

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**



**OF**

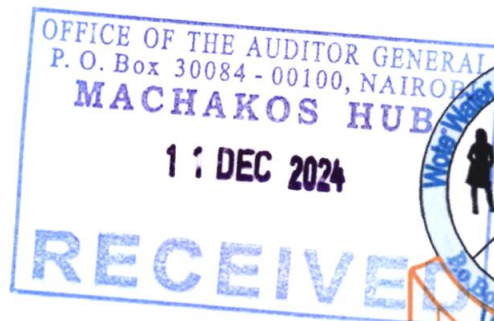
**THE AUDITOR-GENERAL**

**ON**

**WOTE WATER AND SEWERAGE  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

PAPERS LAID	
DATE	19/2/2025
TABLED BY	Majority leader
COMMITTEE	
CLERK AT THE TABLE	Angela



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**WOTE WATER AND SEWERAGE COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2024**

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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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PSB 0301 11

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**1. Acronyms and Glossary of Terms**

<b>Ag</b>	<b>Acting</b>
<b>CECM</b>	<i>County Executive Committee Member</i>
<b>CLSG</b>	<i>Conditional Liquidity Support Grant</i>
<b>CPF</b>	<i>County Pension Fund</i>
<b>DTF</b>	<i>Decentralized Treatment Facility</i>
<b>ESIA</b>	<i>Environmental and Social Impact Assessment</i>
<b>FIFO</b>	<i>First In First Out</i>
<b>IAS</b>	<i>International Accounting Standards</i>
<b>ICPAK</b>	<i>Institute of Certified Public Accountants of Kenya</i>
<b>IFRS</b>	<i>International Financial Reporting Standards</i>
<b>KIWASH</b>	<i>Kenya Integrated Water Sanitation and Hygiene program</i>
<b>KRA</b>	<i>Kenya Revenue Authority</i>
<b>MARUWAB</b>	<i>Makueni Rural Water Board</i>
<b>M &amp; E</b>	<i>Monitoring and Evaluation</i>
<b>NAWASIP</b>	<i>National Water and Sanitation Investment Programme</i>
<b>NEMA</b>	<i>National Environmental Management Authority</i>
<b>NHIF</b>	<i>National Hospital Insurance Fund</i>
<b>NITA</b>	<i>National Industrial Training Authority</i>
<b>NSSF</b>	<i>National Social Security Fund</i>
<b>NRW</b>	<i>Non Revenue Water</i>
<b>PFM</b>	<i>Public Financial Management</i>
<b>PPE</b>	<i>Property Plant and Equipment</i>
<b>PSASB</b>	<i>Public Sector Accounting Standards Board</i>
<b>STAWI</b>	<i>Sustainable Transformational and Accessible Water Invention</i>
<b>UBSUP</b>	<i>Up-scaling Basic Sanitation for the Urban Poor</i>
<b>UPC</b>	<i>Urban Project Concept</i>
<b>USAID</b>	<i>United States Agency for International Development</i>
<b>VAT</b>	<i>Value Added Tax</i>
<b>WASREB</b>	<i>Water Services Regulatory Board</i>
<b>WIBA</b>	<i>Workmen Injury Benefit Act</i>
<b>WRA</b>	<i>Water Resources Authority</i>
<b>WSTF</b>	<i>Water Sector Trust Fund</i>

## **2. Key Entity Information**

### **Background information**

The Wote Water and Sewerage Company Ltd was established by the Act of Parliament on 28<sup>th</sup> June 2006 and operates as a County entity of County Government of Makueni pursuant to Section 78 of the Water Act 2016. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya.

### **Principal Activities**

The principal activity of the Company is water service provision.

### **Vision**

**Access to quality, reliable and affordable water and sewerage services for all.**

### **Mission**

To provide clean, safe, reliable, affordable and sustainable water and sewerage services through Collaborative processes within Wote and its environs.

### **Core Values**

Integrity, Professionalism and commitment, accountability and transparency, Customer focus, Equity and Team work.

