

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

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ON

**GATANGA WATER AND SANITATION
COMPANY LIMITED**

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



GATANGA WATER
& SANITATION COMPANY LIMITED

GATANGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

Prepared in accordance with the International Financial Reporting Standards (IFRS)



GATANGA WATER AND SANITATION COMPANY LIMITED

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

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Acronyms and Glossary of Terms

Provide the list of acronyms and glossary of terms used in your annual report and financial statements.

e.g.,

<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>NT</i>	<i>National Treasury</i>
<i>PFM</i>	<i>Public Finance Management.</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>AWWDA</i>	<i>Athi Water Works Development Agency</i>
<i>GATAWASCO</i>	<i>Gatanga Water and Sanitation Company</i>
<i>NWWSA</i>	<i>National Water Harvesting Authority</i>
<i>WSTF</i>	<i>Water Sector Trust Fund</i>

1. Key Gatanga Water and Sanitation Company Information

a) Background information

The company was established under the Company Act of 2015 in March 2023 where previous it operated under name Gatanga Community Water Scheme. It is wholly owned by Murang'a County Government.

b) Principal Activities

The principal activity of the Company is to ensure efficient and effective provision of water Services in its area of jurisdiction. The mandate and objectives of Gatanga Water and Sanitation Company Limited are enshrined in the Company deed. The principal object of the Company is to carry out the business of water provision within the area under its jurisdiction as provided for in the Service Provider Agreement.

c) Directors

The Directors who served the Gatanga Water and Sanitation Company during the year/period were as follows:

New board of Directors

1.	Rev. Julius Wanyoike	- Chairman	- Appointed on 27 th January 2023
2.	Joseph kiarie Mwaura	- Member	- Appointed on 27 th January 2023
3.	Mary Muthoni Magochi.	- Member	- Appointed on 27 th January 2023
4.	Joseph Gachuhi Mwangi	- Member	- Appointed on 27 th January 2023
5.	Edise Wairimu Ndirangu	- Member	- Appointed on 27 th January 2023
6.	Peter Njuguna Kimani	- Member	- Appointed on 27 th January 2023
7.	Lucy Wanjiru Kamau	- Member	- Appointed on 27 th January 2023
8.	Prof. Joseph Karanja Thiongo	- Member	- Appointed on 27 th January 2023
9.	Tabitha Mwilu Nyiva	- Member	- Appointed on 27 th January 2023
10.	John K. Kairu	-Managing Director	- Appointed on July 2021

Outgoing Board of Trustees

- | | | |
|----------------------|---------------------|---|
| 1. J. B. Karanja | - Chairman | - Appointed on 10 th March 2005 |
| 2. Edward W. Njoroge | - Vice Chairman | - Appointed on 10 th March 2005 |
| 3. B. N. Kamanja | - Member | - Appointed on 10 th March 2005 |
| 4. J.N. Gathee | - Member | - Appointed on 10 th March 2005 |
| 5. Carol Mwaura | - Company Secretary | - Appointed on 24 th August 2012 |

d) Registered Office

Gatanga Water and Sanitation Company Limited

P.O. Box 6133-01000, Thika

Mabanda Do's Office compound

Thika-Gatanga road

e) Corporate Headquarters

Gatanga Water and Sanitation Company Limited

P.O. Box 6133-01000, Thika

Mabanda Do's Office compound

Thika-Gatanga road

Key Gatanga Water and Sanitation Company Information (continued)

f) Corporate Contacts

Telephone: (254) 0708688778, 0708686360

E-mail: gatawa@yahoo.com

Website: www.gatangawater.co.ke

g) Corporate Bankers

1. Barclays Bank of Kenya-Thika branch

P.O. Box 219-01000,

Thika

h) Independent Auditors

Auditor-General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084



GPO 00100



Nairobi, Kenya



i) Principal Legal Advisers

1. The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. The Board of Directors



Ref	Board members	Details
1.	 <p>Board Chairman Rev / PhD Julius Wanyoike DOB 27/04/1967</p>	<p>He is a Vice Chancellor, All Nations Christian Church University (ANCCIU)</p> <p>He is also a board member World Renew, Kenya</p> <p>Has a PHD in Missiology</p>
2.	 <p>BoD Member_CECM Finance Joseph Kiarie Mwaura DOB 00/00/1971</p>	<p>He is a certified Governance Auditor</p> <p>The CECM Finance and Economic Planning in the Murang'a County Government</p> <p>Previously worked as a Vice Chancellor of Riara University and as Director of the International Erasmus</p> <p>Member in the Audit and Finance, Human Resource and Administration Committee</p>

3.	 <p>BoD Member_CECM Water Mary Muthoni Magochi</p>	<p>The CECM Water, Irrigation, Environment and Natural Resources in the Muranga County Government</p> <p>Member in the Technical Services Committee</p> <p>DOB 12/08/1983</p>
4.	 <p>BoD Member Joseph Gachuhi Mwangi</p>	<p>He holds a B.A Hons (Sociology & Economics)</p> <p>Chairperson in the Audit Committee</p>

5.	 <p>BoD Member Edise Wairimu Ndirangu</p>	<p>A board member in various schools She holds a Masters in Theology She is accredited counsellor Member in the Finance, Human Resource and Administration Committee</p> <p>DOB 15/11/1975</p>
6.	 <p>BoD Member Peter Njuguna Kimani</p>	<p>An advocate of the High Court of Kenya with 21 years post admission experience, Commissioner for Oaths, Notary Public.</p> <p>He is a certified Public Secretary – CPS (K)</p> <p>He holds a Masters of Laws in Governance and Democracy</p> <p>Bachelors of Law</p> <p>Chairperson in the Finance, Human Resource and Administration Committee</p> <p>DOB 25/01/1974</p>



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7.	 <p>BoD Member Lucy Wanjiru Kamau</p>	<p>She holds a Bachelor of Education</p> <p>Member in the Audit Committee</p> <p>DOB 11/01/1980</p>
8.	 <p>BoD Member Prof. Joseph Karanja Thiongo</p>	<p>Chairman Ngere Tea Factory Limited</p> <p>Has a PhD in Corrosion Science and Engineering</p> <p>Chairman in the Audit Committee</p> <p>DOB 16/08/1956</p>



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9.	 <p>BoD Member Tabitha Mwilu Nyiva</p>	<p>She holds a Bachelor of Arts in Education</p> <p>Member in the Audit Committee</p> <p>DOB 30/09/1996</p>
10.	 <p>Managing Director John Kiarie Kairu</p>	<p>He is the Managing Director of Gatanga Water and Sanitation Company Ltd</p> <p>Has over 10 years' experience in water sector</p> <p>He holds a BSC in Water & Environmental Engineering</p>



Outgoing Board of Trustees

Ref	Directors	Details
1.	 <p>J.B. KARANJA - CHAIRMAN</p>	<p>He is a former senior manager at KTDA having worked there for over 19 years.</p> <p>He is also chairperson of various secondary schools.</p> <p>He has been an education officer for over 5 years.</p> <p>He has a diploma in education.</p>
2.	 <p>E.W.NJOROGE-VICECHAIRMAN</p>	<p>He has been an IT manager at KPCU for over 30 years dealing in software development.</p> <p>He also holds the position of BOD chair in several local primary schools.</p> <p>He is also trained in several administrative courses.</p> <p>He has a Bachelor's in Commerce</p>
3.		<p>He has been a senior support services manager at Aga Khan hospital for over 27 years.</p> <p>He has been a delegate at Amica Sacco society and also held the position of the chairman at various coffee factories.</p> <p>He holds a Diploma in Business Management and several training in Management.</p>

	B.N. KAMANJA - MEMBER	
		<p>He is a businessman with interest in transportation and hospitality.</p> <p>He is an O level holder.</p>
4.	J.N. GATHEE - MEMBER	
5.	 CAROL MWAURA - COMPANY SECRETARY	<p>She is an advocate of the high court with over 20 years of experience.</p> <p>She is also Company secretary of Malindi water and sanitation company</p> <p>She is former legal manager at the hospital and currently on private practice.</p> <p>She holds LLB at university of London.</p> <p>She also holds MBA Moi University and has diploma in law at Kenya School of Law</p>

