the period under review.



10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The purpose of Environmental and Sustainability strategy is to outline our commitment to reducing Sewage discharges and reducing our wastewater footprint, both within our organization, and in the service area we deliver. This focuses on environmental sustainability but will form part of a broader Corporate Social Responsibility Policy which will also cover legal compliance, business ethics and human rights, including Policies such as Equity, Diversity and Inclusion. We are increasing environmental awareness across our organization with this strategy and plan to embed Wastewater, Sewage, Sanitation and zero-waste practices in our everyday business.

We undertake to communicate this strategy to all our stakeholders, including clients, suppliers, and staff. Moreover, this will be done to enable them to work with us in achieving our ambitions in this fundamental area.

Our core values are the fundamental principles that guide the behaviour of every person or entity working with GWASCO. They should be practiced and embraced to create the organizational culture to drive GWASCO's vision. The core values guiding GWASCO are:

- Customer focus
- Integrity
- Gender Responsive
- Professionalism
- Team work
- Innovation

Gusii Water and Sanitation Company Ltd exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 4 pillars: focusing on our financial perspective, Customer Perspective, Internal (process) perspective and Learning and growth perspective. Below is a brief highlight of our achievements in each pillar

1. *Sustainability strategy and profile*

The Company as an agency has been able to Manage water devolved to the County Government after transition from National Government. It's now under the ownership of two County Governments of Kisii and Nyamira. This has offered a wide coverage area providing potential for more customers.

High cost of production involving electricity poses a great macroeconomic challenge. This led to: Cost recovery challenges, reduced revenue, Disruption of water services due to frequent disconnections and power fluctuations. The Company applied to the regulator for tandem adjustments of water tariff by WASREB.

2. *Environmental performance*

The Company could not sustainably manage solid/liquid waste and this was further compounded by sewer leakages. Further it was faced with catchment degradation through human activity such as deforestation and encroachment of water sources and Climate change and environmental degradation. This led to compromised water quality, high turbidity/ siltation, reduced water levels and sources, destruction of wetlands, water sources are threatened by reduction in water base, and flow due to prolonged dry spells and unpredictable rains. To mitigate on this, the Company has resorted to public awareness initiatives on proper waste management. Lobby for environmental protection, and adopt climate change adaptation and coping mechanisms



3. *Employee welfare*

The company has an existing human resources policy guiding staff management. It is also in the process of developing policy on safety and compliance as per Occupational Safety and Health Act of 2007, (OSHA).

4. *Market place practices-*

a) Responsible competition practice.

The company adheres to responsible competition practice by steering off corrupt practices. Being aware of the political environment we operate in, we direct our energy and efforts towards sustainably meeting customer expectations.

b) Responsible Supply chain and supplier relations-

The accounts payable have remained relatively high. Despite this, the Company has negotiated with suppliers and established a payment plan to reduce the amount owed to suppliers.

c) Responsible marketing and advertisement

The company adheres to responsible marketing and advertisement practices in its operations in creating awareness of its products to customers.

d) Product stewardship- outline efforts to safeguard consumer rights and interests

Every consumer has a constitutional right of access to safe and potable water. The Company is under obligation to meet this requirement and has endeavored to do so.

5. *Corporate Social Responsibility/Community Engagements-*

We encourage all employees to stay engaged with the community. We offer to pay leave to our employees if they wish to get involved in charity work during business hours.

The Company has entered into a partnership with learning institutions who play a role in teaching primary, secondary schools, colleges and university students how water, waste water and sanitation services are treated, supplied and why it is such is an important part of our lives.

Gusii Water also sponsor many regional ASK business excellence awards, Country Charities and environmental activities through our partnerships with various stakeholders.

Over the years GWASCO Ltd. has had the pride on its regular contribution towards community regeneration activities. We have continued this long-standing tradition of providing the communities with high quality and affordable Water and Sanitation Services. Within the past years, we concentrated on the improvement of the infrastructure and made substantial contributions towards the construction and maintenance of water and Sewer networks in our areas of our Jurisdiction and promoted sanitation. These have surely controlled to some level diseases caused by contaminated water.



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 entity are provision of water and sewerage services.

ii) Results

The results of the company for the year ended June 30, 2023 are set out on page 1-56. Below is summary of the profit or loss made during the year.

iii) Dividends

The company has not declared dividends for the year ended 30th June 2023.

iv) Directors

The members of the Board of Directors who served during the year are shown on page (iv) in accordance with Regulation 68 of the company's Articles of Association.

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 to carry out the audit of the Company for the year/period ended June 30, 2023, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to audit.

By Order of the Board

Signature:

Lucy Wahito Wachira

Managing Director/Secretary to the Board

22 February 2024



12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012, The Companies Act 2015 and Section 129 of the Water Act 2016 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 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 ended on 30 June 2023. This responsibility includes:

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

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

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

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's financial statements were approved by the Board on 29th January 2024 and signed on its behalf by:

David Obure

Chairman

22 February 2024

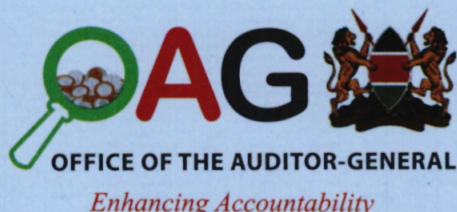
Lucy Wahito Wachira

Managing Director

22 February 2024

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON GUSII WATER AND SANITATION 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, gazetted 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 Gusii Water and Sanitation Company Limited set out on pages 1 to 51, which comprise of the statement of financial

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

position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Gusii Water and Sanitation Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.65,117,210 which, as disclosed in Note 23 to the financial statements, includes trade payables amount of Kshs.49,903,760. Included in the amount is Kshs.28,942,291 which includes audit fees of Kshs.4,916,000 that had been outstanding for more than ninety (90) days. Further, the balance of Kshs.65,117,210 includes employee payables amount of Kshs.15,213,450 out of which, Kshs.1,925,825 had been outstanding for more than ninety (90) days. The amount of Kshs.1,925,825 comprises staff salaries and wages of Kshs.598,084 and Kshs.1,327,741 respectively owed to Gusii Water Staff Self Help Group and therefore should be settled at the point of paying salaries.

In the circumstances, failure to settle bills during the year in which they relate adversely affects provisions of the subsequent year to which they have to be settled as a first charge. In addition, the Company may be sued as a result of unsettled obligations which may lead to legal fees, penalties and interest on unpaid amounts.

2. Trade and Other Receivables

The statement of financial position and Note 17 of the financial statements reflects trade and other receivables of Kshs.129,084,590 which comprises of gross amount of Kshs.182,663,140, less general provision of Kshs.53,578,550. However, the gross trade receivables aging analysis has debtors that are over one hundred and twenty (120) days amounting to Kshs.133,595,180, which clearly shows uncertainty in collection of the old debts.

In the circumstances, the accuracy in valuation and recoverability of the trade and other receivables balance of Kshs.129,084,590 as at 30 June, 2023 could not be confirmed.

