

REPUBLIC OF KENYA



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**WAJIR WATER AND SEWERAGE  
COMPANY LIMITED**

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

PAPERS LAID	
DATE	21/3/2024
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**WAJIR WATER AND SEWERAGE COMPANY LIMITED (WAJWASCO)**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2023**

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

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## 1. Acronyms and Glossary of Terms

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
	<i>Water Services Regulatory Board</i>
	<i>Water Resources Authority</i>

## **II. KEY ENTITY INFORMATION AND MANAGEMENT**

### **Background information**

Wajir Water & Sewerage Co. Ltd, (WAJWASCO) was incorporated in 2013 under the companies Act 2002 (cap.486). The company is currently regulated by WASREB, through a Service Provision Agreement (SPA) in 30/09/2014 to provide water supply and sewerage services within Wajir Town and its environs. The County Government of Wajir has appointed WAJWASCO as a Water Services Provider (WSP) for the whole of Wajir County.

### **Principal Activities**

To provide and distribute a constant supply of water for commercial, industrial and domestic purposes within the jurisdiction of County Government of Wajir.

To be responsible for the provision and maintenance of water and sewerage services within the jurisdiction of County Government of Wajir.

### **Our vision**

Water for all and Dignified Sanitation

### **Our Mission**

To be the best provider of sustainable quality water and sanitation services for Wajir County.

### **Objectives**

1. To provide water supply and sewerage services in urban and market growth areas.
2. To enhance good governance and performance of rural water supply facilities.
3. To increase access to good quality water and sewerage /safe sanitation.
4. To promote hygiene and safe sanitation (in partnership with other partners and players)
5. Reduction of non-revenue water and unnecessary wastages.

### **Company Headquarters**

Wajwasco House ,New County Head Quarter  
P.O. Box 708 -70200,  
Wajir,  
Kenya.

### **Entity Contacts**

Telephone :+254723238242  
E-mail: info@wajirwater.co.ke  
Website: www.wajirwater.co.ke

### **Corporate Bankers**

Equity Bank Limited  
Wajir Branch  
PO.Box 75104  
Wajir

### **Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

### **Principal Legal Advisers**

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

### III. THE BOARD OF DIRECTORS

<p><b>Mr. Muhumed Mohamud Said</b> Chairman <b>Appointed :August 2018</b> <b>Qualification:</b> Primary Teacher's Certificate (P2 Teacher) Occupation: Educationist Year of Experience: over 20 Years</p>
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<p><b>Mrs Amina Bile</b> Vice chair <b>Appointed :August 2018</b> <b>Qualification:</b> Diploma in Professional computing  <b>Occupation: Accounts</b> <b>Years of Experience: Over 20 years</b></p>
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<p><b>Mr Abdirahman Yare Haji</b> Member <b>Appointed :August 2018</b> <b>Qualification:</b> B. Com Degree Diploma in Islamic Law  <b>Occupation: Governance</b> <b>Years of Experience: 20 years</b></p>
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<p><b>Mrs. Nasteha Mohamed Bile</b> Member <b>Appointed :August 2018</b> <b>Qualification:</b> Master of Arts in Counselling and Psychology and degree in Education <b>Occupation: Educationist</b> <b>Years of Experience: 17 years</b></p>
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<p><b>Mr. Ahmad Guhad Omar</b> Member <b>Appointed :August 2020</b> <b>Qualification:</b> He holds a diploma in Pharmacy Occupation:Chief Officer Water <b>Years of Experience: 13 Years</b></p>
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<p><b>Mr. Mohamed Sokor</b> Member <b>Appointed :August 2021</b>  <b>Qualification: Barchellor's Degree in Commerce and CPA</b>  <b>Occupation: CCO Finance</b> <b>Years of Experience: 10 years</b></p>
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The Board of Directors was disbanded in August 2023 and served only 2 months in the financial year

#### IV. MANAGEMENT TEAM



**MR. Roble Ahmed Subow**  
Designation: The Managing Director

**Appointed :August 2022**  
Year of Birth 1974

**Qualification:**  
Business Administration (Accounting and Finance)-Kingston  
University UK, Member of ACCA-UK .

**Occupation: Accountant/Risk Analyst**  
**Years of Experience: 10 years**



**Mrs. Maryan S Abdirahman**  
Designation: Principal Human Resource

**Responsibility:**  
Manages human resources operations by recruiting, selecting,  
orienting, training, coaching, counseling, and disciplining staff;  
planning, monitoring, appraising, and reviewing staff job  
contributions; maintaining compensation; determining production,  
productivity, quality, and customer- service strategies; designing  
systems; accumulating resources; resolving problems; implementing  
change.

**Qualification:**  
Bachelor in Human Resource Management (University of Nairobi, )  
**Year of Birth , 1990**



**MR. Ahmed Omza**  
Designation: Technical Manager

**Responsibility:**  
To provide high quality water to domestic, commercial and  
industrial customers.

To prepare comprehensive departmental reports, including  
engineering budgets, technical audit reports etc.

**Year of  
Birth 1962**

**Qualification:**  
Higher national diploma in construction (building civil Engineering  
) studied Kenya Institute of Water Registered with ERB 22 Years  
Experience

## VI. REPORT OF THE MANAGING DIRECTOR

I wish to acknowledge the good work and the helping hands we have enjoyed from the County Government of Wajir, World Bank and other development partners. We would also like to thank our consumers and the general public both who have been very co-operative in payment of bills for the water services provided. The county population is estimated at 781, 263 in 2020 according to the Population and Housing Census conducted 2019. Equally the animal population is approximately about 1.2 million camels, 0.9 million cattle, 2.1 million sheep, 3.1 million goats, 0.5 donkeys and 0.8 chicken. According to the Kenya National Bureau of Statistics (KNBS) 2019 animal census,. Currently the company is managing 20 Boreholes with total annual production of 201,066M3 from the boreholes against total annual demand of 528,000M3. WAJWASCO is governed by a board who oversees the operations of the company, spearheaded by a managing director. The company has five key departments with well trained and experienced staff in the various sections of the company. The company continually evaluates human resource needs in order to reduce the current level of overstaffing so as to enhance effective and efficient services delivery.

Total Sales revenue for the year is Ksh 10,073,250 representing a 108% increase from Ksh 4,842,019 sale of water during last financial year ended 30th June 2022, This is largely attributed to more boreholes under Wajwasco during financial year.

The company also received **Kshs 306,571,673 ( three hundred and six million five hundred seventy one thousand six hundred and seventy three shillings)** in capital grants to undertake donor projects within the county.

The slow growth in the sales revenue was largely attributed to the prolonged drought in the area which led to the worsened economic situation of our customers. Our receivables remained at 8,182,693. Which is a huge amount of money we couldn't collect because of the prevailing situations.

The company had taken steps in improving the condition of the environment in which the company facilities are by planting more trees and cleaning. The company had undertaken bushclearing on the roads where our water distribution pipelines pass to improve the environmental condition in the town and as a social corporate responsibility.