3. Key Management Team

Ref	Management	Details
1.	 <p>Managing Director John Kiarie Kairu</p> <p>BSC. Water & Environmental Engineering</p>	<p>a) Developing for the approval of the Board, strategic and business plans, including annual work-plans, budget and performance targets,</p> <p>b) Ensuring effective of the company strategic plan</p> <p>c) Ensuring safe custody and management of company's assets</p> <p>d) Providing strategic leadership and direction, including the management and development to the human resources of the company,</p> <p>e) Planning, coordinating and implementing all activities of the company in line with the policies and directives approved by the Board of Directors</p>
2.	 <p>BERNARD KIPLAGAT - TECHNICAL MANAGER</p> <p>BSC. Water & Environmental Engineering</p>	<p>a) Directing, coordinating, controlling, monitoring and managing the company's</p> <p>b) technical operations</p> <p>c) Designing all projects to be undertaken by the company</p> <p>d) Ensuring that the water is treated and that the quality meets WHO standards</p> <p>e) Ensuring that Unaccounted For Water (UFW)/Non Revenue Water is reduced to</p> <p>f) acceptable levels</p> <p>g) Ensuring proper management of the technical assets</p> <p>h) Developing departmental strategies, targets, policies, procedures and plans to</p> <p>i) facilitate achievement of overall company's objectives</p> <p>j) Taking responsibility for training, development and motivation of the departmental staff</p> <p>k) Ensuring that the needs of the customer are effectively met</p>

<p>3.</p>	 <p>CPA WILSON MWANGI COMMERCIAL MANAGER</p> <p>Bachelors of Commerce</p>	<ul style="list-style-type: none"> a) Establishes and ensure compliance with the financial management systems for b) effective implementation of the company goals and objectives. c) Ensures efficient billing, revenue collection, disbursements, accounting and repor d) Oversees preparations of budgets, and periodic financial performance reports for e) the company. f) Acts as the Financial controller of the company g) Ensures the company complies with all contractual financial obligations. h) Ensure preparation of monthly quarterly and annual financial statements in government reporting standards i) Monitoring the utilization of Company Assets/resources and ensuring timely maintenance
<p>4.</p>	 <p>CAROL OTIATO - HUMAN RESOURCE OFFICER</p> <p>Diploma in Human Resource</p>	<ul style="list-style-type: none"> a) Aligns the company's human resources requirements to the company's immediate short, medium and long term goals for the achievement of the company's goals and overall objectives. b) Plays a key role in recruitment, placement, training and development of staff c) Guide and coordinate periodic staff appraisals d) Manage staff grievances in accordance with the company polices and Kenyan labour laws e) Provide data, information and advice to management on all issues relating to HR f) Ability to work under pressure and meet deadlines with minimum supervision g) Coordinates the company's disciplinary matters h) Responsible for staff training and development

4. Chairman's Statement

The financial year 2022/2023 has come to close and it gives me pleasure to release our annual report and financial statement for the year ended 30th June 2023. During the year we have seen improved revenues and we have made significant progress towards our service delivery and sustainability in the growth. The Collection of revenue have continued to grow and as evidenced in the report received Ksh. 56,365,844 from Ksh. 53,866,740 registering growth of 5%.

Projects and Achievements;

- The company commenced the Augmentation of Ithanga Water supply project – The project is being implemented by Athi Water Works Development Agency worth Ksh. 4B. The project has been phase into three phases. With the completion of phase I and partial phase II, the company has been able to interconnect the new pipeline to the old existing pipeline as we wait for the completion of phase III. Through this we have been successful to install over 600No. of connections.
 - Phase I – 6.2km of diameter 450mm raw water main from Blue post to BAT treatment facility is 100% complete
 - Phase II – 39.154km of pipeline ranging from diameter 355mm, 300mm,200mm,160mm and 90mm of HDPE pipeline
 - Phase III – 198km of assorted sizes from diameter 160mm,110, 90mm,63mm,50mm and 25mm.
- Makutano project of 90mm HDPE pipeline of 24Km was completed worth Ksh. 18.72M. This addressed NRW through asset replacement and renewal, increased service hours and number of new connections in
- Kigoro Kiunyu Samuru Pipeline – The project stands at 95% to completion and it is anticipated to be completed by November 2023. The pipeline involves construction of 6km 315mm, 2km 250mm, 1.9km 200mm and 4km 160mm. The project is being implemented by AWWDA at a cost of Ksh. 180M.

- Ongoing Kihumbu-ini water supply project worth Ksh.17.9M implemented through Water Sector Company Fund. The progress is at 98%, it is expected to increase connections in Kihumbu-ini.
- Ongoing Makiana intake project of Ksh. 15M. The new intake will increase volumes of water to Karangi Treatment facility. This will reduce water shortage in the lower areas of Rwegetha and Maba. The project is implemented by National Water Harvesting and Storage Authority (NWHSA).
- Greystone borehole was handed over to GATAWASCO by the community who have been operating. The borehole was rehabilitated, KPLC power bill and repair of the network around the borehole was done Gatanga water. The borehole added over 250 No. of water connections to Gatanga Water.

It is imperative to note that GATAWASCO is operating under the water act 2016. Water function is devolved and therefore we are reporting to the County Government of Murang'a.

On behalf of the Board I take this opportunity to acknowledge the support of all stake holders, Athi Water Works Development Agency (WWDA), Murang'a County Government, Water Service Regulatory Board (WASREB), Water Sector Company Fund (WSTF) and the Ministry of Water and Irrigation (MWI).

I also extend my gratitude to the Board of Directors, Management, and Staff of GATAWASCO for their considerable efforts, dedication and hard work in previous year. I look forward with confidence to your continued corporation in the future. God bless you all.

Sign:

Julius N. Wanyoike (Chair)

Date:

31/01/2024

5. Report of the Chief Executive Officer/ MD/ DG

Gatanga Water and Sanitation Company total area of our Company is 528km² with a population of 181,303 out of which the Company has managed to cover 38% in service provision, but with the completion of the Ongoing projects the growth will be tremendous. GATAWASCO is mandated to supply water to Ithanga and Gatanga sub-county within Murang'a County.

I am pleased to present a review of GATAWASCO'S key operational performance for the year ended 30th June 2023. The review also highlights our strategic priorities in the short and medium-term focusing on improving service delivery to customers and ensuring sustainable business growth. Our role as a water service provider utility in Murang'a County is critical considering that water and sanitation services are an enabler and key drivers for economic and social development. In this regard, the Company made remarkable progress in the quest to enhance our water distribution network coverage and improve reliability of water services to our esteemed customers.

PERFORMANCE REVIEW

In the course of the year, the company's performance was in line with strategic plan and were influenced by the below achievements and challenges.

Achievements

- We have implemented a functional web based integrated customer relations module, that allows access from any location offering improved and eased efficiency, timely solving of customer requests, eliminating redundancies and duplicated roles.
- The company has upgraded to a fully functional website in line with the regulator's (WASREB) requirement. This has assisted in improving the company's corporate image and will go in hand towards the implementation of the company's strategic plan.
- Performance management and staff capacity building through trainings was enhanced thus improving staff productivity.

Challenges

- Culture of our customers that is delay in payments of their water bills hence affecting the normal running of our operations.
- Rural road upgrade by KERRA has led to destruction of laid down pipes hence affecting the supply of water.

- The company is still faced with high levels of NRW that has been contributed by bursts due to high pressures due to our dilapidated infrastructure, illegal connections/theft of water.
- Lack of enough resources to address issues like augmentation of distribution lines, proper treatment facilities, rehabilitation and metering that require huge sums of money.
- High operational costs caused by operations and maintenance of dilapidated infrastructure, chemicals that are now funded internally after devolution.

Appreciation

I take this opportunity to register my gratitude to the Board of Directors for their unwavering support, the corporate management team and GATAWASCO staff for their hard work, efforts, support and commitments which has made us register a positive growth, AWWDA and County Government for their contribution and support both in kind and cash. We cannot forget the consumers of our services and suppliers who supported us throughout the year.

Change of Institutional Gatanga Water and Sanitation Company

It is also imperative to note that the company changed its institution idGatanga Water and Sanitation Company from Gatanga Community Water Scheme to Gatanga Water and Sanitation Company Limited in March 2023 as one of its strategic focus towards ensuring availability and sustainable management of water for all in line with the United Nations Sustainable Development Goal number six.

6. Statement of Performance against Predetermined Objectives for FY 2022/2023

Within its strategy plan, Gatanga Water has four primary strategic pillars, including provision of quality, affordable, and sustainable water and services through effective corporate management that exceeds consumers' expectations. The following is a list of the strategic goals included in the current strategic plan:

- Reducing NRW level from 43% to 30% by 2026
- Increase the proportion of population accessing water services from 34% to 80% over the plan period
- Enhance access to sanitation from 95% to 99% within plan period
- Enhance institutional capacity from 50% to 80% over the plan period
- Increase operational financial sustainability from 91% to 120% over the plan period
- Mainstreaming crosscutting issues e.g. access to water in pro-poor areas, Gender, HIV and Corporate Social Responsibility.