### **Core Objectives**

- Increase access to water and sanitation services and coverage within area of jurisdiction
- Institutional strengthening of the company
- Ensure operational efficiency and sustainability of the company
- **Attain financial sustainability of the company**
- Ensure optimal utilization of available water/ optimizing water usage.
- Mainstreaming cross-cutting issues of poverty, gender, environment and HIV/AIDS which impact on water and sanitation.

**Wote Water and Sewerage Company Ltd**  
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**Directors**

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

- |    |                      |                        |  |
|----|----------------------|------------------------|--|
| 1. | Juliana Mutisya      | - Chairperson          | - Left on 30 <sup>th</sup> September 2024    |
| 2. | Becorace Wambua      | -Managing Director     | - Left on 18 <sup>th</sup> October 2023      |
| 3. | Eng. John Kieti      | -CECM Water            | - Appointed on 8 <sup>th</sup> November 2022 |
| 4. | Damaris Kavoi        | -CECM Finance          | - Appointed on 8 <sup>th</sup> November 2022 |
| 5. | Rose Musyoka         |                        | -Left on 30 <sup>th</sup> September 2024     |
| 6. | Daniel Mututa        |                        | -Left on 30 <sup>th</sup> September 2023     |
| 7. | Pastor Joseph Mututa | - Chairperson          | - Appointed on 2 <sup>nd</sup> April 2024    |
| 8. | James Manthi         | -Ag. Managing Director | -Effective 18 <sup>th</sup> October 2023     |
| 9. | Justus M. Kuti       | - Managing Director    | - Appointed on 12 <sup>th</sup> August 2024  |

**Registered Office**

Makueni Sub county offices  
Opposite Makueni County Referral Hospital  
P.O. Box 132-90300  
Makueni, Kenya

**Corporate Contacts**

Telephone: (254) 04433087  
E-mail: wowascowote@yahoo.com  
wowascofinance21@gmail.com  
Customer Care Line: 0790833100/0783833100  
Website: wotewater.co.ke

**Corporate Bankers**

Equity Bank Limited  
**Wote Branch**  
P.O Box 450-90300  
Makueni, Kenya

**Wote Water and Sewerage Company Ltd**  
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**Independent Auditor**

**Auditor General**

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

**Principal Legal Advisers**



1. The Attorney General  
State Law Office, Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya
2. The County Attorney  
Office of the County Attorney  
County Government of Makueni  
P.O Box 78-90300  
Makueni

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**3. The Board of Directors**

Directors	Details
<p>CPA Juliana Mutisya -chairperson</p> 	<p><b>Age:</b> 50</p> <p><b>Academic Qualification:</b> Master in Business Administration</p> <p><b>Key Professional Qualification:</b> CPA (K), CPS(K),IHRM</p> <p><b>Work Experience:</b> Over 15Years in Financial administration and Management</p> <p><b>Independent Director – Left on 30<sup>th</sup> September 2024</b></p>
<p>Justus M. Kuti</p>  <p><b>Managing Director</b></p>	<p><b>Age:</b> 56</p> <p><b>Academic qualifications:</b> A-LEVEL</p> <p><b>Key professional:</b> B.COM (Finance)</p> <p><b>Work experience:</b> Over 25years in water supply operations &amp; management.</p> <p><b>Appointed on 12<sup>th</sup> August 2024</b></p>
<p>Eng. John Kieti-CECM Water and Sanitation</p> 	<p><b>Age:</b> 66</p> <p><b>Academic Qualification:</b> Bachelor of Science</p> <p><b>Key Professional Qualification:</b> Registered Engineer</p> <p><b>Work Experience:</b> Over 15 Years in Water Engineering</p> <p><b>Representing County Government of Makueni</b></p>
<p>Damaris Kavoi-CECM Finance</p> 	<p><b>Age:</b> 56</p> <p><b>Academic Qualification:</b> Masters in Business Administration</p> <p><b>Key Professional Qualification:</b> CPA(K)</p> <p><b>Work Experience:</b> Over 20Years in Financial Management, Consultancy and advisory services</p> <p><b>Representing County Government of Makueni</b></p>