.....  
**Managing Director**

Date:20-09-2023

**VII. Statement Of Performance Against Predetermined Objectives for FY 2022/2023**

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

*Wajir Water and Sewerage Company Limited(Wajwasco) has 5 strategic objectives within the current Strategic Plan for the FY 2019- FY 2023. These strategic pillars/ themes/ issues are as follows:*

<b>Strategic</b>	<b>Objective</b>
Strategic Objective No.1	To provide water supply and sewerage services in urban and market growth areas.
Strategic Objective No.2	To enhance good governances and performance of rural water supply facilities.
	To increase access to good quality water and sewerage /safe sanitation.
	To promote hygiene and safe sanitation (in partnership with other partners and players)
	Reduction of non-revenue water and unnecessary wastages.

*Wajir Water and Sewerage Company Limited(Wajwasco) develops its annual work plans based on the above 5 strategic objectives. Assessment of the Board’s performance against its annual work plan is done on annual basis. Wajir Water and Sewerage Company Limited(Wajwasco) achieved its performance targets set for the FY 2022/23 period for its five (5) strategic pillars, as indicated in the diagram below:*

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## VIII. CORPORATE GOVERNANCE STATEMENT

Wajwasco is committed to operating under clear governance frame work and adheres to sound management practices.

We are committed to ensuring compliance with all the provision of the water Act 2016, Licence conditions granted by WASREB and the Companies Act CAP 486.

### **Board Committee**

In order to enhance corporate governance, the Wajwasco Board of Directors has constituted the following committees;

#### **(i) Audit Committee:**

The committee addresses audit reports from internal and external auditors and also evaluates the financial reporting standards adopted by the company. The committee also ensures compliance with financial regulations and soundness of internal control systems.

The members of the committee are from the County Executive of Wajir and are;

1. Daud Hassan Mayow-Chairperson
2. Abdullahi Mohamed Abey-Member
3. Abdullahi Mohamed Abdille-Member

#### **(ii) Finance & Strategy committee:**

The Committee is responsible for all human resources, technical issues and effective utilization of resources. It also recommends capital investment for approval to the board and ensures they meet technical standards and are well maintained. They also deal with policy matters of the board.

The members of the committee are;

- a) Mrs. Amina Bile
- b) Mr. Mohamed Sokor
- c) Mr. Roble Subow

#### **(ii) HR/ Administration and Technical committee:**

The Committee is responsible for all human resources and technical issues. It also recommends capital investment for approval to the board and ensures they meet technical standards and are well maintained. They also deal with policy matters of the board.

The members of the committee are;

- a) Mr. Baashane Gaal
- b) Mrs. Dahaba Hussein Madey
- c) Mr. Abubakar Ali Adow

The succession plan for the directors is in accordance with Article 31 and 32 of the Memorandum & Articles of Association, which require that in every Annual General Meeting, one third of the directors must retire and are eligible for election subject to a maximum of two terms. The Article restricting the terms however, came into effect in January 2014. The directors, upon election, do sign a code of ethics and are taken for induction and corporate governance training. Further, all directors are required to sign a "declaration of interest" book during each meeting to ensure that there is no conflict of interest with the companys matters.



.....  
**Managing Director**

Date: 20-09-2023

## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Wajir Water & Sewerage Company Ltd exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### **Sustainability strategy and profile -**

Wajir Water & Sewerage Company Ltd has invested heavily in an effort to ensure sustainability of the company. Following a lot of investment on distribution lines, we are working on last mile connectivity through the ongoing Water infrastructure project financed by African Development Bank, which will increase the number of customers and hence the revenue base. The on-going Water and Sewerage Project will open up most parts of our area of jurisdiction with increased flow and more customers. Following the completion of this project, we expect increased service coverage in the area. Other strategies include adoption of new technologies in improving services, e.g. ERP System with customer Service Modules.

### **Environmental performance**

Wajir Water & Sewerage Company envisions sustainability of the environment as key to its success. Our emphasis is in protection & sustenance of our catchment areas that are our source of water. We achieve this through tree planting events, which we do in close partnership with educational and other institutes. The company is in the process of drafting a comprehensive environmental policy.

### **Employee welfare**

Regarding employee welfare, the company has clear policies guiding the hiring and separation processes as outlined in our Human Resource & Administration Regulations. All recruitments are on a competitive basis. Those of senior management must be advertised in at least one daily newspaper. Our current gender ratio is about 15% female to 85% male. We however, have a policy of encouraging women to apply for new vacancies as we work towards the one third rule.

The company has an annual appraisal system. A reward and recognition policy was formulated this year and has been implemented. The best performers in various categories receive rewards at the end of the calendar year.

Training and skills improvement is part of our human resource policy. The company liaises with such associations like Water Service Providers Association (WASPA), KEWI and others in conducting training of its staff. In addition, periodic training needs assessments are carried out.

The company complies with the provisions of the Occupational Safety and Health Act 2007 as captured in our Human Resource & Administration Manual. We are however, in the process of drafting the policy as a stand alone policy.

### **Market place practices-**

The organisation outline its efforts to:

#### **a) Responsible competition practice.**

In our service provision, our main competitors are mainly community self-help and irrigation water projects. Our competitive advantage over them is proper governance structures, which we rely on to ensure better services. We also capitalize on leveraging on emerging technologies in service provision. In this way, the competition is fair and we leave the choice to the customer. In most of the areas however, there are no competitors and we are guided by our commitment to improve the welfare of the community that we serve.

## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING(Continued)**

### **b) Responsible Supply chain and supplier relations**

Regarding our supply chain, we ensure open tendering for all our suppliers, where due process is followed. We also comply with the Public Procurement and Disposal Act 2015 when it comes to issues of dealing with the suppliers payment.

### **c) Product stewardship**

Consumer rights are safeguarded by ensuring value for money. In this regard, we endeavour to offer safe and clean water to the best of our ability. The company also has a customer complains desk in each of its four stations ie Ministry of Water Office and Our Headquater Office. Customers also complain through SMS and we've recently installed an ERP with a customer relations module that will improve service delivery. We also have other customer friendly tools like part payment plans where customers can clear their dues in instalments.

#### **Challenges**

- i. Aging infrastructure contributes to water loss and hence high NRW.
- ii. Pipe damage by road contractors contracted by the various government agencies. A lot of pipes have been damaged and no compensation has been forth coming despite our appeals.

## **X. MANGEMENT DISCUSSION AND ANALYSIS**

The financial Year 2022-2023 went on well. The company had lined up several projects to implement during the financial Year. Most of the projects are complete while others are ongoing. The projects were meant to improve the service within our service area.

The Company has generally continued to improve water production and supply to the residents of Wajir through the projects implemented. Total Number of wet connections has increased by 54(fifty four) in the period between June 2022 and June 2023, representing a 9% increase in wet connections during the financial year. Total volume of water produced also increased during the Year.

The company had also taken steps in improving the condition of the environment in which the company facilities are by planting more trees and cleaning. The company had undertaken bushclearing on the roads where our water distribution pipelines pass to improve the environmental condition in the town and as a social corporate responsibility.

The year progressed well and we were able to remain a going concern being able to meet our core activities which helped us in mitigating the effects of Covid 19 pandemic. We were able to continuously supply treated water to all our consumers and also established free water points as per the GOK directives in almost all the bus station and the market places.