No.	PROJECT	SCOPE	RESULT AREAS
1.	Improvement of ICT portfolio i.e. <ul style="list-style-type: none"> - Training of the staff on the use of the new system - Employment of the ICT officer <p>Status: Complete</p>	The scope included Recruitment, and continuous training and system enhancement	<ul style="list-style-type: none"> - Improved billing accuracy - Improved billing and mobile meter reading - Smart Mapping - Network standardization and security - Data recovery - Website upgrade - Improved Data quality and report generation

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2.	<p>Metering of flat rate meters at Ksh. 531,744</p> <p>Status: Complete</p>	<p>Procurement of meters and fittings and Installation</p>	<ul style="list-style-type: none"> - Reduced Commercial NRW losses. - Improved revenues - Improved Water Flows
3.	<p>GIS Mapping</p> <p>Status: Complete</p>	<p>GIS officer was recruited</p>	<ul style="list-style-type: none"> - Mapping of Customers, pipelines, intakes and water appurtenances. The maps and reports are in hard and soft copy. - Mapping of bursts and leakages - Reduced water theft of old accounts not serviced more than 6Months. This is because we are able to locate and dislodge them from the main pipeline.
4.	<p>Athi Water Works Development Agency Projects</p> <ul style="list-style-type: none"> - Installation of 23Km HDPE Pipeline of 90mm diameter <p>Status: Complete</p>	<ul style="list-style-type: none"> - Installation of 23Km HDPE Pipeline of 90mm diameter 	<ul style="list-style-type: none"> - Increase of water coverage by having additional 300No. of water connections - NRW reduction because of asset renewal - Improved hours of water supply because of asset renewal.

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5.	Athi Water Works Development Agency Projects - Ithanga Water Supply Project Phase I and II Status: Complete Phase I and II	Phase 1 is 100% Complete – Intake, Raw Water Main of 450mm Ø, Treatment Works Clear Water Pipe Phase 2 is 100% Complete - Clear Water Main, Raising Main for the pumping stations Pumping system, Main distribution pipe, Staff houses Phase 3 is 15% Complete - Distribution pipes of assorted sizes. Note: with the completion of phase I and II. The pipeline was interconnected to the old existing pipeline. Phase III is anticipated to be reach out over 6,000No. of water connections.	600No. Connections was realized in Ithanga subcounty after finishing phase I and II.
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7. Corporate Governance Statement

Gatanga Water and Sanitation Company Limited is incorporated in Kenya under the Company Act of 2015

Under section 47(h) of the Water Act 2002 Water Service Regulatory Board is supposed to develop guideline for and provide advice on the cost effective and efficient management and operation of water services.

This can only be achieved if the leadership in the water sector by principle of good governance.

Good governance is embedded in the tenets of corporate governance.

This has been adhered to by senior management of Gatanga Water and Sanitation Company Limited by governing the Gatanga Water and Sanitation Company Limited integrity in a manner which entrenches and enhances the objectives agreed under the license and service provision agreement.

The good governance has ensured:

- The stability and credibility of the water provider financially
- Improved the relationship between the water provider and the stakeholders -It has also ensured efficiency in the provision of services to the customers.

The Board of Directors has been adhering to the Memorandum of Articles and Association and act as Agents of the Water Services Board.

The Board of Directors as per the guideline of Water Services Board has ensured that they have signed the code of conduct of ethics, schedule of full board meeting at the end of every year, approve an annual budget in consultation with respective water service board etc. this therefore means that the board of Directors make the strategic policies to be implemented by the senior managers for the smooth running of the water provider The board of Directors comprises of 6 members. The Directors are from different professions as per the guideline of the Water Services Board.

The board has formed various committees namely; finance, human resource and administration, technical services and audit committee. This has enhanced the good productivity of the company.

The board has also been trained on Corporate Governance i.e. they have gone through a thorough training on their roles, duties, responsibilities and obligation as well as the Board practices and procedures on first appointment.

The board also ensures various reports have been submitted to the relevant institutions as required and policies and regulations are adhered to by the company including the statutory deduction and subsequent remittance.

8. Management Discussion and Analysis

The water utility is owned by County Government of Murang'a. There were no grants received in the financial year 2022/2023, Gatanga Water and Sanitation Company Limited finances its operations and it's self-sustaining

The company has formed a non-revenue team which is working to ensure that there is minimum water loss.

Gatanga Water and Sanitation Company Limited complies with various statutory requirements that is the Water Act of 2016 and Company Act of 2015. The company is not exposed to any Contingent liabilities.

The projects are financed either through internally generated revenue, grants from Government and Development partners. The scheme has a role to play since the existing project funded by the national Government and development partners financing through performance /result bases financing.

Operational Risks.

The scheme inherited old dilapidated infrastructure and this has contributed to high non-revenue water. During the years the scheme has invested in various projects to improve the infrastructure. However, the funds required for overhauling the whole network is beyond the scheme's affordability.

Market Risks.

The scheme has no interest-bearing financial instrument and has no any outstanding loan.

Capital Risk

The company is not exposed to capital risk

Credit risk.

The scheme supplies water on credit and gives the customers a period of 14 days to clear their bills. However, not all consumers are able to clear their bills on time, this gives rise to credit risk. At the end of the year the trade receivables (water sale debtors) amounted to Ksh. 92,337,884 of which Kes.27, 536,658 has been provided as specific as they could not be traced

Liquidity risks

The scheme has various obligation and liabilities. The scheme manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flow

9. Environmental and Sustainability Reporting

The following is a summary of the organization's policies and initiatives that support sustainability. This is our purpose; the inspiration behind everything we do. It directs us in executing our strategy, putting the customer/citizen first, providing relevant goods and services, and enhancing operational excellence.

i) Sustainability strategy and profile

Through the National Water and Sanitation Investment Plan. The Company developed various proposals to Athi Water Works Development Agency, Water Sector Company Fund and National Water Harvesting and Storage Authority. The projects implemented is Ithanga Water Supply and others are ongoing like Kigoro Kiunyu Samuru pipeline and Makiama intake construction.

ii) Environmental performance

The Company has made some significant efforts to improve environmental performance by having in place environmental protection plan in place also we have incorporated social groups for forestation of water towers. GATAWASCO have made proposals for plot level sanitation and Decentralized Treatment Facilities and UBSUP toilets to Water Sector Company Fund.

iii) Employee welfare

The policies guiding the hiring process are the Company's human resource policy, labour laws and employment act.

During recent hiring GATAWASCO has been putting the two-thirds gender rule into consideration as we have set in our human resource policy. The number of female employees has improved compared to last financial year.

The Company is in the process of creating a performance management policy document and we have signed performance contracts with employees in an effort to improving the overall performance of staff.

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GATAWASCO recognizes its corporate responsibility under the Occupational Safety and Health Act of 2007 (OSHA 2007), Employment Act of 2007 and the Work Injury Benefits Act of 2007(WIBA) and related legal notices.

In fulfilling this responsibility, the company will undertake to observe Occupational safety and Health standards well beyond the minimum statutory requirement.

The company will adopt all reasonable and proactive measures to:

- i. Create a safe working environment;
- ii. Uphold environmentally friendly practices;
- iii. Provide appropriate training and awareness to its employees;
- iv. Take responsibility for Occupational Health Safety and Environment of the work place;
- v. Continuously monitor Occupational Health, Safety and Environment through regular inspection and Audits

iv) Market place practices-

The business keeps up good, ethical marketing techniques like holding barazas, having a customer service representative, engaging clients through sms platforms, and running advertisements on the company website.

a) Responsible competition practice.

The Company has an anti-corruption policy that is upheld. For any project we intend to undertake, we consult with the County Government of Murang'a, who then give a letter of no objection after competitive procurement process. The annual tenders are also advertised through the public print media and evaluated in accordance to Public Procurement and Asset Disposal Act, 2015. The boundaries of WASREB, which are expressly stated in the license, serve as a guide for fair competition and respect for competitors.

b) Responsible supply chain and supplier relations

The Company has a contract with our prequalified suppliers who underwent tender evaluation process as per the procurement act law. Payment terms with our suppliers is on credit term basis and payment is made upon delivery of all goods requested. In case of part payments or delayed payments, the company enters into a part payment agreement with the supplier on a reasonable monthly commitment payment structure.

c) Responsible marketing and advertisement

The company advertise through the public media means for the supply of goods and services also for the civil works. All the tenderers are evaluated in accordance the procurement laws. For the recruitment of staff is done through the recruitment agencies and the local dailies where they are engaged in a competitive manner without favours but merit.

d) Product stewardship

The company makes efforts to safeguard consumer rights and interests through:

- Provision of quality water to the customers as per the WASREB water quality guideline 2018
- Adherence to the regulated tariff by WASREB
- Customer relations module to sort customer's queries
- Maintaining of confidentiality on customer database

v) Corporate Social Responsibility / Community Engagements

Gatanga Water and Sanitation Company Limited shall endeavour ensure to be responsible to its corporate citizens and taking into considerations to interest of all stakeholders and the community in which we operate.