**Wote Water and Sewerage Company Ltd  
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<p>Dr. Rose Musyoka</p> 	<p><b>Age:</b>58  <b>Academic Qualification:</b> PHD-Public policy  <b>Key Professional Qualification:</b> Registered planner  <b>Work Experience:</b> Over 20Years in Land Management, Policy and Research  <b>Independent Director – Left on 30<sup>th</sup> September 2024</b></p>
<p>Pastor Joseph Mututa - Chairperson</p> 	<p><b>Age:</b>58  <b>Academic Qualification:</b> Advanced Certificate of Education and Bachelor of Theology  <b>Key Professional Qualification:</b> Diploma in Water Engineering  <b>Work Experience:</b> Over 15 Years in water Engineering  <b>Independent Director</b></p>

4. Key Management Team

Managers	Details
<p><b>Managing Director</b></p>  <p><b>Justus M. Kuti</b></p>	<ul style="list-style-type: none"> <li>• <b>Appointed on 12<sup>th</sup> August 2024</b></li> </ul> <p><b>Main responsibility</b></p> <p>Develop and recommend to the organization</p> <ul style="list-style-type: none"> <li>• long term strategies, business plans and annual operating budgets and establishments of proper internal monitoring and control systems.</li> <li>• Identify financial requirements for the functions and activities of WOWASCO</li> <li>• Attend to all matters related to the functions and policies of the organization.</li> </ul>
<p><b>Technical Manager/Ag. Managing Director</b></p>  <p><b>James Manthi</b></p>	<p><b>Key academic/Professional qualification:</b> Certificate in water technology, Advanced certificate in Business Management</p> <p><b>Main responsibility</b></p> <ul style="list-style-type: none"> <li>• To oversee the company's Technical operations</li> <li>• To provide strategic and technical leadership in the Technical department to ensure provision of high quality services.</li> </ul>
<p><b>Finance Manager</b></p>  <p><b>CPA David Maingi</b></p>	<p><b>Key academic/Professional qualification:</b> BCOM (Finance), CPA (K)</p> <p><b>Main Responsibility</b></p> <p>To ensure that all financial resources of the company are acquired, disbursed, prudently invested, fully accounted and reported for a financially sound company.</p>
<p><b>Ag. Commercial Manager</b></p>  <p><b>Cecilia N. Muia</b></p>	<p><b>Key academic/Professional qualification:</b> Diploma In Water Engineering</p> <p><b>Main Responsibility</b></p> <p>To ensure that the strategies for services delivery and revenue generation of WOWASCO is carried out in accordance with laid down procedures in a more efficient and effective manner.</p>

### **5. Chairman's Statement**

During the financial year 2023/2024 several activities took place in the organisation and among them was the successful implementation of Kitikyumu – Malivani –Mwanzo water project that was commissioned on 28<sup>th</sup> March 2024. This project scope included construction of a 100m<sup>3</sup> water storage masonry tank, a 50m<sup>3</sup> elevated metallic water storage tank at Malivani primary school, a water kiosk at mwanzo market and a 7.9km pip. line from kitikyumu through Malivani to Mwanzo and was funded by the water sector trust fund in partnership with the County Government of Makueni.

The project is meant to improve on access to clean and safe water to the project area residents through individual connection and therefore improve on water coverage.

The company's financed proposal for a decentralized treatment facility (DTF) by Water Sector Trust Fund (WSTF) at a cost of kshs 20,933,150-M which had delayed due to lack of site for construction has actually started and is on-going. Once the project is completed, it will make remarkable improvement in the sanitation situation in Wote town and her environs.

**The board would like to sincerely thank the County Government for the support given to the company and providing the required land for the construction of the sanitation facility geared toward improving the sanitation situation of Wote town.**

The issue of Non-revenue water (NRW) has been a great challenge during the financial year. Non-revenue water increased from 31% in the year 2022/2023 to 33% in the year 2023/2024. Measures put in place to deal with this problem include; use of the provisions of the Makueni water Act 2020 to charge customers who have been found with illegal connections, taking disciplinary action against staff members who are found to have been involved in illegal water connections, intensifying line patrols by the technical field officer, sensitization of both staff and community/consumers on Non-Revenue water and ensuring fast responses to pipe bursts and leakages.