We experienced a slight drop in our collection efficiency meaning that we were billing but not doing much collections because we didn't want to enforce punitive measures on collection e.g. disconnections. We gave our customers some amnesty on payment so that we could navigate through the difficult situations

### **CHALLENGES**

- Huge Payables-The company continue to experience huge trade payables that remains unpaid years. Some of this pending bills relate to previous governments and therefore requires to be adequately budgeted for. We have lined up several interventions to ensure that this process is finalised.
- Major interruption of our systems from the effects of the road constructions that touches most of our lines and especially the mainline around Township, Central Area and Corner B where the road is being constructed and the works have already commenced.
- Aging infrastructure leading to frequent pipe bursts causing high NRW .We plan to progressively replace the same.
- Erratic weather, coupled with floods, has led to constant wash away of pipes and causing pipe damages

### **WAY FORWARD**

- We have started major sensitization campaigns across all the areas where we are doing major extension works through the assistance of the National government so as to open up all the areas. This coupled with the new water connection charges will be monitored so as to build on our customer base.
- One on one visitation of our customers to negotiate the terms to pay for the water. We have also established an adhoc team that is currently calling the customers with huge debts and trying to convince them to pay their dues or come up with a payment plan. This approach has assisted us to collect without necessarily doing mass disconnections as we also maintain the supply of water to our customers at this time when it is very much needed.
- Conduct debtors analysis and categorisation with a purpose to clean our books from the long outstanding unrecoverable debts

## XI. 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.

### Principal activities

The principal activities of the company continue to be provision of water and sanitation services to Wajir municipality residents.

### Results

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

	JUNE 30 2023
RESULTS	Shs
Profit before tax	10,294,382
Tax	-
Profit for the year	<u>10,294,382</u>

### Dividends

The Directors do not recommend the payment of dividend for the year.

### Directors

The members of the Board of Directors served only July and August 2022 during the year and are shown on page iii. The board of Directors was disbanded and the appointment of new directors is in the process as per the Company's Articles of Association the Board of Directors.

### Auditors

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

By Order of the Board



Managing Director  
Wajir  
Date:20-09-2023

## **XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 164 of the Public Finance Management Act, 2012 and section 635 of the company's Act, require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity'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 and Water Act 2016. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2021, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial

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

### **Approval of the financial statements**

The financial statements were approved by the Board on 20-09-2023 and signed on its behalf by:

Roble Ahmed Sobow



Managing Director

# REPUBLIC OF KENYA

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

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

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of the Wajir Water and Sewerage Company Limited set out on pages 1 to 25, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Wajir Water and Sewerage Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

### **Basis for Adverse Opinion**

#### **1. Format and Presentation of the Financial Statements**

The section on disclosure of details for the Board of Directors did not include passport size photographs of the Directors. Further, the Financial Statements were not signed by the Chairperson of the Board of Directors.

In the circumstances, the financial statements were not compliant with the Annual Financial Reporting Template (Revised June, 2023) issued by the Public Sector Accounting Standards Board.

#### **2. Going Concern**

The statement of financial position reflects total current assets of Kshs.18,071,350 against total current liabilities of Kshs.596,501,040, resulting to negative working capital of Kshs.578,429,690. The Company's reporting operating revenue was Kshs.10,073,250 representing 2% of the total revenue for the year which was mainly from grants.

Further, the County Executive paid a total of Kshs.135,825,150 for the Company's staff costs during the year. This condition indicates existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. The material uncertainty relating to going concern and measures put in place to improve the Company's financial performance was not disclosed in the financial statements.

In the circumstances, the Company is technically insolvent and its continued operations is dependent on the continued support from the creditors and County Government of Wajir.

#### **3. Incorrect Disclosure of Balances in the Statement of Comprehensive Income**

The statement of profit or loss and other comprehensive income reflects grants income of Kshs.608,385,118. The amount includes Kshs.417,543,792 grant for the Water and Sanitation Development Project. The amount was therefore incorrectly disclosed as income in the statement of comprehensive income. In addition, the statement of profit or loss and other comprehensive income reflects WSDSP operations expenses of

Kshs.334,898,572. However, the expenditure was in respect of the Water and Sanitation Development Project funded by the World Bank. The expenditures, therefore were not supposed to be expensed in the statement of profit or loss and other comprehensive income. In addition, note 15 to the financial statements reflects additions to property plant and equipment of Kshs.64,382,758 implying that the capital expenditure was not reported under additions to property plant and equipment.

In the circumstances, the accuracy of profit for the year of Kshs.10,294,382 and property, plant and equipment balance of Kshs.258,862,889 reported in the statement of financial position could not be confirmed.

#### **4. Inaccuracies in the Statement of Changes in Equity**

The statement of changes in equity reflects transfer from capital fund to statement of comprehensive income amount of Kshs.121,337,314. However, the details or analysis of the amount was not provided. In addition, the statement reflects ordinary share capital of Kshs.2,685,041 whose supporting documents and analysis were not provided.

In the circumstances, the accuracy of balances reflected in the statement of changes in equity could not be confirmed.

#### **5. Non-Disclosure of Revenue**

The Company operated seven (7) water bowsers. However, water sales revenue generated by the water bowsers was not disclosed. In addition, the Company did not disclose revenue generated by the two (2) Company owned exhausters, one (1) trailer for night soil collection, two (2) multipurpose trucks and two (2) crane mounted trucks.

In the circumstances, the accuracy of the operating revenue of Kshs.10,073,250 and accountability of undetermined revenue generated by the Company motor vehicles, plant and equipment could not be confirmed.

#### **6. Undisclosed Value of Land and Lack of Ownership Documents**

Note 15 to the financial statements reflects various classes of fixed assets owned by the Company. These includes freehold land of undisclosed value whose ownership documents were not provided for audit review.

In the circumstances, the accuracy and ownership of the Company's land and the property, plant and equipment balance of Kshs.258,862,889 could not be confirmed.

#### **7. Unsupported Trade and Other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.8,182,693. However, receivables ledger and supporting schedules were not provided to support the balance. In addition, ageing analysis for the receivables was not included in the financial statements and no provision for bad and doubtful debts policy was in place.

In the circumstances, the accuracy of the trade and other receivables balance of Kshs.8,182,693 could not be confirmed.

#### **8. Unsupported Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.596,501,040, Included in the balance is an amount of Kshs.300,000,000 in respect of liabilities inherited from the County government whose composition and other details were not provided. Further, Management did not provide relevant documents including invoices, contractual agreements and creditors statements to support the payables balance. In addition, Aging analysis for the payables was not included in the financial statements.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.596,501,040 could not be confirmed.

#### **9. Unsupported Government Equity**

The statement of financial position reflects members equity of Kshs.2,685,041 which includes Government investments of Kshs.2,585,041. However, the nature of Government investments was not disclosed and this is despite the fact that the Company is wholly owned by the County Government of Wajir through shares.

In the circumstances, the accuracy of members equity of Kshs.2,685,041 reflected in statement of financial position and ordinary share capital of Kshs.2,685,041 reflected in the statement of changes in equity could not be confirmed.