GATAWASCO has ensured that the local has enjoyed the existence of the Company by employing some of the locals' persons with required qualifications. The Organization also ensure it promote and is sensitive on preservation and protection of the environment by playing part on planting of trees.

The Company also visits the pro-poor areas and helps them especially with free piped water for up to 6000litres per month. This has improved the area they live in.

The Company furthermore ensures participation of stakeholders by calling for meetings and allows them to air their views to better the society

10. Report of the Directors

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

i) Principal activities

The principal activities are to ensure availability of sustainable, affordable and quality water services to the residents living within the scheme area (Gatanga District) of operation or jurisdiction by sourcing, treating, distributing and water conservation while billing and collecting revenue from the water consumers who are the residents of the area.

ii) Results

The results of the company for the year ended June 30, 2023 are set out on page 1

Below is summary of the loss made during the year.

INCOME		2022/2023	2021/2022
	NOTE	KSHS	KSHS
Water sales	6	55,598,020	55,412,610
Grants	8	770,690	10,755,903
Other income	9	7,248,847	5,001,752
TOTAL INCOME		63,617,557	71,170,265
OPERATION EXPENSES			
Administration Expenses	10	69,108,015	68,111,520
Depreciation of PPE & Amortization	13	4,075,693	4,289,510
TOTAL OPERATING EXPENSES		73,183,708	72,401,030
Deficit for the year before tax		(9,566,151)	(1,230,765)
Income tax		-	-
DEFICIT FOR THE YEAR ENDED		(9,566,151)	(1,230,765)

iii) Dividends

The company does not give divided to the Directors.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

iv) Directors

The members of the Board of Directors who served during the year are shown on page iii & iv

Auditors

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

By Order of the Board



.....
Name **JOHN K. KARAU**

Secretary to the Board

Date **21/01/24**

11. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of Gatanga Water and Sanitation Company Limited, which give a true and fair view of the state of affairs of Gatanga Water and Sanitation Company Limited at the end of the financial year/period and the operating results of Gatanga Water and Sanitation Company Limited for that year/period. The Directors are also required to ensure that Gatanga Water and Sanitation Company Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Gatanga Water and Sanitation Company Limited*. The Directors are also responsible for safeguarding the assets of the *Gatanga Water and Sanitation Company Limited*.

The Directors are responsible for the preparation and presentation of the *Gatanga Water and Sanitation Company's* financial statements, which give a true and fair view of the state of affairs of the *Gatanga Water and Sanitation Company* for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Gatanga Water and Sanitation Company, (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 Gatanga Water and Sanitation Company, (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Statement of Directors' Responsibilities (Continued)


The Directors are of the opinion that t Gatanga Water and Sanitation Company Limited's financial statements give a true and fair view of the state of *Gatanga Water and Sanitation Company's* transactions during the financial year ended June 30, 2023, and of the *Gatanga Water and Sanitation Company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Gatanga Water and Sanitation Company*, which have been relied upon in the preparation of the *Gatanga Water and Sanitation Company's* financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Gatanga Water and Sanitation Company's ability to continue as a going concern OR

Nothing has come to the attention of the Directors to indicate that the *Gatanga Water and Sanitation 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

Gatanga Water and Sanitation Company Limited's financial statements were approved by the Board on 9th Oct 2023 and signed on its behalf by:


Name

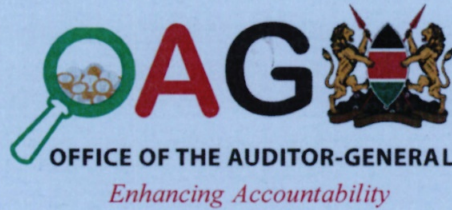
Chairperson of the Board/Council



Name JOHN K. KARU
Accounting officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON GATANGA 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, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Gatanga Water and Sanitation Company Limited set out on pages 1 to 47, which comprise of the statement of financial

position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a 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 the Gatanga Water and Sanitation Company Limited as at 30 June, 2023, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Material Uncertainty in Relation to Going Concern

The statement of financial position reflects current liabilities amount of Kshs.69,655,896 that exceeds the current assets amount of Kshs.62,567,946 by Kshs.7,087,950 resulting to a negative working capital of the same amount. Further, the Company made losses in the past three years of Kshs.9,566,152, Kshs.1,230,766 and Kshs.4,954,269 respectively. The losses have depleted the retained earnings to Kshs.(1,595,044). The company has not disclosed the fact that it is not a going concern in the Notes to the financial statements.

In the circumstances, since the working capital of the Company is negative and the losses have been sustained over the years, the assumption that the Company is a going concern is in doubt.

2.0 Inaccuracies in the Financial Statements

Inaccuracies were noted in the following financial statement balances.

2.1 Other Income

The statements of financial performance and as disclosed in Note 9 to the financial statements reflect an amount of Kshs.7,248,847 in respect of other income. Review of records provided for other income records revealed that the Company received Kshs.7,137,447. Other Income resulting to unreconciled variance of Kshs.111,400.

In the circumstances, the accuracy and completeness other Income amount of Kshs.7,248,847 could not be confirmed.

2.2 Customer Deposits

The statement of financial position and as disclosed in Note 26 of the financial statements reflects an amount of Kshs.12,426,000 in respect of customer deposits. Review of the

cash book and certificate of balance provided revealed an amount of Kshs.1,635,462 resulting to an unexplained variance of Kshs.10,790,538.

In the circumstances, the accuracy of the customer deposits amount of Kshs.12,426,000 could not be confirmed.

2.3 Property, Plant and Equipment

The statement of financial position and as disclosed in Note 17 to financial statements reflects Kshs.29,084,036 in respect of property, plant and equipment (PPE). Review of records provided revealed the following:

- Land amount of Kshs.780,000 was not determined through a valuation;
- The land size(s) were not indicated and ownership documents were not available;
- PPE schedules includes fully depreciated buildings and civil works balance of Kshs.4,204,831, the fully depreciated assets still in use were not revalued;
- The obsolete/uneconomically assets were not disposed of procedurally and the correct accounting adjustments done.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.29,084,036 could not be confirmed.

2.4 Trade Receivables

The statements of financial position and as disclosed in Note 20 to the financial statement reflect Kshs.58,797,939 in respect of trade receivables. The amount has been outstanding for more than one year and the recoverability remains doubtful. In addition, the analysis of the balance indicated that an amount of Kshs.34,016,781 has been provided as provision for doubtful receivables. However, the provision for doubtful receivables was not supported by Board of Directors' resolutions, debt policy or County Government resolution. Failure to collect revenue owed by water consumers affects the Company's liquidity and eventual sustainability of services.

In the circumstances, the accuracy and recoverability of the balance of trade receivables balance of Kshs.58,797,939 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Gatanga 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.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Issues

The progress on follow-up on Auditor's recommendations section of the financial statements reflects issues raised in the previous year's audit report that remain unresolved as at 30 June, 2023. No satisfactory explanations were provided for not resolving the issues.

In the circumstances, the audit issues remained unresolved.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Statement, the Board of Trustees Report, Report of the Managing Director, Corporate Governance Statement, Report of the Directors, Management Discussion and Analysis, Environment and Sustainability Reporting and statement of Directors Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

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 and Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Revenue Water

Review of water production records revealed that during the year under review, the Company produced 1,839,189 m³. The amount recorded differ with the billing records which indicated that 1,210,384 m³ (equivalent to Kshs.55,598,020) of water was sold during the period resulting to Non-Revenue Water (NRW) of 628,805 or 34% of the total water produced. The Non-Revenue Water of 34% is 9% above the allowable loss of 25% set by the Water Services Regulatory board (WASREB) Guidelines and is not acceptable.

The significant level of Non-Revenue Water is an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

2.0 Excessive Personnel Expenses

The statement of financial performance reflects total operating expenses of Kshs.73,183,709 which is erroneously described as profit before tax. Further, the

statement and as disclosed in Note 11a to the financial statements reflects an amount of Kshs.34,371,226 in respect of personnel expenses, which is forty-seven (47%) per cent of the total operating expenses. This is contrary to Section 3.9(10) of the Water Services Regulatory Board (WASREB) Corporate Governance Guidelines, 2018 which states that remuneration of the staff for each financial year must not exceed thirty-five (35%) of operational cost.