The management has done a number of proposals to potential partners and financiers including the County government, Water Sector Trust fund, the National water and Sanitation programme (NAWASP), TANATHI Water Works Development Agency and STAWI (sustainable transformational and accessible water intervention programme sponsored by USAID among others aimed at improving water access, reduction of non-revenue water, operational efficiency, embracing information and communication technology.

The company faced a myriad of challenges throughout the financial year in question including infrastructure vandalism, frequent bursts occasioned by the old dilapidated infrastructure thus contributing to the high levels of non-revenue water.

The frequent machine (pumps) breakdown and burnt electrical parts especially in kaiti pumping station, mwaani intake and kilala borehole have contributed to the high losses the company is facing. Kilala borehole had its system burnt and took about five months to repair.

Due to financial logistics equally mwaani intake has had a similar problem for about six months but is now repaired.

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As you get to peruse the financial statements you will realise that, the company has been making losses for a long period and the management is using all applicable strategic measures to reverse this trend, it is worth noting that all statutory obligations have been adhered to by submitting within the required timelines with exception of WIBA cover which has not been renewed owing to financial constraints.

To remedy on the financial performance of the company, the management intends to seek funding through the County Government and other stakeholders for solarisation of all pumping stations to reduce on the operational costs. In addition, reduction of the NRW from the current 33% during the year 2023/2024 to 25% or below will lead to increase in revenue realisation

The high operational costs and especially on electricity power consumption pose a big challenge to the company. The company water production involves pumping which in most instances is double pumping for the same volume of water and at other instances triple pumping which inflates the electricity and diesel bills to high levels monthly. This makes it difficult for the company to break even. It is hoped that this problem may be solved with successful partnerships and collaboration with major potential financiers and development partners for installation of cheaper sources of power like solar energy. Through collaboration and partnership the management will be able to prepare key policy and administrative documents as required by the regulator including the strategic plan that has expired.

I take this opportunity to express my sincere gratitude and appreciation to all our stakeholders, the County government of Makeni, government of Kenya, our esteemed customers, fellow directors, management and all our suppliers for their continued support which has been our pillar in the water service provision.



.....  
**Pastor Joseph Mututa**  
**Chairperson Board of Directors**

Date: .....11/12/2024.....

## **6. Report Of the Managing Director**

In this financial year 2023/2024 among other activities the company successfully implemented to completion Kitikyumu – Malivani –Mwanzo water project and commissioned on 28<sup>th</sup> March 2024. This project scope included construction of a 100m<sup>3</sup> water storage masonry tank, a 50m<sup>3</sup> elevated metallic water storage tank at Malivani primary school, a water kiosk at mwanzo market and a 7.9km pipeline from kitikyumu through Malivani to Mwanzo and was funded by the water sector trust fund in partnership with the County Government of Makueni.

The project is set to improve on potable water to the project area residents through individual connection and therefore improve on the company's general water coverage.

The company's financed proposal for a decentralized treatment facility (DTF) by Water Sector Trust Fund (WSTF) at a cost of kshs 20,933,150- which had delayed due to unconfirmed site has actually started and is on-going. The ESIA report has been completed and now NEMA working on their part for issuance a licence. It is expected that once the project is complete will make great improvement in the sanitation situation in Wote town and her environs.

The board would like to sincerely thank the County Government for the support given to the company and providing the required land for the construction of the sanitation facility geared toward improving the sanitation situation of Wote town.

Non-revenue water (NRW) has posed a great challenge during this financial year. Non-revenue water increased from 31.2% in the year 2022/2023 to 33% in the year 2023/2024. Measures put in place to deal with this problem include use of the provisions of the Makueni water Act 2020 to charge customers who have been found with illegal connections or found to illegal water use practices.