#### **10. Amount Received from County Government**

The statement of profit or loss and other comprehensive income reflects grants income of Kshs.608,385,118 which include grant income from the County Executive of Wajir amounting to Kshs.486,705,800 as disclosed in Note 7 to the financial statements. However, the Wajir County Executive financial statements reflects transfer to the Company amounting to Kshs.495,928,257 in the year under review. The resultant difference of Kshs.9,222,457 was not reconciled.

In the circumstances, the accuracy of grants income of Kshs.608,385,118 could not be confirmed.

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

## **Key Audit Matters**

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

## **Other Matter**

### **1. Unresolved Prior Year Audit Issues**

In the audit of the previous year, twenty-nine (29) issues were raised in the Auditor-General's report. However, only ten (10) issues were disclosed under Progress on Follow up of Auditor Recommendations section of the financial statements. Management has not resolved the issues or explained the failure to adhere to the provisions of the Public Sector Accounting Standards Board Template and the National Treasury Circular AG.3/88/Voll (27) of 9 May,2023.

### **2. Under Collection of Operating Revenue**

During the year under review, the Company reported total operating revenue of Kshs.10,073,250 from water sales as reflected in the statement of profit or loss and other comprehensive income. However, revenue accounts bank statements revealed that the Company received a total of Kshs.1,912,697 from waters sales, thus revenue amounting to Kshs.8,160,553 or eighty (80) percent of the billed revenue was not received. Further, revenue collected decreased by Kshs. 40,347,539 from Kshs. 50,420,789 reported in the year 2021/2022 representing 80% decrease. Management did not provide an explanation for the sharp decrease.

The under collection may have negatively impacted on service delivery and operations of the Company.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Non-Submission of Prior Years' Financial Statements**

The Company was incorporated in the year 2013. However, Management did not prepare and submit financial statements for the financial years ended 30 June, 2014, 30 June, 2015, 30 June, 2016, 30 June, 2017, 30 June, 2018, 30 June, 2019 and 30 June, 2020. This was contrary to Section 149(2)(K) of the Public Finance Management

Act, 2012 which provides that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

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

## **2. Failure to Prepare Estimates of Income and Expenditure**

The Company did not prepare estimates of income and expenditure and submit the estimates to the relevant County Executive Committee Member and the County Assembly for approval. This was contrary to Section 149(2)(j) of the Public Finance Management Act, 2012 which provides that an accounting officer shall, in respect of the entity concerned submit the estimates of an entity, which is a county corporation, to the executive committee member responsible for the entity who, after approving it, shall forward it to the County Executive Committee member for finance.

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

## **3. Non-Revenue Water**

During the year under review, the Company's annual water production was 201,066M<sup>3</sup> based on estimates provided from twenty-two (22) boreholes in five (5) water production schemes at Griftu, Buna, Hadado, Water Minor and Khorof. It was, however, noted that two (2) boreholes at Hadado production scheme had no master meters while water customers at Khorof and Water Minor were not metered. In addition, master meter readings report for the metered boreholes and billing reports of metered customers were not provided for audit.

In the circumstances, it was not possible to determine the level of Non-Revenue Water and the operational efficiency of the Company could not be determined.

## **4. Engagement of Casual Workers for a Prolonged Duration**

Included in the staff costs of Kshs. 135,825,150 as disclosed under Note 8a to the financial statements is payment for casual employees. Review of casual payrolls revealed that there were two hundred and forty-one (241) casual employees as at June, 2023 who were engaged for more than three (3) continuous months. This was contrary to Section 37(1)(a) and (b) of the Employment Act, 2007 which provides that where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month or performs work which cannot reasonably be expected to be completed within a period or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

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

## **5. Failure to Remit Statutory Deductions**

During the year under review, deductions amounting to Kshs.12,071,383 were made from employees' salaries in respect of National Hospital Insurance Fund, Pay As You Earn and the National Social Security Fund. However, Management did not provide documentary evidence to support remittances of the statutory deductions to the respective organizations. This was contrary to Section 19(4) of the Employment Act, 2007 which provides that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement court order or arbitration as the case may be.

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

## **6. Operation Without a Board of Directors**

The Company operated without a Board of directors for three (3) months during the year under review since the previous Board tenure expired on 1 March, 2022. This was contrary to Section 79(1) of the Water Act, 2016 which provides that a water services provider shall have a Board of directors and in the case of a Company, the members of its Board of directors shall be constituted in accordance with the Companies Act, 2015 or any other written law and the directors shall be nominated to serve on the Board in accordance with the Company's memorandum and articles of association.

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

## **7. Operation Without a License from the Water Services Regulatory Board**

The Company made an application to the Water Services Regulatory Board in the year 2021. Pursuant to Section 88(2) of the Water Act, 2016, the Company was required to send a performance guarantee of Kshs.2,482,463 to be issued with the license. However, the Company did not meet the requirement and has been operating without a license.

In the circumstances, legality of the Company's operations could not be confirmed.

## **8. Use of Unapproved Water Tariffs**

According to the records provided for audit, the Company charged an unapproved water tariff of Kshs.125 per cubic meter on metered customers, a flat rate charge of Kshs.1,000 on un-metered customers per month and an undefined rate charge for livestock watering. Management did not seek approval from the Water Services Regulatory Board (WASREB) for the tariffs. This was contrary to Section 72(1)(b) of the Water Act, 2016 which states that the powers and functions of the Regulatory Board shall be to evaluate and recommend water and sewerage tariffs to the county water services providers and approve the imposition of such tariffs in line with consumer protection standards.

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

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Report on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

## Basis for Conclusion

### 1. Weaknesses in Revenue Collection and Management Systems

During the year under review, the Company reported total operating revenue of Kshs.10,073,250 from water sales as reflected in the statement of profit or loss and other comprehensive income. However, out of the Company's two hundred and eighteen (1,218) active water connections, only seven hundred and three (703) representing 58% of the customers were metered. The Company did not put in place an effective billing and revenue collection system but maintained excel water charges billing report which may be prone to manipulation. In addition, monthly reconciliation of billings and cash banked from water sales was not carried out.

Further, the Company charged a one-off refundable customer connection fee of Kshs.1,000. However, the Company did not open and operate a separate deposit bank account for the connection fees.

The weaknesses in revenue collection and management systems may have resulted to ineffectiveness in service delivery by the Company leading to over reliance on funding from the County Government of Wajir and grants from donors.

### 2. Lack of a Functional Internal Audit Department

The Company did not establish a functional internal audit department to carry out the functions provided under Regulation 153 of the Public Finance Management (County Governments) Regulations, 2015. According to the Regulation, internal auditors shall: (a) review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities, including County Assembly, (b) give reasonable assurance through the audit committee on the state of risk management, control and governance within the organization and (c) review the effectiveness of the financial and non-financial performance management systems of the entities.

In the circumstances, the effectiveness of checks and balances in the Company could not be confirmed.

### **3. Failure to Establish Audit Committee**

The Company operated without an audit committee as required by Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an audit committee which shall support the accounting officers with regard to their responsibilities for issues of risk, control and governance and associated assurance and also to follow up on the implementation of the recommendations of internal and external auditors.