3. Intangible Assets and Amortisation

The statement of financial position and Note 15 to the financial statements reflects an intangible assets balance of Kshs.100,700 which has remained the same over the last three years. However, there has been consistent charge of amortization of Kshs.100,400 over the last four (4) years which has been reported in the statement of financial performance. It has been noted that Management has not been accumulating amortization but, instead has been bringing forward previous year's amortization charge as the opening balance of each year. As a result, the amortization balance of Kshs.100,400 as at 1 July, 2022 differs with the re-computed accumulated balance of Kshs.301,200, resulting in a variance of Kshs.200,800. This means that the re-computed net book value of intangible assets as at 30 June, 2022 was Kshs.300 (Kshs.301,500-Kshs.301,200). Therefore, the reported amortization charge of Kshs.100,400 for the year under review and the net book value of Kshs.100,700 are misstated.

In the circumstances, the accuracy of the intangible assets balance of Kshs.100,700 and the depreciation and amortization expense of Kshs.5,080,560 could not be confirmed.

4. Accuracy of Customer Deposits

The statement of financial position and Note 24 of the financial statement reflects customer deposits balance of Kshs.25,775,480. However, the additional deposits placed in the year as per the listing provided for audit amounted to Kshs.3,114,500 while the bank statement had a total of Kshs.3,114,017, resulting to a variance of Kshs.483. In addition, the refundable customers deposit balance per the bank statement was Kshs.9,125,294 which was at variance with the reported refundable deposits balance of Kshs.25,775,480, resulting to unreconciled difference of Kshs.16,650,186.

In the circumstances, the accuracy of refundable customers deposits balance of Kshs.25,775,480 could not be confirmed.

5. Unbilled Customers

The statement of profit or loss and other comprehensive income reflects operating revenue balance of Kshs.217,775,370 which, as disclosed in Note 6 to the financial statements, includes water sales amount of Kshs.135,821,930. Analysis of the water bills for the Company for the month of June, 2023 provided for audit revealed that the Smart Revenue System (SPA) had a total of 9,497 active customer accounts out of which only 8,376 customers were billed Kshs.11,125,165 having consumed 97,211 cubic meters of water.

In addition, according to the report of customer identification exercise dated 23 December, 2022 carried out by the Company, it was established that the Company had a total of 18,474 connections. Out of these, 9,800 connections were active with working meters, 4,000 connections had been cut off for non-payments, 1,500 connection had sewer connection only without water, 674 connections had sewer and water but were billed water only and 2,500 connections were totally dormant without water. Customers on these

connections were also complaining of not having water for over three (3) years due to a faulty pipeline that was damaged during road constructions.

Further, a total of 1,092 connections were not billed and it is not clear the amount of water the accounts consumed.

In the circumstances, the accuracy of the reported revenue of Kshs.217,775,370 could not be confirmed and the company may have lost revenue of undetermined amount by not billing customers.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual on comparable basis amounts of Kshs.516,247,640 and Kshs.272,074,360 respectively, resulting in a revenue shortfall of Kshs.244,173,280 (or 47% of the budget). Similarly, the statement reflects total expenditure budget of Kshs.516,247,640 and actual expenditure on comparable basis of Kshs.249,395,670, resulting in an under expenditure of Kshs.266,851,970 (or 52% of the budget).

The under-funding and under-expenditure affected planned activities and may have impacted negatively on supply of water to the residents of Kisii and Nyamira Counties.

2. Unresolved Prior Year Matters

There were issues raised in the audit report for 2021/2022 financial year. However, no report or recommendations from the Management and oversight bodies was submitted for audit verification and clearance. The issues therefore remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers in respect of the entity concerned to try to resolve any issues resulting from an audit that remain outstanding.

My opinion is not modified in respect of these matters.

Other Information

The Directors and Management are responsible for the other information, which comprises (The Chairman's Report, Directors' Report, the Statement of Corporate Governance, Management Discussions and Responsibilities, Statement of Corporate Social Responsibility and the Statement of Directors' Responsibilities). The other information does not include the financial statements and my auditor's report thereon.

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

Key Audit Matters

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

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. Irregular Utilization of Customer Deposits

The statement of financial position reflects customer deposits balance of Kshs.25,775,480 in respect of amounts deposited by customers for new water meter, paid upon connection. These funds were supposed to be retained in the Company's deposit account with the bank. However, the balance differs with the closing balance of Kshs.9,125,294 reflected in the deposits account bank statement, resulting to a variance of Kshs.16,650,186 which represents customer deposits withdrawn from the deposit bank account and used for other purposes. However, the Board's approval for these withdrawals and when the withdrawn amount was to be refunded were not provided for audit review.

In the circumstances, the regularity of the withdrawal of Kshs.16,650,186 and its existence could not be confirmed.

2. Non-Revenue Water (NRW) Losses

The statement of profit or loss and other comprehensive income reflects operating revenue balance of Kshs.217,775,370 which, as disclosed in Note 6 to the financial statements, includes water sales amount of Kshs.135,821,930. However, examination of water production data revealed that the Company produced 4,233,482 cubic meters (M³) of water out of which, only 1,178,936 cubic meters (M³) were billed to customers, resulting in the balance of 3,054,546 cubic meters (or approximately 72% of the volume produced) representing Non-Revenue Water (NRW) which is 47% above the allowable set benchmark loss of 25% prescribed by the Water Services Regulatory Board Guidelines, 2010.

This NRW may have resulted in loss of sales estimated at Kshs.351,914,245 (at the average rate of Kshs.115.21 per cubic meter) out which, Kshs.229,979,379 which is above allowable benchmark was not acceptable. This was an indication of lack of efficiency and effectiveness in the use of public resources and no evidence of the Company's efforts to address the situation was provided for audit review.

The potential NRW loss of Kshs.351,914,245 has negatively impacted on the Company's profitability and its long-term sustainability.

3. Unsupported Procurement of Legal Services

The statement of financial position reflects trade and other payables balance of Kshs.65,117,210 which, as disclosed in Note 23 to the financial statements, includes trade payables amount of Kshs.49,903,76 out of which, an amount of Kshs.921,915 was a legal fee payable to a law firm that represented the Company at its Board meetings. However, details of how the law firm was sourced and appointed were not provided for audit review.

In the circumstances, the eligibility of the liability of Kshs.921,915 could not be confirmed.