The company has taken further measures geared towards reduction of non-revenue water and include; Replacement of inefficient production and consumer meters, introduction of smart meter reading to avoid erroneous meter readings, customer meter sealing instituting disciplinary action against staff members who are found to have been involved in illegal water, Intensifying line patrols by the technical field officer, Sensitization of both staff and community/consumers on Non-Revenue water and Ensuring fast responses to pipe bursts and leakages.

The management has done a number of proposals to potential partners and financiers including the County government, Water Sector Trust fund, the National water and Sanitation programme (NAWASP), TANATHI Water Works Development Agency and STAWI (sustainable transformational and accessible water intervention programme sponsored by USAID among others aimed at improving water access, reduction of non-revenue water, operational efficiency, embracing information and communication technology.

The company experienced several challenges throughout the financial year in question including infrastructure vandalism, frequent bursts occasioned by the old dilapidated infrastructure thus contributing to the high levels of non-revenue water.

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The frequent machine (pumps) breakdown and burnt electrical parts especially in kaiti pumping station, mwaani intake and kilala borehole which costed the company substantial amount of money thus contributed to the high losses the company is facing. Kilala borehole had its pump electric motor burnt twice and pump shaft broken once which took some time before it was repaired with the support of the Count Government.

Due to the financial constraints equally mwaani intake borehole two had a similar problem for about six months but is now repaired.

The issue of limited and also seasonal water sources is also another major challenge facing the company and therefore making it difficult to meet the required water demand and more so during the dry season with low revenue realisation. However the company management has made several proposals to partners with the aim of developing more and reliable water sources.

**High operational costs and mostly on electricity power is a key challenge to the company and takes a large percentage of the costs incurred by the company.** The company water pumping involves more than double pumping for the same amount of water which leads to escalated power bill compared to the revenue margin. This hinders the company from meeting her expenses.

The low revenue returns contribute to negative working capital and threatening the going concern

.....  
**Justus M. Kuti**  
**Managing Director/Secretary to the Board**

Date: .....11/12/2024.....

**7. Statement Of Performance Against Predetermined Objectives for FY 2023/24**

Wote water and Sewerage Company limited has the following key strategic objectives;

To improve the current water distribution infrastructure systems and logistics in order to provide sufficient and equitable water supply, To strengthen the rationing program and enable reactivation of dormant customer accounts, To reduce the Non-revenue water (NRW) by ensuring timely repair of damaged pipes and identifying and firmly dealing with the illegal connections, to increase our financial base by improving our revenue collection strategies, Spearheading the WSP to have an approved water tariff.

In addition the company intends to engage with the County Government and other donors, partners and collaborators in improving and annexing of more water resources with a view to increasing productivity, reduce operational costs through solarisation of water pumping stations, as well as **engaging stakeholders in a more regular manner to ensure good working environment**

Currently the company does not have an approved strategic plan but it is in talks with the county government and STAWI to find on how to have it in place alongside other key policy and administrative documents;

The table below gives some summary of the key objectives and how they have been dealt with during this financial year 2023/2024,

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Water and sanitation infrastructure development	Increase water coverage Increase sanitation coverage	Number of customers with access to water improved sanitation	Operationalize Kwakathoka borehole Construction of a DTF	Increased access to clean water Increased sanitation access
To reduce the Non water revenue (NRW)	To reduce Non revenue water from 31% to 27%	Improve meter accuracy Do away with illegal connections	Service stalled meters Replace non-functional meters with efficient meters Enhanced pipeline patrols	Over 50no of meters are serviced each month 210no. of efficient meters were replaced

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			- Strict enforcing efforts	
Reduce operational costs	To reduce monthly operational costs	Reduced operational costs especially on power	Solarisation of pumping stations	Secured finances from donors for solarisation of Mwaani intake pumping station and Kaiti 2
Working towards full cost coverage	Ensure that the entity has full cost coverage tariff	Cost coverage tariff	Do application to WASREB for a water tariff	Water tariff application have been prepared and ready for submission to WASREB for approval
Improve staff performance	Doing continuous staff training	Trained staff	Taking staff for training and refresh training	A number of staff have been trained
Increase revenue collection	Collect more than 95% of revenue billed	Percentage of revenue collected	Compose revenue collection team Monitoring and supervision	98% of revenue collected

## **8. Corporate Governance Statement**

The company board of directors were appointed following the WASREB corporate governance guidelines (2018) and the Makueni County water Act 2020 as per sections 6 and 7.