In the circumstances, it was not possible to confirm existence of effective internal controls, risk management and Governance structures in the Company.

### **4. Lack of Information Technology Internal Controls**

Review of the Company's Information Technology (IT) controls and risk management processes revealed that the Company did not have (IT) strategy committee and IT steering committee. In addition, policies in respect of physical access to IT environments were not place.

Further, the Company did not have disaster management and recovery policies in place including fire suppression systems. The Company did not have business continuity plan and IT continuity plan including an off-site back-up plan.

Lack of effective Information Technology internal controls may result to huge loses in case of a disaster.

### **5. Maintenance of Manual Payroll**

Verification of the Company's payroll revealed that the monthly payrolls were prepared and maintained in MS Excel Worksheets. As a result, the security and integrity of payroll data may not be guaranteed in case of damage or loss of computers in which the information is contained. It was also noted that back-up measures were not put in place to mitigate against possible risks.

In the circumstances, it was not possible to confirm existence of effective controls in the Company's payroll system.

### **6. Failure to Maintain Proper Asset Register**

The asset register maintained was not properly updated. Total values for each class of assets was not indicated in the register. Land and bore holes of undisclosed value where not recorded in the assets register.

In the circumstances, it was not possible to confirm the existence of effective internal controls on management of fixed assets.

### **7. Lack of a Risk Management Policy**

The Company did not have a risk management policy. It was further noted that Management did not carry out risk assessment during the year under review.

As such the Company could not be able to identify, assess and control threats that may adversely affect achievement of its objectives.

In the circumstances, Company may fail to identify and respond to risks in order to minimize or prevent their impact.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have not obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit,
- ii. In my opinion, proper books of account have not been kept by the Company, so far as appears from the examination of those books and,
- iii. The Company's financial statements are not in agreement with the accounting records and returns.

### **Responsibilities of the Management and the Board of Directors**

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and 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 applicable basis of accounting unless Management is aware of the intention to liquidate the Company or cease operations.

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

12 February, 2024

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

	Note	2022/2023 KSh	2021/2022 KSh
<b>REVENUES</b>			
Operating Revenue	6.	10,073,250	50,420,789
Grants Income	7.	608,385,118	474,728,826
		<u>618,458,368</u>	<u>525,149,615</u>
<b>EXPENSES</b>			
In kind contribution (expenses paid by county gov	8	180,518,330	275,402,030
General and Operations Expenses	9	1,219,140	8,392,700
WSDSP Operation expenses	10	334,898,572	145,037,266
WSTF Operation expenses	11	8,391,091	1,763
CLSG Operation expenses	12	0	2,431,365
RAP Operation expenses	13	47,250,920	3,755,200
Depreciation and Amortization Expenses	16	35,885,933	33,388,888
<b>TOTAL EXPENSES</b>		<u>608,163,986</u>	<u>468,409,212</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>10,294,382</b>	<b>56,740,403</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>	21.	-	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>10,294,382</b>	<b>56,740,403</b>
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<u><b>10,294,382</b></u>	<u><b>56,740,403</b></u>

**XV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

	Note	2022/2023 KSh	2021/2022 KSh
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	15.	258,862,889	230,366,064
Intangible assets	16.	0	
		<u>258,862,889</u>	<u>230,366,064</u>
Inventories	17	0	-
Trade and other receivables	18.	8,182,693	2,683,000
Bank and cash balances	19.	9,888,657	90,083,398
<b>Total Current Assets</b>		<u>18,071,350</u>	<u>92,766,398</u>
<b>TOTAL ASSETS</b>		<u>276,934,239</u>	<u>323,132,462</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Members Equity	20.	2,685,041	2,685,041
Capital Grants	20.	-186,074,585	-129,120,029
Retained earnings	20.	(136,177,257)	(146,471,639)
<b>Capital and Reserves</b>		<u>-319,566,801</u>	<u>-272,906,627</u>
<b>Non-Current Liabilities</b>			
Deferred tax liability	21.	-	-
<b>Total Non-Current Liabilities</b>		<u>-</u>	<u>-</u>
<b>Current Liabilities</b>			
Trade and other payables	21	596,501,040	596,039,088
<b>Total Current Liabilities</b>		<u>596,501,040</u>	<u>596,039,088</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>276,934,239</u>	<u>323,132,461</u>

The financial statements on pages 1 to 20 were approved for issue by the board of directors on 24-09-2023 and were signed on its behalf by:

  
 .....

Managing  
 Director  
 Name: Roble Sobow Ahmed

  
 .....

Head of Finance  
 Name: Haboon Gure Hassan

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

	Ordinary share capital	Retained earnings	Capital Grants	Total
	KSh	KSh	KSh	KSh
<b>At July 1, 2021</b>	2,685,041	-	(276,562,855)	(273,877,814)
Total comprehensive income		(146,471,639)		(146,471,639)
Capital/Development grants received during the year	-		147,442,826	147,442,826
Transfer from Capital fund to Statement of comprehensive income		-		-
		-		-
	<u>2,685,041</u>	<u>(146,471,639)</u>	<u>(129,120,029)</u>	<u>(272,906,627)</u>
<b>At July 1, 2022</b>	2,685,041	(146,471,639)	(129,120,029)	(272,906,627)
Total comprehensive income	-	10,294,382	-	10,294,382
Capital/Development grants received during the year	-	-	64,382,758	64,382,758
Transfer from Capital fund to Statement of comprehensive income	-	-	(121,337,314)	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
	<u>2,685,041</u>	<u>(136,177,257)</u>	<u>(186,074,585)</u>	<u>(319,566,801)</u>

Wajir Water And Sewerage Company Limited  
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**XVII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Cash Flows From Operating Activities</b>			
<b>Receipts</b>			
Operating Revenue	6	10,073,250	50,420,789
Non-Operating Revenue		-	-
Other Income		-	-
Finance Income		-	8,736,000
Grants	7	492,249,546	147,442,826
Customer Deposits		-	-
<b>Total Receipts</b>		<b>502,322,796</b>	<b>206,599,615</b>
<b>Payments</b>			
Staff Costs	8	0	0
Board Expenses	10	0	0
General And Operation Expenses	9	1,219,140	0
Maintenance			
Finance Costs		-	-
Donor Projects Operation Expenses	14	390,540,583	172,366,658
Payment of Pending bills (changes in payables)		76,190,908	
Total Payments		467,950,631	172,366,658
<b>Net Cash From/(Used In) Operating Activities</b>		<b>34,372,165</b>	<b>34,232,957</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)	15	-64,382,758	-124,736,064
Proceeds From Disposal Of PPE		-	-
Purchase Of Intangible Assets	16	0	0
Purchase Of Investment Property		-	-
Purchase Of Quoted Investments		-	-
Proceeds From Disposal Of Quoted Investments		-	-
<b>Net Cash From/(Used In) Investing Activities</b>		<b>-64,382,758</b>	<b>-124,736,064</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds From Issues Of New Share Capital		-	-
Proceeds From Borrowings		-	-
Repayment Of Borrowings		-	-
Dividends Paid		-	-
<b>Net Cash From/(Used In) Financing Activities</b>		<b>-</b>	<b>-</b>
<b>Prior adjustments</b>		<b>(16,841,153)</b>	<b>147,132,994</b>
<b>Increase/(Decrease) In Cash And Cash Equivalents</b>		<b>(30,010,593)</b>	<b>(90,503,107)</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>		<b>56,740,403</b>	<b>110,516</b>
Effects Of Foreign Exchanges Rate Fluctuations		-	-
<b>Cash And Cash Equivalents At End Of The Year</b>		<b>9,888,657</b>	<b>56,740,403</b>