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

3.0 Staff Ethnic Diversity

Review of personnel records revealed that the water company had a total staff of 74 out of which 66, or (89%) eight-nine percent were from one ethnic community. This is contrary to Section 65(e) of the County Governments Act, 2012 which requires the County Governments to ensure that at least (30) thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

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

4.0 Unapproved Budget Over-Expenditure

Review of approved budget and financial records revealed that the Company had unapproved over-expenditures on the items and activities analyzed below.

Description	Final Budget (Kshs.)	Actual on Comparable Basis (Kshs.)	Performance Difference (Kshs.)	% of Utilization	Remarks
Administration	17,456,940	19,570,320	(2,113,380)	112%	Unapproved over-expenditure of Kshs.2,113,380 or 12%
Trustee Cost	2,171,000	2,691,720	(520,720)	124%	Unapproved over-expenditure of Kshs.520,720 or 24%
Capital Budget/ Expenditure	11,544,600	13,260,874	(1,716,274)	115%	Unapproved over-expenditure of Kshs.1,716,274 or 15%

In addition, the material variances on performance or utilization have not been explained in accordance the to the reporting template as prescribed by the Public Sector Accounting Standards Board. No explanation was provided for the same and for the unapproved over-expenditures. This was contrary to Regulation 43(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that County Government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan.

In the circumstances, Management was in breach of law.

5.0 Non-Gazettement of Regular Tariff Adjustment

During the year under review, the Company achieved a turnover of Kshs.55,598,020. However, it was noted that the existing tariffs were gazetted on 16 January, 2009 vide Kenya Gazette Notice Number 486 effective for 12 months from the date of notice, but have since then not been renewed or revised. This is contrary to Section 72.(1)(c-d) of the Water Act, 2016 gives the Water Services Regulatory Board (WASREB) powers and functions to set licence conditions and accredit water services providers, monitor and regulate licensees and enforce licence conditions.

In 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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance and Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Absence of Internal Audit Function

Review of the records provided for audit revealed that the Company does not have internal audit function. This is contrary Regulation 153(1)(a), (b) and (c) of the Public Finance Management (County Governments) Regulations, 2015 which states that the internal auditors shall review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities, including County Assembly, have a duty to give reasonable assurance through the audit committee on the state of risk management, control and governance within the organization and review the effectiveness of the financial and non-financial performance management systems of the entities.

In the circumstances, the efficiency and effectiveness of operations of the Company's internal controls and risk management processes could not be confirmed.

2.0 Lack of Enterprise Wide Risk Management (ERM)

The Company has not compiled any risk register for the year and there was no evidence of risk policy and if enterprise wide risk management is effectively working or fully operational. This is contrary to the Public Finance Management Regulations, 2015, Section 165.(1) which requires that the Accounting Officer shall ensure that the Government entity develops— (a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of the risk management and internal controls in place could not be confirmed.

3.0 Lack of a Finance and Accounting Policy Manual

Review of the Company's records revealed that, the company has not developed its own finance and accounting manual to guide Management in processing financial transactions. This is contrary to Section 68(2)(e) of The Public Finance Management Act, 2012 which states that an Accounting Officer for a County Government entity is accountable to the County Assembly for ensuring that all applicable accounting and financial controls, systems, standards, laws and procedures are followed when procuring or disposing of goods, adequate arrangements are made for their custody, safeguarding and maintenance'.

In the circumstances, the effectiveness of the accounting and financial controls could not be confirmed.

4.0 Information, Communication and Technology (ICT) Environment

Examination of documents revealed that the Management had no approved Information Communication Technology (ICT) strategic plan and the strategic steering committees of the board. In addition, the Company has not developed, documented or implemented, the ICT strategic plan, security policy and the ICT Continuity plan and disaster recovery plan.

In the circumstances, Management have not implemented information technology governance and the information technology goals that contribute to strategic objectives. Further, the Company may not be able to recover from unforeseen disasters that may lead to loss of data or information.

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 Kenyan Company Act, 2015, I report based on my audit, that:

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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


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

audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 April, 2024

GATANGA WATER AND SANITATION COMPANY LIMITED

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

13. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2023.

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenues			Re-stated
Revenue from Contracts with Customers	6	55,598,020	55,412,610
Cost of sales	7	0	0
Gross profit		55,598,020	55,412,610
Other income			
Grants from the national government	8	770,690	10,755,903
Other income	9	7,248,847	5,001,752
Total revenues		63,617,557	71,170,265
Operating expenses			
Staff Costs	11.a	34,371,226	27,660,855
General and Operations expenses- <i>Re-stated</i>	10	24,689,257	28,186,842
Board Expenses	11.b	2,691,721	2,374,286
Maintenance Expenses- <i>Re-sated</i>	12	6,997,910	9,554,069
Depreciation and Amortization expenses	13	4,075,693	4,289,511
Finance Costs- <i>Re-stated</i>	14	357,902	335,468
Profit/(loss) before taxation		73,183,709	72,401,031
Income tax expense/(credit)	16	0	0
Profit/(loss) after taxation		-9,566,152	-1,230,766
Other comprehensive income			
Profit/ (loss) after taxation		-9,566,151	-1,230,765
Total comprehensive income for the year		-9,566,151	-1,230,765


14. Statement of Financial Position as at 30 June 2023


Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Non-Current Assets			
Property, Plant And Equipment	17	29,084,036	19,369,904
Intangible Assets	18	3,472,609	4,001,560
Total Non-Current Assets		32,556,645	23,371,464
Current Assets			
Inventories	19	296,701	133,205
Trade And Other Receivables	20	58,797,939	53,738,928
Bank And Cash Balances	21	3,473,306	2,486,176
Total Non-Current Assets		62,567,946	56,358,309
Total Assets		95,124,591	79,729,773
Equity And Liabilities			
Capital And Reserves			
Capital reserve	24	16,443,575	16,443,575
Retained Earnings	24	-1,595,044	7,971,107
Capital and Reserves		14,848,531	24,414,682
Non-Current Liabilities			
Deferred Income	25	10,620,164	0
Total Non-Current Liabilities		10,620,164	0
Current Liabilities			
Trade And Other Payables	26	36,626,267	23,962,942
Provisions	27	20,603,629	20,090,149
Customer Deposit	26	12,426,000	11,262,000
Total Current Liabilities		69,655,896	55,315,091
Total Equity And Liabilities		95,124,591	79,729,773

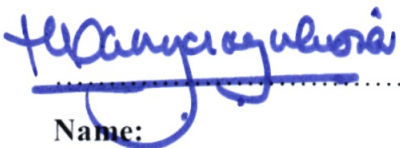
GATANGA WATER AND SANITATION COMPANY LIMITED

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

The financial statements were approved by the Board on 9th Oct. 2023 and signed on its behalf by:


.....
Name: JOHN K. KARU
M.D


.....
Name: WILSON NIWANGI
Head of Finance
ICPAK M/NO:18459


.....
Name: _____
Chairman of the Board

GATANGA WATER AND SANITATION COMPANY LIMITED

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

15. Statement of Changes in Equity for the year ended 30 June 2023

Description	Capital Reserves	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
As at July 1, 2021	16,443,575	0	0	9,201,871	0	0	25,645,446
Loss for the year	-	-	-	(1,230,765)	-	-	(1,230,765)
As of June 30, 2022	16,443,575	-	-	7,971,106	-	-	24,414,681
		-	-	-	-	-	-
As at July 1, 2022	16,443,575	-	-	7,971,106	-	-	24,414,681
Loss for the year	-	-	-	(9,566,151)	-	-	(9,566,151)
At June 30, 2023	16,443,575	-	-	(1,595,045)	-	-	14,848,530

GATANGA WATER AND SANITATION COMPANY LIMITED

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

16. Statement of Cash Flows for the year ended 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Cash generated from/(used in) operations	28	14,248,004	8,186,967
Net cash generated from/(used in) operating activities		14,248,004	8,186,967
Cash flows from investing activities			
Purchase of property, plant and equipment	17	-13,260,874	-2,481,000
Purchase of intangible assets	18	-	-3,944,000
Net cash generated from/(used in) investing activities		-13,260,874	-6,425,000
Cash flows from financing activities			
Proceeds from issues of new share capital		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		-	-
Net cash generated from/(used in) financing activities		-	-
Increase/(decrease) in cash and cash equivalents		987,130	1,761,967
Cash and cash equivalents at beginning of year		2,486,176	724,209
Effects of foreign exchanges rate fluctuations		0	0
Cash and cash equivalents at end of the year	21	3,473,306	2,486,176