4. Un-Updated Fixed Asset Register

The statement of financial position and as disclosed in Note 14 to the financial statements reflects property, plant and equipment balance of Kshs.43,126,440. However, the fixed asset register provided for audit did not show details such as date of purchase, description of assets including model and serial number, cost, specific location, asset number, responsible official, class, category of assets and its condition. Also, the assets were not coded or tagged for ease of identification and tracking. This was contrary to Regulation 132(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that accounting officer shall take full responsibility and ensure proper control systems exist for assets and that movement and conditions of assets can be tracked.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about

whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 March, 2024



14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022-2023 Kshs	2021-2022 Kshs
Revenue			
Operating Revenue	6	217,775,370	190,644,280
Grants Income	7	38,246,530	91,986,550
Other Income	8	13,581,030	13,606,320
Total Revenue		<u>269,602,930</u>	<u>296,237,150</u>
Expenses			
Staff Costs	9	89,881,290	95,560,560
General and Operations expenses	10	153,495,170	153,791,840
Board Expenses	11	4,770,770	2,827,580
Maintenance Expenses	12	11,078,890	13,971,650
Depreciation and Amortization expenses	13	5,080,560	3,930,370
Total Expenses		<u>264,306,680</u>	<u>270,082,000</u>
Profit/(Loss) Before Taxation		5,296,250	26,155,150
Income Tax Expense/(Credit)		0	0
Profit/(Loss) After Taxation		<u>5,296,250</u>	<u>26,155,150</u>
Earnings per share – basic and diluted		0	0
Dividend per share		0	0
Other Comprehensive Income			
Profit/ (Loss) after taxation		5,296,250	26,155,150
Surplus or deficit on revaluation of PPE			
Remeasurement of net defined benefit liability			
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI			
Total Comprehensive Income For The Year		<u>5,296,250</u>	<u>26,155,150</u>



15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2022-2023 Kshs	2021-2022 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	43,126,440	44,604,160
Intangible assets	15	100,700	100,700
Total Non-Current Assets		43,227,140	44,704,860
Current Assets			
Inventories	16	2,489,150	1,065,920
Trade and other receivables	17	129,084,590	172,006,850
Bank and cash balances	18	43,484,510	62,091,420
Total Current Assets		175,058,250	235,164,190
Total Current and Non-Current Assets		218,285,390	279,869,050
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	19	100,000	100,000
Capital Grant	20	67,053,200	67,053,200
Retained earnings	21	2,521,700	(2,774,550)
Capital and Reserves		69,674,900	64,378,650
Non-Current Liabilities			
Provisions		0	0
Total Non-Current Liabilities		0	0
Current Liabilities			
Retirement benefit obligations	22	14,405,490	21,098,300
Trade and other payables	23	65,117,210	126,369,160
Customer Deposits	24	25,775,480	22,661,460
Agency Account	26	43,312,310	45,361,480
Total Current Liabilities		148,610,490	215,490,400
TOTAL EQUITY AND LIABILITIES		218,285,390	279,869,050

The financial statements were approved by the Board on 22 February 2024 and signed on its behalf by:

.....
Name: Lucy Wachira
Managing Director

.....
Name: CPA Jared Rasugu
Head of Finance
ICPAK M/No: 28053

.....
Name: David Obure
Chairman of the Board



16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustm ent reserve	Retained earnings	Proposed dividends	Capital/ Development Fund	Total
As at July 1, 2021		100,000	0	0	(28,929,800)	0	67,053,200	38,223,400
New capital issued		0	0	0	0	0	0	0
Revaluation gain		0	0	0	0	0	0	0
Transfer of excess depreciation on revaluation		0	0	0	0	0	0	0
Deferred tax on excess depreciation		0	0	0	0	0	0	0
Fair value adjustment on quoted investments		0	0	0	0	0	0	0
Profit for the year		0	0	0	26,155,150	0	0	26,155,150
Capital/Development grants received during the year		0	0	0	0	0	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings		0	0	0	0	0	0	0
Dividends paid – prior year		0	0	0	0	0	0	0
As at June 30, 2022		100,000	0	0	(2,774,650)	0	67,053,200	64,378,550
As at July 1, 2022		100,000	0	0	(2,774,650)	0	67,053,200	64,378,550
Issue of new share capital		0	0	0	0	0	0	0
Revaluation gain		0	0	0	0	0	0	0
Transfer of excess depreciation on revaluation		0	0	0	0	0	0	0
Deferred tax on excess depreciation		0	0	0	0	0	0	0
Fair value adjustment on quoted investments		0	0	0	0	0	0	0
Profit for the year		0	0	0	5,296,250	0	0	5,296,250
Capital/Development grants received during the year		0	0	0	0	0	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings		0	0	0	0	0	0	0
At June 30, 2023		100,000	0	0	2,521,701	0	67,053,200	69,674,900



17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022-2023 Kshs	2021-2022 Kshs
Cash Flows From Operating Activities			
Receipts			
Operating Receipts		260,697,630	190,644,280
Grants Income		38,246,530	91,986,550
Other Income		13,581,030	13,606,320
		3,114,020	
Total Receipts		315,639,210	296,237,150
Payments			
Staff Costs		96,574,099	95,560,560
General and Operations expenses		218,219,520	153,791,840
Board Expenses		4,770,770	2,827,580
Maintenance Expenses		11,078,890	13,971,650
Depreciation and Amortization expenses		-	3,930,370
Total Payments		330,643,280	270,082,000
Net Cash From/ (Used In) Operating Activities	25	(15,004,070)	26,155,150
Depreciation		0	3,829,970
Net Cash From/ (Used In) Operating Activities	25	(15,004,070)	29,985,120
Operating profit/(loss) before working capital changes			
Working Capital Changes			
(Increase)/decrease in inventories		-	(10,510)
(Increase)/decrease in trade and other receivables		-	(24,993,340)
Increase/(decrease) in Retirement Benefit Obligations		-	27,697,370
Increase/(decrease) in trade and other payables		-	448,090
Increase/(decrease) in Customer Deposits		-	21,098,310
Increase/(decrease) in Customer Deposits		-	4,294,860
Net Cash From/(Used In) Operating Activities		(15,004,070)	58,519,900
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(3,350,000)	(3,662,480)
Proceeds From Disposal Of PPE		0	
Purchase Of Intangible Assets		0	
Net Cash From/(Used In) Investing Activities		(3,350,000)	(3,662,480)
Cash Flows from Financing Activities			
Proceeds From Issues Of New Share Capital		0	
Net Cash From/(Used In) Financing Activities		0	0
Increase/(Decrease) In Cash And Cash Equivalents		(18,354,070)	54,857,420
Cash And Cash Equivalents At Beginning Of Year		62,091,420	7,234,000
Effects Of Foreign Exchanges Rate Fluctuations		0	
Cash and Cash Equivalents At End Of The Year		43,737,350	62,091,420



18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE

2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
	a	b	C=a+b	d	e=c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Operating Revenue	384,776,470	0	384,776,470	217,775,370	167,001,100	57%
Non-Operating Revenue	64,584,220	0	64,584,220	16,052,460	48,531,760	25%
Grants	66,886,950	0	66,886,950	38,246,530	28,640,420	57%
Total Revenue	516,247,640	0	516,247,640	272,074,360	244,173,280	53%
Expenses						
Staff Costs	91,394,000	0	91,394,000	89,881,290	1,512,710	98%
Board Expenses	5,870,960	0	5,870,960	4,770,770	1,100,190	81%
General and operations Expenses	201,753,470	0	201,753,470	135,234,160	66,519,310	67%
Maintenance	62,992,470	0	62,992,470	11,078,890	51,913,580	18%
Depreciation and amortization expenses	0	0	0	5,080,560	(5,080,560)	100%
Total Recurrent Expenditure	362,010,900	0	362,010,900	246,045,670	115,965,230	68%
Profit or Loss	154,236,740	0	154,236,740	26,028,690	128,208,050	
Capital Expenditure	154,236,740	0	154,236,740	3,350,000	150,886,740	2%
Total Expenditure	516,247,640	0	516,247,640	249,395,670	266,851,970	48%