XVIII. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Operating Revenue	20,000,000	0	20,000,000	10,073,250	9,926,750	50%
Non-Operating Revenue		0	0	0	0	
Grants	693,575,546	0	693,575,546	608,385,118	85,190,428	88%
Finance Income			0		0	
		0	0		0	
<b>Total Revenue</b>	<b>713,575,546</b>	<b>0</b>	<b>713,575,546</b>	<b>618,458,368</b>	<b>95,117,178</b>	<b>87%</b>
<b>Expenses</b>						
Inkind contributions	200,000,000	0	200,000,000	180,518,330	19,481,670	10%
General and operations Expenses	2,000,000	0	2,000,000	1,219,140	780,860	61%
WSDSP Operation expenses	335,000,000	0	335,000,000	334,898,572	101,428	100%
WSTF Operation expenses	8,391,091	0	8,391,091	8,391,091	0	100%
CLSG Operation expenses	0	0	0	0	0	
RAP Operation expenses	48,000,000	0	48,000,000	47,250,920		98%
Total Recurrent Expenditure	<b>593,391,091</b>	<b>0</b>	<b>593,391,091</b>	<b>525,027,133</b>	<b>68,363,958</b>	<b>88%</b>
					0	
<b>Capital Expenditure</b>	<b>140,000,000</b>	<b>1,575,546</b>	<b>141,575,546</b>	<b>64,382,758</b>	<b>-77,192,788</b>	<b>45%</b>
					0	
					0	
<b>Total Expenditure</b>	<b>733,391,091</b>	<b>1,575,546</b>	<b>734,966,637</b>	<b>589,409,892</b>	<b>145,556,745</b>	<b>80%</b>

## **XVIV. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

Wajir Water and Sewerage Company was established by and derives its authority and accountability from Company's Act. The Company is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activities of the entity continue to be provision of water and sanitation services to Wajir residents.

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

### **2. Statement of Compliance and Basis of Preparation**

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**XVIV. 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 effective in the year ended 30 June 2022**

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
		The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
		The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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. Or the following has been assessed to be significant for the company and has been addressed as follows....

**XIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
		The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
		The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption 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.

*i. Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2022/2023

#### **XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

##### **4. Summary of Significant Accounting Policies**

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

##### **a) Revenue recognition**

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

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

v) Rental income is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.

##### **b) In-kind contributions**

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

##### **c) Property, plant and equipment**

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers. Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

**XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**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 recognised in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Freehold Land	0	0%
	0	0%
		4%
		4%
	12.5	8%
Motor vehicles, including motor cycles	4	12.5%
Computers and related equipment	3	25%
Office equipment, furniture and fittings	12.5	8%
Impairment of Inventory	6.5	15%

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.

**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.

#### **XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

##### **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.

##### **g) Investment property**

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

##### **h) Right of Use Asset**

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

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

**XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**j) Quoted investments**

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

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

**l) Inventories**

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

**m) Trade and other receivables**

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

**XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**n) Taxation**

**i) Current income tax**

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

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

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

**o) Deferred tax**

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

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

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

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

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

#### **XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

##### **p) Borrowing costs**

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

##### **q) Cash and cash equivalents**

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

##### **r) Borrowings**

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

#### XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)

##### s) 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 entity or not, less any payments made to the suppliers.

##### t) Retirement benefit obligations

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

##### u) Provision for staff leave pay

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

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

The original budget for FY 2022-2023 was approved by the Board of Directors on September 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of on the 2022-2023 budget following the governing body's approval. 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 actuals as per the statement of Comprehensive income has been presented under section xxx of these financial statements.

##### x) Service concession arrangements

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

##### y) Comparative figures

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

##### z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

## XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. Significant Judgments and Sources of Estimation Uncertainty

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

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

#### a) Estimates and assumptions

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

#### b) Useful lives and residual values

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

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

#### c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. 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 organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Operating Revenue	2022/2023 Ksh	2022/2022 Ksh
sales of water	10,073,250	4,842,019
Sewerage Services	-	-
Billing for other services	0	32,760,000
Institutional income	-	4,082,770
Vehicle hire	-	8,736,000
<b>Total</b>	<b><u>10,073,250</u></b>	<b><u>50,420,789</u></b>
7. Grants Income		
Operational grants from Government entities	417,543,792	145,000,000
Recurrent/operational grants from other agencies	5,543,746	2,442,826
Capital grants amortized	0	
Donations from County Governments-Wajir	4,779,250	-
In Kind contribution/donations from other agencies-Wajir County	180,518,330	327,286,000
<b>Total</b>	<b><u>608,385,118</u></b>	<b><u>474,728,826</u></b>

7(b) Analysis of grants

Name of the Entity sending the grant	Amount recognized in the Statement of	Amount deferred under deferred	Amount recognised in capital fund.	Total grant income during the year	Total grant income FY 2021-22
	KShs	KShs	KShs	KShs	
County Government of Wajir	417,543,792		64,382,758	481,926,550	145,000,000
Donations from County Government	4,779,250			4,779,250	
Water Service Trust Fund	5,543,746			5,543,746	2,442,826
<b>TOTAL</b>	<b>427,866,788</b>		<b>64,382,758</b>	<b>492,249,546</b>	<b>147,442,826</b>

**XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>8 In Kind Contributions (Expenses paid by County Government)</b>		
	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>8a</b> Salaries Paid by County Government	135,825,150	209,701,030
<b>8b Inkind General Expenses</b>		
Electricity Expenses	0	600,000
Communication services and supplies	2,360,250	1,440,000
Travelling and subsistence	1,877,000	756,000
Fuel, Oil and Lubes expense	2,175,000	1,935,000
Sanitary/cleaning materials	0	960,000
Rent expenses	13,800,000	4,800,000
Staff training and development	874,800	6,000,000
Hospitality supplies and services	2,050,000	3,220,000
Office and general supplies and services	497,680	18,000,000
Uniform and protective clothing	1,450,000	1,000,000
Computer maintenance	0	360,000
Professional Services	0	4,800,000
Motor vehicle expense		1,080,000
<b>Total Inkind general expenses</b>	<b>25,084,730</b>	<b>44,951,000</b>
<b>8c Inkind Board Expenses</b>		
Travel and accommodation	1,566,500	-
	<b>1,566,500</b>	<b>0</b>
<b>8d Inkind Maintenance expenses</b>		
Maintenance of civil works	0	7,850,000
Buildings	2,601,520	3,900,000
Infrastructural networks (rehabilitation)	13,040,430	5,050,000
Motor vehicles	2,400,000	-
Water supplies	0	3,950,000.00
<b>Total inkind maintenace expenses</b>	<b>18,041,950</b>	<b>20,750,000</b>
<b>Total In kind contribution expenses</b>	<b>180,518,330</b>	<b>275,402,030</b>
<b>9 General and Operations Expenses</b>	<b>2022/2023</b>	<b>2021/2022</b>
	<b>Ksh</b>	<b>Ksh</b>
Travelling and subsistence	597,000	509,000
Repairs and maintenance	500,000	0
Communication services and supplies	29,000	400,000
Hospitality supplies and services	50,000	0
Bank charges and commissions	43,140	67,715
Operation and maintenance	0	7,415,985
	<b>1,219,140</b>	<b>8,392,700</b>

**XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>10 WSDSP Operation Expenses</b>		<b>2022-2023</b>	<b>2021-2022</b>
		<b>Kshs</b>	<b>Kshs</b>
Monitoring & Evaluation	WSDSP	3,722,748	3,524,050
Bank Charges	WSDSP	7,930	3,363
Consultancy	WSDSP	134,187,072	53,099,327.00
Onsite sanitation	WSDSP	163,867,615	63,603,498.00
Admin Expenses	WSDSP	33,113,207	3,675,964.00
Purchase of Vehicle for WSDP Proj	WSDSP	-	21,131,064.00
<b>Total WSDSP Operation Expenses</b>		<b>334,898,572</b>	<b>145,037,266</b>
<b>11 WSTF Operation Expenses</b>		<b>2022-2023</b>	<b>2021-2022</b>
		<b>Kshs</b>	<b>Kshs</b>
Bank Charges	WSTF	4,665	0
Tarbaj water Project Expenses	WSTF	7,625,426	0
Admin Expenses	WSTF	761,000	1,763
<b>Total WSTF Operation Expenses</b>		<b>8,391,091</b>	<b>1,763</b>
<b>12 CLSG Operation Expenses</b>		<b>2022-2023</b>	<b>2021-2022</b>
		<b>Kshs</b>	<b>Kshs</b>
Bank Charges	CLSG	-	3,365
Admin Expenses	CLSG	-	1,828,000
Borehole fittings	CLSG	-	600,000
<b>Total CLSG Operation Expenses</b>		<b>-</b>	<b>2,431,365</b>
<b>13 RAP Operation Expenses</b>		<b>2022-2023</b>	<b>2021-2022</b>
		<b>Kshs</b>	<b>Kshs</b>
Bank Charges	RAP Water Project	19,920	0
Admin Expenses	RAP Water Project	896,000	3,755,200.00
Project Expenses	RAP Water Project	46,335,000	-
<b>Total RAP Operation Expenses</b>		<b>47,250,920</b>	<b>3,755,200</b>

**XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15. Property, Plant and Equipments**

	Freehold land Shs	Buildings and Civil works Shs 4.0%	Water & Sewer Infrastructure Shs 4.0%	Plant and machinery Shs 8.0%	Computers and related Equipment Shs 25.0%	Furniture & fittings Shs 8.0%	Motor Vehicles/Cycles Shs 12.5%	Capital Projects in progress Shs 4.0%	Total Shs
Cost									
At July 1, 2022		48,500,000	140,348,617	16,083,000	2,684,000	938,025	146,011,692.00	-	354,565,334
Additions					-		64,382,758		64,382,758
At June 30, 2023	-	48,500,000	140,348,617	16,083,000	2,684,000	938,025	210,394,450	-	418,948,092
<b>Depreciation and Impairment</b>									
At July 1, 2022	-	0	52,816,194	7,371,375	2,356,200	429,928	61,225,573		124,199,270
Depreciation	-	1,940,000	5,613,945	1,286,640	671,000	75,042	26,299,306	-	35,885,933
At June 30, 2023	-	1,940,000	58,430,139	8,658,015	3,027,200	504,970	87,524,879	-	160,085,203
<b>Net book values</b>									
At June 30, 2023	-	46,560,000	81,918,478	7,424,985	-	433,055	122,869,571	-	258,862,889
At June 30, 2022		48,500,000	87,532,423	8,711,625	327,800	508,097	84,786,119	-	230,366,064

**16. Intangible assets**

	2022-2023 Kshs 20%	2021-2022 Kshs 20%
Cost		
At July 1 2022	-	
Additions		
At June 30 2023	-	-
<b>Amortization</b>		
At July 1 2022	0	
Charge for the year	-	
At June 30 2023	-	-
<b>Net book value</b>		
At June 30 2023	-	-

**12 Depreciation and Amortization Expenses**

Description	2022-2023 Kshs	2021-2022 Kshs
Property, plant, and equipment	35,885,933	23,023,484
Intangible assets	-	
<b>Total</b>	<b>35,885,933</b>	<b>23,023,484</b>



**XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>19. Bank and cash balances</b>		<b>Kshs</b>	<b>2021-2022 Kshs</b>
Cash at bank		9,888,657	90,083,398
Petty cash		-	-
Revenue Cash Office		-	-
		<u><b>9,888,657</b></u>	<u><b>90,083,398</b></u>
		<b>2022-2023 Kshs</b>	<b>2021-2022 Kshs</b>
<b>Financial institution</b>			
Equity Bank Kenya	WSDP 1030278635680	6,453,031	390
Equity Bank Kenya	Revenue 1030278626125	376,227.00	2,937
First Community Bank	Revenue FCB	324,287	21,640
NBK	Tarbaj Water 01041246169000	1,931,330	0
Equity Bank Kenya	CLSG 1030281030888	11,462	11,462
FCB	RAP 8000458403	792,320.00	48,043,440
RIBA	WSTF 1040218268300	0	-
Water Boozers Mpesa			41,496,000.00
<b>Sub- total</b>		<u><b>9,888,657</b></u>	<u><b>90,083,398</b></u>
<b>20. Ordinary share capital</b>			
Members Equity		2,685,041	2,685,041
Capital Grants		-186,074,585	-129,120,029
Retained earnings		<u>(136,177,257)</u>	<u>(146,471,639)</u>
<b>Capital and Reserves</b>		<u><b>-319,566,801</b></u>	<u><b>-272,906,627</b></u>
<b>20(a). Members Equity</b>			
5000 Authorised ordinary shares of Kshs.20 par value each		100,000	100,000
Government investmets		<u>2,585,041</u>	<u>2,585,041</u>
		<u><b>2,685,041</b></u>	<u><b>2,685,041</b></u>
<b>21. Tax liabilities</b>			
Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:			
		<b>2022-2023 Kshs</b>	<b>2021-2022 Kshs</b>
Current Year's Tax Loss		0	(5,685,581)
Tax losses carried forward		-97,201,352	(91,515,771)
Provisions for liabilities and charges		-	-
<b>Net deferred tax liability</b>		<u><b>(97,201,352)</b></u>	<u><b>(97,201,352)</b></u>