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17. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	A	b	c = a + b	d	E = c - d	d/c%
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Sale of goods	-	-	-	-	-	-
Sale of services	64,052,338	-	64,052,338	55,598,019	8,454,319	86.80%
Transfers from the government	0	0	0	770,690	-770,690	#DIV/0!
Donations in kind	0	0	0	0	0	0
Finance income	0	0	0	0	0	0
Other income	1,008,000	-	1,008,000	7,248,847	-5,485,247	719.13%
Arrears collected	3,000,000		3,000,000	0	3,000,000	0.00%
Total income	68,060,338	0	68,060,338	63,617,556	5,198,382	93.47%
Expenses						
Staff Costs	33,216,000	-	33,216,000	34,371,225	-1,155,225	103%
Administration	17,456,940	-	17,456,940	19,570,320	-2,113,380	112%
Administration cost	11,664,000	-	11,664,000	12,474,749	-810,749	107%
Trustee Cost/ Board expenses	2,171,000	-	2,171,000	2,691,720	-520,720	124%

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Depreciation and Amortization expenses	0	0	0	4,075,693	-4,075,693	#DIV/0!
Taxation paid	0	0	0	0	0	0%
Other payments	0	0	0	0	0	0%
Grants and subsidies paid	0	0	0	0	0	0%
Total expenditure	64,507,940	0	64,507,940	73,183,707	-8,675,767	113%
Surplus for the period	3,552,398	0	3,552,398	-9,566,151	13,874,149	123%
<u>Capital Expenditure/Projects</u>						
Capital budget/expenditure	11,544,600		11,544,600	13,260,874	-1,716,274	115%
Other Capital expenditure	3,440,000		3,440,000	0	3,440,000	0%

- a) i) Increase in price of the pipes and fittings and also there was more repairs as the Company is taking over Ithanga.
- ii) The price of the fuel increased compared to what we had budgeted for and also as the revenue grows more movement is necessary.
- b) During the transition between formation of the new company Gatanga water and Sanitation Company and closure of Gatanga Community water scheme, numerous extraordinary meeting were necessary.

18. Notes to the Financial Statements

1. General Information

Gatanga Water and Sanitation Company Limited is established by and derives its authority and accountability from Company Act of 2015. The Company is wholly owned by the Murang'a County Government and is domiciled in Kenya. The Company's principal activity is to ensure efficient and effective provision of water Services in its area of jurisdiction.

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

2. Statement of Compliance and Basis of Preparation

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

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

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

Notes to the Financial Statements (Continued)

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

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

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The Company does not issue insurance contracts</i>	Effective for annual periods beginning on or after 1 st January 2023.
IAS 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 was no effect as the Gatanga Water and Sanitation Company did not do changes to both accounting policies and estimates .)</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.

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Title	Description	Effective Date
	<i>(no changes)</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.

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

Notes to the Financial Statements (Continued)

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

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 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 Gatanga Water and Sanitation Company 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 Gatanga Water and Sanitation Company provides about liabilities arising from loan arrangements for which an Gatanga Water and Sanitation Company's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the Gatanga Water and Sanitation Company complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

iii. Early adoption of standards

The Gatanga Water and Sanitation Company did not early – adopt any new or amended standards in the financial year or *the Gatanga Water and Sanitation Company adopted the following standards early (state the standards, reason for early adoption and impact on Gatanga Water and Sanitation Company's financial statements.)*

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 Gatanga Water and Sanitation Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Gatanga Water and Sanitation Company 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 *Gatanga Water and Sanitation Company* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognized in the year in which the *Gatanga Water and Sanitation 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 *Gatanga Water and Sanitation Company* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *Gatanga Water and Sanitation 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.

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.

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line 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, as guided by National Treasury policy on assets depreciation are:

Item	Years	Rates
Freehold Land	nil	0%
Leasehold Land	nil	0%
Buildings and civil works	10	10%
Infrastructure works	20	5%
Plant and machinery and water meters	8	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and peripherals	3	30%
Office equipment, furniture and fittings and Generator	8	12.5%
Work in progress	nil	Nil

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

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

Amortisation 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 recognised so that the asset is written down immediately to its estimated recoverable amount.

Summary of Accounting Policies

g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the 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.

h) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables 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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

i) Taxation

i) Current income tax

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

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

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

j) 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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

Deferred Tax

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

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

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

k) 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 the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

l) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised 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 Gatanga Water and Sanitation Company or not, less any payments made to the suppliers.

m) Retirement benefit obligations

The Gatanga Water and Sanitation Company has registered all permanent and pensionable employees into two defined contribution and benefit schemes. The schemes are Local Authority Pension Scheme (LAPTRUST) and National Water Pension Scheme. The company joined the pension 5th October 2010 and 17th February 2006 respectively. The company contributes to these two pension schemes. Under LAPTRUST employer contribute 15% and employee 12% of basic salary and house allowance. Contribution of National Water Pension Scheme is 7.5% by employee and 15% by employer calculated on basic salary only.

n) Provision for staff leave pay

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

o) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 15/06/2022. 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 Gatanga Water and Sanitation Company upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of Comprehensive income has been presented under section page 1 of these financial statements.

Notes to the Financial Statements (Continues)

a) Service concession arrangements

The Gatanga Water and Sanitation 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 Gatanga Water and Sanitation 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 Gatanga Water and Sanitation Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

b) Comparative figures

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

c) 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 Gatanga Water and Sanitation 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.

State all judgements, estimates and assumptions made: e.g.

Notes to the Financial Statements (Continues)

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 Gatanga Water and Sanitation 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 Gatanga Water and Sanitation Company. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 24.

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.

(include provisions applicable for your organization e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

Notes to the Financial Statements (Continues)

6. Revenue from contract with customers

Description	2022/2023	2021/2022
	Kshs	Kshs
Sales Of Goods	55,598,020	55,412,610
Sales Of Services	0	0
Total	55,598,020	55,412,610

7. Cost of Sales

Description	2022/2023	2021/2022
	Kshs	Kshs
Cost of sales on goods	0	0
Cost of sales on services	0	0
Total	0	0

8. Grants from National Government

Description	2022/2023	2021/2022
	Kshs	Kshs
Reccurent grants received	770,690	10,755,903
Capital grants realized (see note below)	0	0
In kind contributions/ donations	0	0
Total	770,690	10,755,903

(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

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Notes to the Financial Statements (Continued)

[Provide a detailed analysis of grants received from the Government in the table below:]

Name of the Gatanga Water and Sanitation Company sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	2022/2023 Kshs	2021/2022 Kshs
WSTF	770,690	10,620,164	0	11,390,854	10,755,903
Total	770,690	10,620,164	0	11,390,854	10,755,903

9. Other Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Other Miscellaneous Receipts	7,248,847	5,001,752
Total	7,248,847	4, 5,001,752

Notes to the Financial Statements (Continued)

10. General and Operations expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Electricity and water	1,808,538	1,087,821
Telephone & postage	708,150	955,559
Transportation, travelling and subsistence	1,445,701	2,931,919
Advertising, printing, stationery and photocopying	783,507	507,511
Rent expenses	8,000	0
Staff training expenses	165,000	979,500
Insurance costs	737,845	744,488
Office and general supplies and services	2,195,464	1,454,478
Auditors' remuneration	290,000	290,000
Consultancy fees & Legal fees	224,174	1,022,300
Licenses and permits	0	1,066,500
Provision for bad and doubtful debts	572,542	6,865,130
Transport	6,112,286	3,662,655
Chemicals	801,259	791,848
Other Operating Expenses	8,836,791	5,827,133
Total	24,689,257	28,186,842

11. a Staff Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Salaries and allowances of permanent employees	20,970,385	19,187,110
Wages of temporary employees	10,252,318	5,617,349
Employer's contributions to national social security schemes	289,160	0
Employer's contributions to pension scheme	1,842,563	1,938,796
Gratuity provisions	1,016,800	917,600
Total	34,371,226	27,660,855
The average number of employees at the end of the year was:		
Permanent employees – management	1	1
Permanent employees – unionisable	32	32
Temporary and contracted employees	54	43

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Description	2022/2023	2021/2022
	Kshs	Kshs
Total	87	76

Taking up of augmentation of Ithanga water supply project the company had to employ and also filling of vacancies as envisaged in the Wasreb Corporate Governance guidelines 2018 eg. Secretary, ICT officer, O&M head, asset and development officer, Revenue officers and Electromechanical engineer.