Budget notes:

i. Performance difference of 43% operating income

The difference was occasioned by failure to meet the target in activating dormant connections which were projected to offer a direct impact on revenue from water sales.

ii. Performance difference of 26% non-operating income

Non-operating income in this category relate to miscellaneous incomes and debt recovery. This includes Exhauster income, New Connection, Reconnection Fee, Sewer, Sewer New Connections and water reconnections. The breakdown of exhauster vehicles affected targeted income from exhausting, slow uptake of water and sanitation services that affected anticipated revenue from new water and sewerage connections and reconnections.

iii. Performance difference of 43% grant

The Company expected a grant from Water Sector Trust fund under Urban Project Concept (UPC) for Kiogoro Water Project and Kebirigo Public Sanitation Facility which did not materialize during the year, receiving only additional funding for Conditional Liquidity Support Grant.

iv. Performance difference of 19% board expenses

This relates to the directors remuneration. The board activities that were not conclusively undertaken include board training and annual general meeting which was not held during the year.



v. Performance difference of 31% general and operating expenses

Expenditure on general and operating expenses relate to general administration costs and direct operational expenditures relating to water and sewerage. On general administration expenditures, the Company could not meet targeted expenditure on medical cover on directors and employees budgeted at Kshs. 20 million as well as expenditure on environmental impact assessment projected at Kshs. 26 million fell short of the target.

vi. Performance difference of 82% maintenance

The Company witnessed the slowest absorption of funds in this vote. The planned activities include buildings repair, pipe network repairs, plant and machinery repairs, servicing of pumps and motors and maintenance of vehicles which were allocated substantial amounts. No repairs were undertaken on buildings, only minor repairs were done on pipe network and plant and machinery and servicing of motors. Two vehicles were involved in road accident which were taken over by insurance companies.



19. Notes to the Financial Statements

1. General Information

The Gusii Water and Sanitation Company Ltd is established by and derives its authority and accountability from the Water Act. The Company is wholly owned by the County Governments of Kisii and Nyamira and is domiciled in Kenya. The Company's principal activity is provision of Water and Sewerage Services.

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

2. Statement of Compliance and Basis of Preparation

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

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

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



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 and therefore this standard is not applicable</i>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. <i>There exists a significant effect on estimates on accounts receivables</i>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

Title	Description	Effective Date
	<i>The accounting policies disclosed are material and therefore the application of this standard is relevant</i>	
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

Gusii Water and Sanitation Company Ltd 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.



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 of PPE	Years	Rate
Pipeline (Infrastructure)		5.0%
Building & civil work	2.5 years	10.0%
Plant & machinery	12.5 years	12.0%
Motor vehicle	4.0 years	15.0%
Computers	3.0 years	33.33%
Office equipment, furniture and fittings	12.5 years	15.0%

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.



Notes to the financial statements (continued)

Summary of Accounting Policies

i) 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).

j) Inventories

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

k) 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. A report on losses and write offs is disclosed on page xxx of this report.



Notes to the financial statements (continued)

Summary of Accounting Policies

l) 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.

m) 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.

n) 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

o) 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.

p) Borrowings

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

q) Trade and other payables

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



Notes to the financial statements (continued)

Summary of Accounting Policies

r) 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 6% on gross salary per employee per month.

s) Provision for staff leave pay

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

t) 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

u) Budget information

The original budget for Financial Year 2022-2023 was approved by the Board of Directors on 28 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, same as the budget. 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.



Notes to the financial statements (continued)

Summary of Accounting Policies

v) 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.

w) Comparative figures

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

x) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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



Notes to the financial statements (continued)

Summary of Accounting Policies

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The provisions applicable for bad debts on the company's accounts receivable are currently estimated at 10% as per the existing accounting policy on financial policies and procedures manual.



Notes to the financial statements (continues)

6. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water Sales	135,821,930	118,108,400
Sewer	72,528,230	69,149,880
Refuse	900	0
Meter Rent	3,862,200	3,386,000
Billing for other services	5,562,110	0
Total	217,775,370	190,644,280

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

7. Grants Income

	2022-2023	2021-2022
	Kshs	Kshs
Operational grants from Government entities		
Kisii County Government	0	0
Nyamira County Government	0	0
Total of grants received from County Governments	0	0
Recurrent/operational grants from other agencies	38,246,530	91,986,550
Capital grants amortized	0	0
Donations from County Governments	0	0
In Kind contribution/donations from other agencies	0	0
Total	38,246,530	91,986,550

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund. Kshs	Total grant income during the year Kshs	2022/2023 Kshs
WSTF	38,246,530	0	0	38,246,530	38,246,530
Total	38,246,530	0	0	38,246,530	38,246,530



Notes to the financial statements (continued)

8. Other Income

Other Income	2022-2023	2021-2022
	Kshs	Kshs
Change of Name	64,800	75,600
Exhauster Charges	596,000	3,385,500
Exhauster permit	400	50,000
Meter Testing	1,000	1,500
New Connection	2,098,260	3,223,790
Reconnection Fee	51,090	194,560
Sewer	7,884,000	4,453,340
Sewer Charges	97,570	0
Sewer Discharge	41,000	1,170,330
Sewer New Connection	1,080,960	306,400
Survey Fee	556,890	0
Refuse	150	0
Meter Rent	406,520	0
Surcharge	5,000	0
Statement charges	12,560	72,600
Termination	66,280	20,200
Ton	800	0
Water Bowser	617,750	652,500
Total	13,581,030	13,606,320

9. Staff Costs

Gross salary and allowances	68,536,540	71,569,700
Wages of temporary employees	3,727,680	4,373,740
Medical insurance schemes	0	0
Employer's contributions to national social security schemes	659,800	326,400
Employer's contributions to pension scheme		
CPF Financial Services	2,832,980	2,256,260
LAp Fund	46,160	54,640
NW Pension	665,600	895,860
Leave pay	0	0
Gratuity provisions	13,412,530	16,083,960
Fringe Benefit tax	0	0
Staff welfare	0	0
Total	89,881,290	95,560,560
The average number of employees during the year	130	117



Notes to the financial statements (continued)