**XVIV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2022-2023 Kshs	2021-2022 Kshs
<b>21. Trade and other payables</b>		
Trade payables	296,501,040	596,039,088
Inherited liabilities from County Govt	300,000,000	-
	<u>596,501,040</u>	<u>596,039,088</u>
Trade payables B/d	596,039,088	596,039,088
Increase in trade and accrued payables	461,952	0
	<u>596,501,040</u>	<u>596,039,088</u>

**22. Related party transactions**

**(a) Government of Kenya**

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

Other related parties include:

- i) County Government of Wajir
- ii) Key management;
- iii) Board of directors;

**Transactions with related parties**

	2022-2023 Kshs	2021-2022 Kshs
<b>a) Expensed Grants from the Government</b>		
Grants from County Govt	417,543,792	145,000,000
Grants from National Government	5,543,746	2,442,826
Donations from County Government	4,779,250	0
Donations in kind	180,518,330	327,286,000
<b>Total</b>	<u>608,385,118</u>	<u>474,728,826</u>
<b>b) Key management compensation</b>		
Directors' emoluments	1,566,500	0
<b>Total</b>	<u>1,566,500</u>	<u>0</u>

**23. Events after the reporting period**

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

**24. Currency**

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

**25. Incorporation**

Wajir Water and Sewerage Company (Wajwasco) was incorporated in the 2013 for the sole purpose of discharging the primary mandate of ensuring the delivery of sufficient, safe and affordable water services to the residents of Wajir town and the peri-urban settlements within the towns vicinity.

Wajir Urban water supply under the jurisdiction of the Water Company serves the larger Wajir town which is also the County Headquarters. The Company also has owned boreholes outside Wajir town

## **Annex1**

### **a) Financial Risk Management**

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

### **b) Credit risk**

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

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

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

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

### **c) Liquidity risk management**

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

### **d) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates, which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The company's Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

### **Foreign currency risk**

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

**Annex2**

**Progress On Follow Up of Auditor Recommendations**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
			(Resolved / Not Resolved)	(Put a date when you expect the issue to be resolved)
1	Non-submission of Prior Years Financial Statements	Management agreed the audit findings	No	
2	Late Submission of Financial Statements	Management agreed the audit findings	No	
3	Presentation and Inaccuracies of Financial Statements		No	
6	Operation without an Approved Budget	Management agreed the audit findings	No	
7	Unsupported Cash and Cheque Withdrawals	Management agreed the audit findings	YES	
12	Un-supported Plant Property and Equipment Balance	Management agreed the audit findings	No	
13.1	Staff Recruitment and Management of Human Resources	Management agreed the audit findings	No	
13.4	Non-Compliance with Service Level Agreement on Personnel Cost	Management agreed the audit findings	No	
13.5	Irregular Payment of Salaries to Doubtful Employees	Management agreed the audit findings	No	
13.6	Lack of Appointment Letters for Board of Directors	Management agreed the audit findings	No	

Name : Roble Ahmed Sobow

Signature



Managing Director

Date: 20-09-2023

**Annex3**

**Inter-Entity Confirmation Letter**

Wajir Water and Sewerage Company wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Wajir Water and Sewerage Company as at 30th June 2023							
Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2023						Amount Received by Wajwasco	
						(KShs) as at 30 <sup>th</sup> June 2022	
						(E)	Differences (KShs) (F)=(D-E)
	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)			
Wajir County Government	177,619,193.65	309,086,607.00	-	486,705,800.65			
Water Fund	5,543,746.00		-	5,543,746.00			
Water Fund							
<b>Total</b>	<b>183,162,939.65</b>	<b>309,086,607.00</b>	<b>0.00</b>	<b>492,249,546.65</b>			

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

Head of Accountants department of beneficiary entity:

Name: *Haboon Gure Hassan*

Signature



Date 20th September 2023

**Annex4**

**Projects Implemented by Wajwasco**

The following is the summary of projects implemented by Wajwasco

Project title	Donor	Period/ duration	Donor commitment	Separate donor reporting required as	Consolidated in these financial (Yes/No)
Construction of office block and laboratory	World Bank Group	12 month	Contractual agreement	yes	yes
Pilot On-Site Sanitation Facilities (Eco-san and Ablution blocks)		12 month	Contractual agreement	yes	yes
Drilling of boreholes in Rifeit and Lanbib	World Bank Group		Contractual agreement	yes	yes
Supply and installation of solar PV power and other related borehole equipment –Hybrid	World Bank Group	12 month	Contractual agreement	yes	yes

Name : Roble Ahmed Sobow

Signature



Managing Director

Date: 20-09-2023

**Annex5**

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
KE-WAJWASCO-26664-CW-RFB /	Construction of office block and laboratory	48,500,000	46,000,000	100%	68,200,000	48,500,000	World Bank Group
KE-WAJWASCO-220077-CW-RFB	Pilot On-Site Sanitation Facilities (Eco-san and Ablution blocks)	314,526,919	163,867,614.99	86%	314,526,919	314,526,919	World Bank Group
Drilling of boreholes in Rifeit and Lanbib	Drilling of boreholes in Rifeit and Lanbib	39,263,680	22,187,932	59%	39,263,680	39,263,680	World Bank Group
KE-WAJWASCO-144915-GO-RFB	Supply and installation of solar PV power and other related borehole equipment –Hybrid	97,997,400	31,000,000	80%	97,997,400	97,997,400	World Bank Group

Name : Roble Ahmed Sobow

Signature



Managing Director

Date: 20-09-2023

**Annex 6**

**Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds	Implementing Partners
KE-WAJWASCO-26664-CW-RFB /	Construction of office block and laboratory	To reduce the administrative cost of the WSP	Construction of office block and laboratory	World Group/IDA	Wajwasco
KE-WAJWASCO-220077-CW-RFB	Pilot On-Site Sanitation Facilities (Eco-san and Ablution blocks)	Improve Sanitation status of Wajir town & its environs	Pilot On-Site Sanitation Facilities (Eco-san and Ablution blocks)	World Group/IDA	Wajwasco
Drilling of boreholes in Rifeit and Lanbib	Drilling of boreholes in Rifeit and Lanbib	Improve water supply of Wajir town & its environs	Drilling of boreholes in Rifeit and Lanbib	World Group/IDA	Wajwasco
KE-WAJWASCO-144915-GO-RFB	Supply and installation of solar PV power and other related borehole equipment –Hybrid	Improve rural water supply of Wajir town sub-counties its environs	Supply and installation of solar PV power and other related borehole equipment –Hybrid	World Group/IDA	Wajwasco

Name : Roble Ahmed Sobow

Signature



Managing Director

Date: 20-09-2023

Annex 7

SN.	SUPPLIER NAME	AMOUNT(KSHS)
1	Arshaad Hardware Limited	2,425,000
2	East Africa Engineering Ltd	51,880,940
3	Claxion Human Resources limited	300,000
4	Paybal Consultancy firm	3,120,000
5	Losai Amanagement Limited	52,980,000
6	Leyli Gen. Contractor	120,927,000
7	Shalloline Construction co. Limited	7,890,650
8	Biomax Africa limited	56,977,450
9	Inherited liabilities from county govt	300,000,000
	<b>TOTAL</b>	<b>596,501,040</b>