11. b Board Expenses

Directors' emoluments	2,691,721	2,374,286
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12. Maintenance Expenses

Repairs and maintenance	6,997,910	9,554,069
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13. Depreciation and Amortization expenses

Depreciation	3,546,742	3,760,560
Amortization	528,951	528,951
Sub-Total	4,075,693	4,289,511

14. Finance Costs

Bank charges and commissions	357,902	335,468
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Notes to the Financial Statements (Continued)

15. Operating Profit/ (Loss)

Description	2022/2023	2021/2022
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff Costs (Note 12b)	34,371,226	27,660,855
Depreciation of property, plant and equipment	3,546,742	3,760,560
Amortization of intangible assets	528,951	528,951
Provision for bad and doubtful debts	572,542	0
Directors' emoluments – fees	2,691,721	2,374,286

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Description	2022/2023	2021/2022
	Kshs	Kshs
Auditors' remuneration - current year fees	290,000	290,000

Notes to the Financial Statements (Continued)

16. Income Tax Expense/(Credit)

(a) Income tax charge/ credit

Description	2022/2023	2021/2022
	Kshs	Kshs
Current taxation based on the adjusted Profit for the year at 30%	0	0
Current tax: Prior Year Under/(Over) provision	-	-
Current year deferred tax charge	-	-
Prior Year Under-provision for deferred tax	-	-
Total	0	0

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

Description	2022/2023	2021/2022
	Kshs	Kshs
Profit before taxation	(9,566,151)	(1,230,765)
Tax at the applicable tax rate of 30%	-	-
Prior Year Under-Provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over Depreciation/Amortization	-	-
Deferred tax Prior Year Over-Provision	-	-
Total	(9,566,151)	(1,230,765)

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

17. Property, Plant and Equipment

	Water plots	Buildings	Water pipelines	Water Meters	Motor vehicles, including, motor cycles	Computers & related equipment	Equipments, Furniture & Generator	Total
2022								
COST OR VALUATION								
As at 1 July 2021	780,000	4,204,831	35,202,318	2,800,500	1,032,860	1,015,200	492,586	45,528,295
Additions	-	-	-	450,000	1,200,000	831,000	-	2,481,000
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
As at 30th June 2022	780,000	4,204,831	35,202,318	- 3,250,500	2,232,860	1,846,200	492,586	48,009,295
Depreciation								
At July 1, 2021	-	3,700,250	18,942,535	528,700	932,860	537,100	237,386	24,878,831
Charge for the year	-	420,483	1,760,116	406,313	558,215	553,860	61,573	3,760,560
Impairment loss	-	-	-	-	-	-	-	-
As at 30th June 2022	-	4,120,733	20,702,651	935,013	1,491,075	1,090,960	298,959	28,639,391
NET BOOK VALUE								
At June 30, 2022	780,000	84,098	14,499,667	2,315,488	741,785	755,240	193,627	19,369,904

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Property, Plant and Equipment (Continued)

Description	Freehold land	Buildings & civil works	Water pipeline	Water meters	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
	Kshs	Kshs	Kshs		Kshs	Kshs	Kshs	Kshs	Kshs
Cost or valuation									
At July 1, 2022	780,000	4,204,831	35,202,318	3,250,500	2,232,860	1,846,200	492,586	-	48,009,295
Additions	-	-	-	531,744	-	187,000	-	12,542,130	13,260,874
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2023	780,000	4,204,831	35,202,318	3,782,244	2,232,860	2,033,200	492,586	12,542,130	61,270,169
Depreciation									
At July 1, 2022		4,120,733	20,702,651	935,013	1,491,075	1,090,960	298,960	-	28,639,391
Charge for the year		84,098	1,760,116	472,781	558,215	609,960	61,573	-	3,546,742
Impairment loss	-	-	-	-	-	-	-	-	-
At June 30, 2023	-	4,204,831	22,462,767	1,407,794	2,049,290	1,700,920	360,533	12,542,130	32,186,133
Net book value at June 30, 2023	780,000	-	12,739,552	2,374,451	183,570	332,280	132,053	12,542,130	29,084,036

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes To The Financial Statements (Continued)

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:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	780,000	-	780,000
Buildings	4,204,831	4,204,831	0
Water pipeline	35,202,318	22,462,767	12,739,552
Motor Vehicles, Including Motorcycles	2,232,860	2,049,290	183,570
Computers And Related Equipment	2,033,200	1,700,920	332,280
Office Equipment, Furniture, And Fittings	492,586	360,533	132,053
Water meters	3,782,244	1,407,794	2,374,451
Capital work in progress	12,542,130	-	12,542,130
	61,270,169	32,186,133	29,084,036

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

Description	Cost Valuation	Normal Annual Depreciation charge
	Kshs	Kshs
Motor Vehicles, Including Motor Cycles	2,268,000	567,000
Computers And Related Equipment	1,348,600	404,580
Office Equipment, Furniture And Fittings	1,109,834	138,729
Operational Tools	220,000	72,600
Total	4,946,434	1,182,909

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Notes To The Financial Statements (Continued)

18. Intangible Assets

Description	2022/2023	2021/2022
	Kshs	Kshs
Cost		
At July 1	5,289,505	1,345,505
Additions	-	3,944,000
Disposals	-	-
At June 30	5,289,505	5,289,505
Amortisation		
At July 1	1,287,946	758,995
Charge For The Year	528,951	528,951
Disposals	-	-
Impairment Loss	-	-
At June 30	1,816,897	1,287,946
Net Book Value		
At June 30	3,472,609	4,001,560

[the intangible assets relates to billing software and website]

19. Inventories

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Water fittings	208,400	133,205
Chemicals	44,381	0
Motor vehicle spare parts	0	0
Stationery and general stores	43,920	0
Less: Impairment of Stocks	0	0
Total	296,701	133,205

20. Trade and Other Receivables

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade Receivables (Note 27 (a))	92,337,884	86,612,462
Staff receivables (Note 27 (a))	100,942	194,811
Other receivables	375,894	375,894
Gross Trade and Other Receivables	92,814,720	87,183,167
Provision for Bad And Doubtful Receivable	(34,016,781)	(33,444,238)
Net Trade and Other Receivables	58,797,939	53,738,928

[Provide short appropriate explanations as necessary]

20.(a) Trade Receivables

Description	2022/2023	2021/2022
	Kshs	Kshs
Gross Trade Receivables	92,337,884	86,612,462
Provision for Doubtful Receivables	(34,016,781)	(33,444,238)
Net Trade Receivables	58,321,103	53,168,224
ageing analysis of gross Trade Receivables		
Less than 30 Days	5,226,250	4,956,150
Between 30 and 60 Days	4,559,625	0
Between 61 and 90 Days	0	4,671,965
Between 91 and 120 Days	4,722,030	5,328,027
Over 120 Days	77,829,979	71,656,320
Total	92,337,884	86,612,462

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Notes to the Financial Statements (Continued)

20 (b) Staff Receivables

Description	2022/2023	2021/2022
	Kshs	Kshs
Gross staff loans and advances	100,942	194,811
Provision for impairment loss	0	0
Net staff loans	100,942	194,811
Less: Amounts due within one year	100,942	194,811
Amounts due after one year	0	0

21. A Short Term Deposits

Description	2022/2023	2021/2022
	Kshs	Kshs
Other Commercial Banks		
Absa Bank	2,660,323	2,484,257
Equity Bank	803,780	689
Total	3,464,103	2,484,946

21.B Bank and Cash Balances

Description	2022/2023	2021/2022
	Kshs	Kshs
Cash at bank	3,464,103	2,484,946
Cash in hand	9,202	1,230
Total	3,473,305	2,486,176

The bulk of the cash at bank was held at Absa Bank of Kenya, the Gatanga Water and Sanitation Company's main bankers.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes To The Financial Statements (Continued)

Detailed analysis of the cash and cash equivalents

Description		2022/2023	2021/2022
Financial institution	Account number	Kshs	Kshs
a) Current Account			
Other Commercial banks		3,464,103	2,484,946
Sub- Total		3,464,103	2,484,946
b) On - Call Deposits			
Other Commercial banks		0	0
Sub- Total		0	0
c) Fixed Deposits Account			
Other Commercial banks		0	0
Sub- Total		0	0
d) Staff Car Loan/ Mortgage			
Other Commercial banks		0	0
Sub- Total		0	0
e) Others (Specify)		0	0
Cash in transit		0	0
Cash in hand		0	0
Mobile money account		0	0
Sub- Total		0	0
Grand Total		3,464,103	2,484,946

Notes To The Financial Statements (Continued)

22. Revaluation Reserve

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

23. Fair Value Adjustment Reserve

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

24. Retained Earnings

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

Description	2022/2023	2021/2022
	Kshs	Kshs
Retained earnings	(1,595,044)	7,971,107
Capital reserve	16,443,575	16,443,575
Total Funds	14,848,531	24,414,682

25. The deferred income movement is as follows:

Description	Nation al govern ment	International funders	Public contributi ons and donations	Others (specify)	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward	0	0	0		0
Additions	0	0	0	23,932,984	13,312,820
Transfers To Capital Fund	0	0	0	(12,542,130)	(12,542,130)
Transfers To Income Statement	0	0	0	(770,690)	(770,690)

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Balance Carried Forward	0	0	0	10,620,164	10,620,164
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26. Trade and Other Payables

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade payables	9,962,817	7,886,555
Deposits	12,426,000	11,262,000
Employee payables	13,656,748	5,385,993
Other payables	13,006,702	10,511,711
Total	49,052,267	35,046,259

The Gatanga Water and Sanitation Company has registered all permanent and pensionable employees into two defined contribution and benefit schemes. The schemes are Local Authority Pension Scheme (LAPTRUST) and National Water Pension Scheme. The company joined the pension 5th October 2010 and 17th February 2006 respectively. The company contributes to these two pension schemes. Under LAPTRUST employer contribute 15% and employee 12% of basic salary and house allowance. Contribution of National Water Pension Scheme is 7.5% by employee and 15% by employer calculated on basic salary only.