10. General and Operations Expenses

	2022-2023	2021-2022
	Kshs	Kshs
Chemicals	14,730,330	10,971,620
Regulatory Levy (WASREB)	8,481,560	7,680,610
Abstraction Levy (WRA)	2,052,830	2,322,220
Electricity	79,137,680	65,982,500
Travelling& accommodation	4,126,200	3,525,420
Transport & Lunch	2,976,210	1,437,210
Health, Hygiene and Safety	353,190	251,380
Protective clothing/ Uniforms	760,950	787,200
HIV & Covid-19 Programs	0	12,000
Staff entertainment & others	1,518,630	317,040
Printing & Photocopy	281,200	20,360
Stationery	673,970	186,820
Consumables	111,020	79,230
Advertising & Publicity	810,800	267,120
Mobile Airtime	478,720	316,050
Postage	6,220	1,780
Repair of office equipment	71,750	18,300
Computer Repairs	0	10,500
Computer Software [ICT Maintenance]	1,240,620	1,692,180
Insurance Expense	1,339,880	1,421,610
Security Services	6,790,500	6,540,500
Audit fee	446,600	446,600
Legal fees	2,529,910	1,617,750
Secretarial Services	0	373,300
Consultancy Services	460,000	0
Cleaning Services	4,444,340	2,409,260
Internet Broadband	0	0
Subscriptions and Dues	266,300	75,100
Donations	180,250	111,270
Office Rent	0	174,000
Staff Training	637,240	827,740
Bank charges and commissions	327,260	597,350
Conditional Liquidity Support Grant O&M costs	0	40,540,760
Provision for Expected Credit Losses	18,261,010	2,777,060
Total	153,495,170	153,791,840



Notes to the financial statements (continued)

11. Board Expenses

	2022-2023	2021-2022
	Kshs	Kshs
Chairman Honoraria	480,000	288,000
Sitting allowances	2,868,570	1,453,860
Travel and accommodation	1,037,300	784,620
Other allowances	384,900	301,100
Total Board Expenses	4,770,770	2,827,580

12. Maintenance Expenses

	2022-2023	2021-2022
	Kshs	Kshs
Rentals & Hired Services	917,480	1,549,340
Ground maintenance	71,600	10,000
Electrical appliances	13,350	87,560
Cleaning materials	7,110	53,990
Maintanance of buildings	3,793,690	29,030
Repair & Maint of Plant/Tank	1,492,250	145,790
Sewer network repairs	754,140	675,370
Pipe network repairs	1,714,910	4,460,970
Plant and machinery repairs	95,250	2,537,450
Fuel & Oil	1,154,400	2,997,420
Hired Transport	0	16,000
Vehicles repair & maintenance	577,180	1,086,190
Servicing/Repairs	487,530	322,540
Total	11,078,890	13,971,650

13. Depreciation and Amortization Expenses

Depreciation and Amortization expenses	2022-2023	2021-2022
	Kshs	Kshs
Depreciation	4,980,060	3,829,970
Amortization	100,500	100,400
Total	5,080,560	3,930,370



Notes to the financial statements (continued)

14. Property, Plant and Equipment

2023	Pipeline	Buildings/ Civil works	Plant and Machinery	Motor Vehicles	Computers	Office Equipment	Capital Work in progress	Total
COST OR VALUATION								
At July 1, 2022	60,602,330	2,529,000	5,714,500	0	1,790,040	176,500	(0)	70,812,370
Additions	0	0	0	3,350,000	0	0	0	3,350,000
Transfers	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
At June 30, 2023	60,602,330	2,529,000	5,714,500	3,350,000	1,790,040	176,500	(0)	74,162,370
DEPRECIATION								
At July 1, 2022	17,157,230	2,046,400	5,662,700	0	1,140,220	49,320	0	26,055,870
Charge for the year	3,030,120	252,900	571,450	502,500	596,620	26,470	0	4,980,060
Impairment loss	0	0	0	0	0	0	0	0
Eliminated on disposal	0	0	0	0	0	0	0	0
At June 30, 2023	20,187,350	2,299,300	6,234,150	502,500	1,736,840	75,790	0	31,035,930
Net Book Value as at June 30, 2023	40,414,980	229,700	(519,650)	2,847,500	53,200	100,710	(0)	43,126,440
Net Book Value as at June 30, 2022	43,445,090	482,600	51,800	0	497,500	127,170	(0)	44,604,160



Notes to the financial statements (continued)

2022	Pipeline	Buildings/ Civil works	Plant and Machinery	Motor Vehicles	Computers	Office Equipment	Capital Work in progress	Total
COST OR VALUATION								
At July 1, 2021	57,652,330	2,529,000	5,714,500	0	982,590	43,000	(0)	66,921,420
Additions	2,950,000	0	0	0	578,990	133,500	0	3,662,490
Transfers	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
At June 30, 2022	60,602,330	2,529,000	5,714,500	0	1,561,580	176,500	(0)	70,583,910
DEPRECIATION								
At July 1, 2021	14,127,120	1,793,500	5,662,700	0	543,600	22,850	0	22,149,770
Charge for the year	3,030,120	252,900	0	0	520,480	26,480	0	3,829,980
Impairment loss	0	0	0	0	0	0	0	0
Eliminated on disposal	0	0	0	0	0	0	0	0
At June 30, 2022	17,157,240	2,046,400	5,662,700	0	1,064,080	49,330	0	25,979,750
Net Book Value as at June 30, 2022	43,445,090	482,600	51,800	0	497,500	127,170	(0)	44,604,160
NET BOOK VALUE At June 30, 2021	43,525,210	735,500	51,800	0	438,990	20,150	(0)	44,771,650



Notes to the financial statements (continued)

a) Valuation

No valuation was undertaken on Land and buildings.

b) Property, Plant and Equipment at Cost

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

Details	Cost Kshs	Accumulated Depreciation Kshs	NBV Kshs
Pipeline	60,602,330	20,187,350	40,414,980
Buildings/ Civil works	2,529,000	2,299,300	229,700
Plant and Machinery	5,714,500	6,234,150	(519,650)
Motor Vehicles	3,350,000	502,500	2,847,500
Computers	1,790,040	1,736,840	53,200
office Equipment	176,500	75,790	100,710
Total	74,162,370	31,035,930	43,126,440

15. Intangible Assets

	2022-2023 Kshs	2021-2022 Kshs
COST		
At July 1	301,500	301,500
Additions	0	0
Disposals	0	0
At June 30	301,500	301,500
Amortization		
At July 1	100,400	100,400
Charge for the year	100,400	100,400
Disposals	0	0
Impairment loss	0	0
At June 30	200,800	200,800
Net Book Value At June 30	100,700	100,700

Notes to the financial statements (continued)

16. Inventories



Calcium Hypochlorite	600,560	651,630
Soda Ash	414,930	287,290
Aluminium Sulphate	1,415,980	127,000
Polmar	57,680	0
Total	2,489,150	1,065,920

17. Trade and Other Receivables

Trade and Other Receivables	2022-2023	2021-2022
	Kshs	Kshs
Trade receivables (note 18 (a))	182,610,070	191,118,720
Deposits and prepayments	0	0
VAT recoverable	0	0
Staff receivables	0	0
Other receivables	53,070	0
Gross trade and other receivables	182,663,140	191,118,720
Provision for bad and doubtful receivable	(53,578,550)	(19,111,870)
Net trade and other receivables	129,084,590	172,006,850

17 (a) Trade Receivables

Trade Receivables	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	182,610,070	191,118,720
Provision for doubtful receivables	(18,261,010)	(19,111,870)
Net trade receivables	164,349,060	172,006,850

At June 30, the ageing analysis of the gross trade receivables was as follows

Less than 30 days	12,672,220	49,724,810
Between 30 and 60 days	14,407,250	5,974,140
Between 61 and 90 days	8,724,330	1,780,490
Between 91 and 120 days	13,211,080	5,493,520
Over 120 days	133,595,180	128,145,760
Total	182,610,060	191,118,720



Notes to the financial statements (continued)

17 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2022-2023 KShs	2021-2022 KShs
At the beginning of the year	(35,317,540)	(16,334,810)
Additional provisions during the year	(18,261,010)	(18,982,730)
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	<u>(53,578,550)</u>	<u>(35,317,540)</u>

18. Bank and Cash Balances

	2022-2023 Kshs	2021-2022 Kshs
Cash in hand	0	0
Cash at Bank		
KCB - 1106368436	4,644,570	4,003,250
KCB - 1132172489	9,125,290	6,015,600
Eco Bank - 6622007422	0	51,445,780
Co-operative Bank - 1141364702002	29,154,290	0
M-Pesa Business - 993600	560,360	626,790
	<u>43,484,510</u>	<u>62,091,420</u>

19. Ordinary Share Capital

	2022-2023 Kshs	2021-2022 Kshs
Authorized:		
5,000 ordinary shares of Kshs. 20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of Kshs. 20 par value each	0	0
Total	<u>100,000</u>	<u>100,000</u>



Notes to the financial statements (continued)

20. Capital Grants

The capital grants relates to the amount of property, plant and equipment. As indicated in the Statement of financial Position, this is stated after transfer of completed capital projects funded through grant from Water Sector Trust Fund in the previous years during construction of the projects. The amount funded is not repayable.

Capital Grant	2022-2023	2021-2022
	Kshs	Kshs
Reserves as at 1st. July	67,053,200	67,053,200
Additions	0	0
As as 30 June	67,053,200	67,053,200

21. Retained Earnings

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

Retained earnings	2022-2023	2021-2022
	Kshs	Kshs
Reserves as at 1st. July	(2,774,550)	(28,929,700)
Profit/(Loss) for the Year	5,296,250	26,155,150
Total	2,521,700	(2,774,550)

22. Retirement Benefit Obligations

Retirement Benefit Obligations	2022-2023	2021-2022
	Kshs	Kshs
CPF Financial Services	5,861,820	10,388,060
Lap Fund	702,310	821,000
Standard Chartered Security Services	7,841,360	9,889,240
Total Retirement Benefit Obligations	14,405,490	21,098,300



Notes to the financial statements (continued)

Description	Defined benefit plan Kshs	Post-employment medical benefits Kshs	Other Benefits Kshs	2022-2023 Kshs	2021-2022 Kshs
Current benefit obligation	0	0	0	14,405,490	21,098,300
Non-current benefit obligation	0	0	0	0	0
Total	0	0	0	14,405,490	21,098,300

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund. Employees contribute 12% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

23. Trade and Other Payables

	2022-2023 Kshs	2021-2022 Kshs
Trade payables	49,903,760	40,715,050
Accrued expenses	0	0
Retention/ contract monies	0	0
Deposits	0	0
Employee payables	15,213,450	34,208,330
Other payables	0	51,445,780
Total	65,117,210	126,369,160

24. Refundable Deposits and Prepayments

Customer Deposits	2022-2023 KShs	2021-2022 KShs
Description		
Balance at beginning of the year	22,661,460	18,366,600
Customer Deposits Received	3,114,020	2,956,000
Direct Credits on Customer Deposits	0	1,338,860
Deposit defunds	0	0
Balance at end of the year	25,775,480	22,661,460



Notes to the financial statements (continued)

Aging Analysis for Refundable Deposits and Prepayments				
	2022-2023	% of the total	2021-2022	% of the total
	Kshs		Kshs	
Under one year	3,114,020	12%	4,294,860	17%
1-2 years	4,294,860	17%	3,900,500	15%
2-3 years	3,900,500	15%	1,605,000	6%
Over 3 years	14,466,100	56%	12,861,100	50%
Total	25,775,480		22,661,460	

25. Notes to The Statement of Cash Flows

(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations

	2022-2023	2021-2022
	Kshs	Kshs
Profit or loss before tax	5,296,250	26,155,150
Depreciation	4,980,060	3,829,970
Amortization	100,500	
Total	10,376,810	29,985,120
Operating profit/(loss) before working capital changes		
Working capital changes:		
(Increase)/decrease in inventories	(1,423,230)	(10,510)
(Increase)/decrease in trade and other receivables	42,922,260	(24,993,340)
Increase/(decrease) in Retirement Benefit Obligations	(6,692,810)	21,098,310
Increase/(decrease) in trade and other payables	(61,251,950)	27,697,370
Increase/(decrease) in Customer Deposits	3,114,020	4,294,860
Increase/(decrease) in Agency Account	(2,049,170)	448,090
Cash generated from/ (used in) operation	(15,004,070)	58,519,900

(b) Analysis of cash and cash equivalents

Short term deposits	0	0
Cash at bank	43,484,510	62,091,420
Cash in hand	0	0
Balance at end of the year	43,484,510	62,091,420



Notes to the financial statements (continued)

Other Disclosures

26. Related Party Disclosures

County Government of Kisii and Nyamira

The County Government of Kisii and Nyamira are the principal shareholder of the Company, holding 60% and 40% of the Company's equity interest respectively. The two County of Governments have provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

Transactions with related parties	2022-2023 Kshs	2021-2022 Kshs
a) Sales to related parties		
Sales of electricity to Govt agencies	0	0
Rent Income from govt. agencies	0	0
Water sales to Govt. agencies	0	0
Interest income from Govt Commercial Banks	0	0
Interest income from T-bills and Bonds	0	0
Total	0	0
b) Purchases from related parties		
SPA Fee (LVSWWDA)	19,121,850	19,121,840
Regulatory fee (WASREB)	23,847,640	26,239,640
Water abstraction fee (WARMA)	342,820	0
Rent expenses paid to govt agencies	0	0
Training and conference fees paid to govt. agencies	0	0
Bank charges paid to Govt Commercial banks	0	0
Interest expense to investments by other govt. entities	0	0
Total	43,312,310	45,361,480
b) Grants from the County Government	0	0
Grants from National Govt	38,246,530	91,986,550
Grants from County Government	0	0



Notes to the financial statements (continued)