The Gatanga Water and Sanitation 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 Gatanga Water and Sanitation Company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently 6% of the gross pay capped at Kes.18000.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

27. Provisions

Description	Long service leave	Bonus Provision	Gratuity provisions	Other Provisions	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year	0	0	0	20,090,149	20,090,149
Additional provisions	0	0	0	513,480	513,480
Provision utilised	0	0	0	0	0
Change due to discount and time value for money	0	0	0	0	0
Less: current portion	0	0	0	0	0
Balance at the end of the year	0	0	0	20,603,629	20,603,629

(NB: The current portion deducted in this note should tie to line on current portion transferred from non-current provisions).

28. Notes to the Statement of Cash Flows

Description	2022/2023	2021/2022
	Kshs	Kshs
(a) Reconciliation Of Operating Profit/(Loss) To Cash Generated From/(Used In) Operations		
Profit or Loss before tax	(9,566,151)	(1,230,765)
Depreciation	3,546,742	3,760,560
Amortisation	528,951	528,951
(Gain)/Loss on disposal of Property, Plant And Equipment	0	0
Operating Profit/(Loss) before Working Capital changes	(5,490,458)	3,058,746
(Increase)/Decrease in Inventories	(163,496)	(36,950)
(Increase)/Decrease in Trade and Other Receivables	(5,059,011)	150,227
Increase/(Decrease) in Trade and Other Payables	12,663,325	4,252,640
Increase in members Deposit	1,164,000	791,000
Increase/(decrease) in provisions	513,480	(28695)
Cash Generated from/(used In) operations	3,627,840	8,186,968
Differed income Transfers	10,620,164	0
Net Cash generated from/ (used in) operations	14,248,004	8,186,968

GATANGA WATER AND SANITATION COMPANY LIMITED

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Description	2022/2023	2021/2022
	Kshs	Kshs
(b) Analysis of Cash and Cash equivalents		
Cash At Bank	3,464,103	2,484,946
Cash In Hand	9,202	1,230
Balance at end of the Year	3,473,305	2,486,176

29. Related Party Disclosures

Government of Kenya

County Government of Murang'a

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

Other related parties include:

- The County Department in charge of Water
- County Government of Murang'a
- Water works Agencies
- WASREB
- WARMA
- Water Sector Company Fund
- Key management
- Board of directors

Notes to the Financial Statements (Continued)

Transactions with related parties

There was no related party transactions

30. Financial Risk Management

The Gatanga Water and Sanitation 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 Gatanga Water and Sanitation 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 Gatanga Water and Sanitation Company'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)

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 Gatanga Water and Sanitation Company has significant concentration of credit risk on amounts due from xxx.

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 Gatanga Water and Sanitation Company's directors, who have built an appropriate liquidity risk management framework for the management of the Gatanga Water and Sanitation Company's short, medium and long-term funding and liquidity management requirements. The Gatanga Water and Sanitation 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)

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Gatanga Water and Sanitation 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 Gatanga Water and Sanitation Company'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 Finance Department 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 Gatanga Water and Sanitation Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Gatanga Water and Sanitation Company has no transactional currency exposures

Interest rate risk

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

i) Management of interest rate risk

The Company is not exposed to interest rate risk.

Notes To The Financial Statements (Continued)

ii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes To The Financial Statements (Continued)

iv) Capital Risk Management

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

Description	2022/2023	2021/2022
	Kshs	Kshs
Retained earnings	(1,595,044)	7,971,107
Capital reserve	16,443,575	16,443,575
Total Funds	14,848,531	24,414,682
Total Borrowings	0	0
Less: Cash and Bank balances	(3,473,306)	(2,486,176)
Net Debt/(Excess Cash and Cash Equivalents)	0	0
Gearing	n/a	n/a

31. Incorporation

(The Gatanga Water and Sanitation Company) is incorporated in Kenya under the Kenyan Companies Act of 2015 and is domiciled in Kenya.

32. Events after the Reporting Period

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

33. Appendices

Appendix 1: Implementation Status of Auditor-General prior year 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)
Basis for qualified opinion				
1.1	Accuracy of financial statements- cashflow	There was issue was on unreconciled balances which was rectified	resolved	2023
1.2	Accuracy of financial statements- Budget and actual amounts	The issue was on additions which had not been done but rectified on subsequent submission	resolved	2023
2	Long outstanding trade & other receivables	We have provided for specific provision for bad debts and also done debt management policy.	resolved	2023
Basis for conclusion				
1.	Unauthorised tariff	The management has submitted the proposed	In progress	WASREB timelines

GATANGA WATER AND SANITATION COMPANY LIMITED

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

			tariff for consideration to WASREB.		
2.		Estimated water bills	The company has written proposals to Athi water works development Agency, County Government and Water Sector Trust Fund to reduce customer on flat rates and stalled meters. During the year under ended June 2023 company purchased 230 meters	In progress	2025
3.		Staff cost	The management is committed to reduce the percentage cost gradually with increase in revenue with approved tariff	In progress	2025
4.		Absorption of casual	This was in line with WASREB guidelines that a person cannot remain as casual forever	Resolved	2023
5.		Staff ethnic diversity	Advertisement is done on national print media. The management in term of ethnic diversity is at 50%	Not resolved	2025
6.		Corporate governance	Gatanga Water and Sanitation Company Limited was a Company but we have registered a	Resolved	2023

GATANGA WATER AND SANITATION COMPANY LIMITED

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		new company Gatanga Water and Sanitation Company which will adhere to company Act guidelines.		
	Basis for conclusion			
1.	Lack of Audit function	The new board of directors that commence on July 2023 has an audit committee and we advertised for the post which previously didn't exist on September 2023.	resolved	2023
2.	Lack of ICT governance structure	The management employed an ICT personnel	In progress	2024



Name John K Kairu

Accounting Officer

Managing Director

Date 31/01/24

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Appendix II: Projects implemented by (The Gatanga Water and Sanitation Company)

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Augmentation of Ithanga Water Supply Project	AWSB/FI NEXPO/AC H/W/01/2014	AWWDA	2024	N/A	NO	NO
2. Kigoro – Kiunyu - Samuru	AWWDA/ GOK/GWS O/W- 12/2020	AWWDA	2024	N/A	NO	NO
3. Construction of Makiama Intake		NWSHA	2023	N/A	NO	NO
4. Gatanga Water Community Distribution	AWWDA/ KTSWSSP/ W-11/2019	AWWDA	2023	N/A	NO	NO
5. Kihumbu-ini Water infrastructure project	08W/MUR ANG'A/GA TANGA COMMUNITY/02	WSTF	2024	17,798,209.80	NO	NO

N/A – The projects is being implemented by Athi Water Works Development Agency and National Water Harvest and Storage Authority. The Company does nit have details on donor commitment amount.

Status of Projects completion

GATANGA WATER AND SANITATION COMPANY LIMITED

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(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expenditure to date	Completion % to date	Budget	Actual	Sources of funds
1	Augmentation of Ithanga Water Supply Project	N/A	N/A	80%	N/A	N/A	AWWDA
2	Kigoro – Kiunyu - Samuru	N/A	N/A	90%	N/A	N/A	AWWDA
3	Construction of Makiana Intake	N/A	N/A	95%	N/A	N/A	NWWSA
4.	Gatanga Water Community Distribution	N/A	N/A	100%	N/A	N/A	AWWDA
5.	Kihumbu-ini Water infrastructure project	N/A	N/A	95%	N/A	N/A	WSTF

Note: N/A – The projects is being implemented by Athi Water Works Development Agency and National Water Harvest and Storage Authority. The Company does not have details on the budget and actual.