Donations in kind	0	0
Total	38,246,530	91,986,550

c) Expenses incurred on behalf of related party

Payments of salaries and wages for employees	0	1,200,000
Payments for goods and services	0	0
Total	0	1,200,000

d) Key management compensation

Directors' emoluments	4,770,770	2,827,580
Compensation to key management	0	9,710,720
Total	4,770,770	12,538,300

27. Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

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

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

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



Notes to the financial statements (continued)

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Trade Receivables	182,610,070	182,610,070	0	0
Other Receivables			0	0
Investments			0	0
Bank balances	43,484,510	43,484,510	0	0
Total	226,094,580	226,094,580	0	0
At 30 June 2022 (previous Year)				
Receivables	191,118,720	191,118,720	0	0
Other Receivables			0	0
Investments			0	0
Bank balances	62,091,420	62,091,420	0	0
Total	253,210,140	253,210,140	0	0

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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



Notes to the financial statements (continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023 current year				
Trade payables	9,462,938	109,094,504.44	29,531,367.78	49,903,756
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	9,462,938	10,909,450	29,531,368	49,903,756
At 30 June 2022 previous year				
Trade payables	11,647,602	9,578,193	105,143,373	126,369,168
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	473,745	1,407,153	19,217,402	21,098,300
Total	12,121,347	10,985,346	124,360,775	147,467,468

(iii) **Market risk**

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

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.



Notes to the financial statements (continued)

iv) Capital Risk Management

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

	2022-2023	2021-2022
	Kshs	Kshs
Ordinary share capital	100,000	100,000
Retained earnings	2,521,700	(2,800,560)
Capital reserve	67,053,200	67,053,200
Total funds	69,674,900	64,352,640
 Total Customer Deposits	 25,775,480	 22,661,460
Less: cash and bank balances	(43,484,510)	(62,091,420)
Net debt/(excess cash and cash equivalents)	51,965,870	24,922,680
Gearing	0.75	0.39

28. Incorporation

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

29. Events After the Reporting Period

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



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)
	Report on the Financial Statements			
1.0	Variance in Operating Revenue: The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs. 190,644,280 and as disclosed in Note 6 to the financial statements which was tallying with the monthly billing schedules provided for audit. However, the amount differs with Kshs.198,402,244 recorded in the monthly billing summary from Majisoft Portal used by the Company resulting to a variance of Kshs.7,757,975. Management has explained that revenue amounts extracted from the Majisof Portal keeps on fluctuating at a point in time and that the financial statements' amount of Kshs 190,644,280 was extracted from the Majusoft portal on 30 June 2022. Further, at the time of audit in December 2022, the system reflected a revenue billing of Kshs. 198,402,244 while in March 2023 the monthly billing summary amounted to Kshs. 198,471,544 which casts doubt in the effectiveness of	The amount supported by monthly billing schedules was Kshs. 190,644,280. Considering amounts extracted from Majisoft portal keep fluctuating at a point in time, we recognized the corresponding amount of Kshs. 198,471,544 in the financial statements for the year ended 30 June 2022 whose schedule is provided for review.	Not Resolved. To be shared with the auditor	31 st December 2023



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Report on the Financial Statements			
	the Majisoft Portal in revenue billing			
2.0	Unsupported Board Expenses: The statement of profit or loss and other comprehensive income reflects Board expenses amount of Kshs.2,827,580 which as disclosed in Note 11 to the financial statements include travel and accommodation expenses of Kshs. 784,620 whose supporting schedule of individual directors' payments was not provided for audit and sitting allowances amounting to Kshs. 1,453,860 whose supporting Board meetings minutes provided for audit were not signed, casting doubts on whether the meetings actually took place.	As reflected in the statement of profit or loss and other comprehensive income, analysis of individual board of directors' payments were provided for audit review. Please find analysis of the same amounting to Kshs. 784,620 for review.	Not Resolved. To be shared with the auditor	31 st December 2023
	Key Audit Matters: Other Matter			
3.0	Budgetary Control and Performance: The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.329,276,640 and Kshs.296,237,150 respectively, resulting to an underfunding of Kshs.33,039,490 or 10% of the budget. Similarly, the Company spent Kshs.	This was occasioned by high rate of Non-Revenue Water (NRW) arising from physical losses due to dilapidated existing water infrastructure and commercial losses from our billing system. However, the management as part of the strategies to mitigate on high water	Not Resolved. To be shared with the auditor	31 st December 2023



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Report on the Financial Statements				
	270,082,000 against an approved budget of Kshs.329,276,640, resulting in an under-expenditure of Kshs.59,194,640 or 18% of the budget. The underfunding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.	losses signed a Memorandum of understanding with Lake Victoria South Water Works Development Agency aimed at; expansion of distribution line, rehabilitation of dilapidated distribution lines. The Company has installed a new billing software to monitor water production and sales.		
	Unresolved Prior Year Matters: Several issues raised in the report for the previous year had not been resolved. Management has not provided satisfactory reasons for failure to solve the prior year issues.	Following invitation by the County Public Investments and Special Funds Committee of the Senate of the Republic of Kenya, the Company submitted financial statements for the financial years ended 30 th June 2019, 2020 and 2021 for deliberation in consultation with the Office of the Auditor General. The respective files for the relevant financial years are enclosed herein for your review.	Not Resolved. To be shared with the auditor	31 st December 2023



Report on Lawfulness and Effective use of in use of public resources				
1.0	The statement of financial position reflects customer deposits balance of Kshs.22,661,460 in respect of amounts deposited by customers for new water meter, paid upon connection. These funds were supposed to be retained in the company's deposit account with the Kenya Commercial Bank Ltd. However, the balance differs with the closing balance of Ksh. 6,015,000 reflected in the deposits account bank statement, resulting to a variance of Kshs.16,646,460 which represents customer deposits withdrawn from the deposit bank account and used for other purposes. However, Board's approval of this withdrawals and when the withdrawn amount was to be refunded were not provided for audit review.	Management has continued to regularize the account by building it from cash collections and ensuring the funds received from customers' to secure water supply contract with company are available for refund on termination of the contract.	Not Resolved. To be shared with the auditor	31 st December 2023
2.0	Non-Revenue Water (NRW) Losses: The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.190,644,280. However, examination of water production data revealed that the Company produced 4,556,986 cubic meters (M³)	Measures Put in Place to Reduce NRW 1. Proposed rehabilitation of the dilapidated system within CBD and its surrounding. The		



	of water out of which, only 1,061,417 cubic meters (M³) were billed to customers, resulting in the balance of 3,495,569 cubic meters (or approximately 77% of the volume produced) representing Non-Revenue Water (NRW) which is 52% above the allowable set benchmark loss of 25% prescribed by the Water Services Regulatory Board Guidelines, 2010. This NRW may have resulted in loss of sales estimated at Kshs.262,167,675 (at the average rate of Kshs.75 per cubic meters) out of which, Kshs.176,724,188 (above allowable benchmark) was not acceptable. This was also an indication of lack of efficiency and effectiveness in the use of public resources and no evidence of the Company's efforts to address the situation was not provided for audit review. The NRW loss of Kshs.262,167,675 for the year ended 30 June,2022 has negatively impacted on the Company's profitability and its long-term sustainability.	installations were established the year 1973. The improvements were financed by Kfw at a cost of Ksh 250,000,000. 2. The company has employed NRW officer who will be in charge of daily management of water. To assist in taking the necessary steps and mitigation to curb NRW in both physical and commercial losses. 3. Proposed purchase of new meter 5000 no to replace stuck meters, new connections and change of old under registering meters. 4. The company has a new ERP billing software to assist in capturing the collect data in the system as from 1st February 2023 through ADB bank support.		
		Proposed DMA zoning to establish consumption per zone in comparison to billing		
3.0	Irregular Procurement of Chemicals The statement of profit or loss and other comprehensive income reflects general and operations expenses of		Not Resolved. To be shared with the auditor	31 st December 2023



	Kshs.153,741,700 which, as disclosed in Note 10 to the financial statements, includes an amount of Kshs.10,971,620 spent on chemicals. However, examination of documents supporting this latter amount revealed the following inadequacies: i. The amount of Kshs.10,971,620 includes Kshs.10,910,925 (Kshs.9,576,430 and Kshs.1,334,495) paid to two (2) vendors who were awarded tenders for supply of various chemicals. Review of the price schedules presented by both vendors revealed that the first vendor quoted a total price of Kshs.17,940,000 in respect of four (4) chemicals, while the second vendor quoted a total price of Kshs.13,529,920 for the same chemicals. However, the vendor that quoted the higher price was favoured and ended up being awarded majority of the tenders without justification ii. The Company entered into a framework agreement with the two companies to supply chemicals, instead of the prescribed minimum of seven alternative vendors, contrary to Regulation 102 of the Public Procurement and			
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	Asset Disposal Regulations, 2020 and no signed contract agreements between the Company and the two vendors were provided for audit review. iii. The Management failed to prepare quarterly reports detailing analysis of items procured through framework contracts, including analysis of pattern of usage, procurement costs in relation to the prevailing market rates and recommendations, contrary to Regulation 134 of the Public Procurement and Asset Disposal Regulations, 2020.			
4.0	Non-Compliance with the Law on Engagement of Casuals: The statement of profit or loss and other comprehensive income reflects staff cost amount of Kshs.95,560,560 which, as disclosed in Note 9 to the financial statements, includes wages of temporary employees amounting to Kshs.4,373,750. However, review of documents relating to the staff costs revealed that the latter amount was paid to thirty-four (34) casual employees attached to various departments who had worked continuously for periods of between three (3) to twelve (12) months during the year under review without being		Not Resolved. To be shared with the auditor	31 st December 2023



	given contracts to be paid monthly salaries or wages, contrary to Section 37(1) and Section 35 (1) (c) of the Employment Act, 2007. Further, the wages of Kshs.4,373,750 includes Kshs.2,168,316 paid to fourteen (14) casuals whose personal files and appointment letters were not provided for audit and Kshs.807,924 paid to seven (7) casual employees whose contracts had expired.			
5.0	Irregular Secondment of a County Employee to the Company Examination of personnel records and payroll revealed that one (1) officer of Kisii County Government was seconded to the Company. According to the letter Ref No. GWASCO/ REP./7/Vol.1 (131) dated 15 December, 2021, the officer was deployed to the Company as a Lab Analyst by a senior officer in the Department of Water and Sanitation of the County Government of Kisii and reported to work with effect from 10 January, 2022. However, the approved requisition from the Company's Board, the release letter from the County Public Service Board and the specific duties and functions to be undertaken by the staff in support of the secondment were not provided for audit.		Not Resolved. To be shared with the auditor	31 st December 2023



Report on effectiveness of internal controls, Risk Management and Governance				
1.0	Lack of an Integrated Revenue System: Audit review of the internal controls in respect to revenue revealed that there was lack of integration between the billing system and the payment system. Instead, manual reconciliation between the billing report and payments report was done for individual customers in order to determine their outstanding balances, which may be prone to errors. In addition, the management failed to maintain individual customer ledgers to show the opening balances, amount invoiced, amount paid and the outstanding balances.			
2.0	Lack of Approved Risk Management Policy Information provided for audit indicated that the Company operated without an approved Risk Management Policy and Strategies during the financial the financial year 2021/2022. It was therefore not possible to ascertain how risks were identified, their significance estimated and how likelihood of their occurrence was determined. Further, it could not be established how the risks were controlled and monitored to ensure that correction or mitigation measures were effective in the absence of documentation and reports on the same. Without an approved risk management policy in the Company, it was not possible		Not Resolved. To be shared with the auditor	31 st December 2023



	to ascertain how risks were identified and mitigated during the year under review.			
3.0	Inventory Management Weakness The statement of financial position reflects inventories balance of Kshs. 1,065,920 and as disclosed in Note 16 to the financial statements. However, audit inspection of inventories at Kegati stores and facilities revealed that pumping machine and equipment at the Kegati facility were not manned by security personnel to restrict unauthorized access. Further, the facility had high value machines and equipment but no surveillance cameras like CCTVs were put in place to monitor and detect intrusions in case of break ins. In addition, most of the company's assets were not tagged to ease of tracking and prevention of theft.		Not Resolved. To be shared with the auditor	31 st December 2023

Signature:

Lucy Wahito Wachira
Managing Director/Secretary to the Board
29th January 2024



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 statements (Yes/No)
	08W/KISII/GUSII/45	WSTF		Kiogoro Water Project)	Yes	Yes
	08S/NYAMIRA/GUSII/44	WSTF		Kebirigo Public Sanitation Facility	Yes	Yes

Status of Projects completion

Funding from Water Sector Trust Fund on Kiogoro and Kebirigo projects is yet to be received to commence construction of the new facilities

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kiogoro Water Project)	19,309,722.60	0	0	19,309,722.60	19,309,722.60	WSTF
2	Kebirigo Public Sanitation Facility	6,199,218.90	0	0	6,199,218.90	6,199,218.90	WSTF
3							



Appendix III- Inter-Entity Confirmation Letter

GUSII WATER AND SANITATION COMPANY LIMITED

The Company has not made any disbursement to any entity as at 30th June 2023 as indicated in the table below.

Confirmation of amounts received by Gusii Water and Sanitation Company as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2023				Amount Received by [beneficiary entity] (KShs) as at 30 th June 20xx (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
		No disbursement made	No disbursement made				
Total							

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary entity:

Name Sign Date



Appendix IV: Reporting of Climate Relevant Expenditures

No expenditure has been committed on climate change during the financial year ended 30 June 2023

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



Appendix V: Reporting Disaster Management Expenditure

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

No commitment has been received for disaster management expenditure





Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water		Recurrent							
Ministry/County Department of water.		Development							
USAID		Donor Fund							
name of Development partner/County department etc.		Direct Payment							
Total									

No Transfers have been received from Other Government Entities during the financial year ended 30 June 2023.