The Company's Board of Directors were competitively recruited in a transparent manner.

All directors in the water services sector received formal training on their role, duties, responsibilities and obligations as well as board practices and procedures on appointment before they start the company business.

The board's functions include approving of the company's annual budget and ensure it is forwarded functionally to the water department of the county government, approve the annual procurement plan in accordance with the Public Procurement and Asset Disposal Act 2015 and ensure it receives quarterly reports on its implementation. The board of directors also ensure that there is an annual work plan that shows the basis on how it will implement its strategic plan. As well as ensuring that there is a service charter created that is communicated to stakeholders and consumers in the service area, showing the standards of service to be delivered and how complaints will be addressed. The board of directors ensures that the signed code of ethics for board and staff is a living implemented document that gives life to the value of the WSP and shapes the culture of the entity.

Following the resignation of one director to undertake a different appointment in the year 2022/2023 that particular post fell vacant. The position was advertised and was competitively filled in late march 2024. The newly appointed board member with the rest of the board members underwent the corporate governance training in the month of April to prepare them appropriately for the task ahead of them. This enabled the board to execute its mandate effectively.

The board of directors also signed a performance contract with both the County executive member for Water and sanitation and the managing director who in turn cascaded it to the management team and in adapted format to all staff. This is meant to ensure that management submits to the board relevant information on performance on a quarterly basis.

An application for cost recovery tariff has been done and is ready for submission to WASREB for approval.

The boards' remuneration is mainly sitting allowance for all members for each meeting attended and a monthly honorarium for the chairperson of the board.

The members are subject to observance and adherence to integrity tenets that include, conflict of interest, code of ethics and conduct and other issues related to governance as stipulated in the WASREB corporate governance guidelines for the water sector 2018. The same has been adhered to during the period.

### **9. Management Discussion and Analysis**

The company was operational during the year despite various operational challenges ranging from high operations costs, high maintenance costs resulting from vandalism of water infrastructure on the sections installed with metallic materials which also led to huge water losses.

Most of the major stations were functioning well with an exception of kilala borehole that serve the kilala market and the surrounding environs which broke down twice.

During the year the company didn't experience a major challenge resulting from dry spell that is observed in the region in most other times.

The company managed to complete the kitikyumu –malivani-mwanzo water project that was not completed in the last financial year and is now giving water services to the intended area residents.

The company financed project aimed to improve on the sanitation situation of Wote town and it's environ which comprised a component of a decentralised treatment facility and 200no. Pour and cistern flush toilets was started after the acquisition of site for the DTF construction.

The company was fully compliant on meeting statutory requirements especially on remittances of statutory documents to the respective institutions such as NSSF, NHIF, KRA, NITA among others. However it owes some outstanding amounts of abstraction levy water resources authority, regulatory levy to WASREB and Tanathi water works development authority.

The company's financial challenges call for support from the County Government, National Government and other potential financiers to assist in the improvement of the company's financial situation.

Dilapidated infrastructure is a major challenge facing the company and need to be gradually addressed. The surface water pumps and electric motors especially in mwaani booster and kaiti 1 stations are old and their frequent breakdown lead to high maintenance cost.

The company management has engaged the County Government for procurement of new and quality pumps preferably submersible ones.

The problem of high cost of power resulting from the high elevations required to lift water to allow for water gravitational flow led the company to the development of solar energy installation proposals in all her station to the county government and other donor for financing to relief the company of this challenge. Mwaani booster station was installed with solar energy and is currently working.

The company has further made proposal to the County Government, the National Government and other partners/donors for water sources development in order to increase water production which in turn will lead to improvement in revenue generation and reduce the gap operating with deficits.

The company's application for a cost recovery tariff to WASREB if considered and approved will enable the company to move a notch high and will make the company able to settle her outstanding payables.

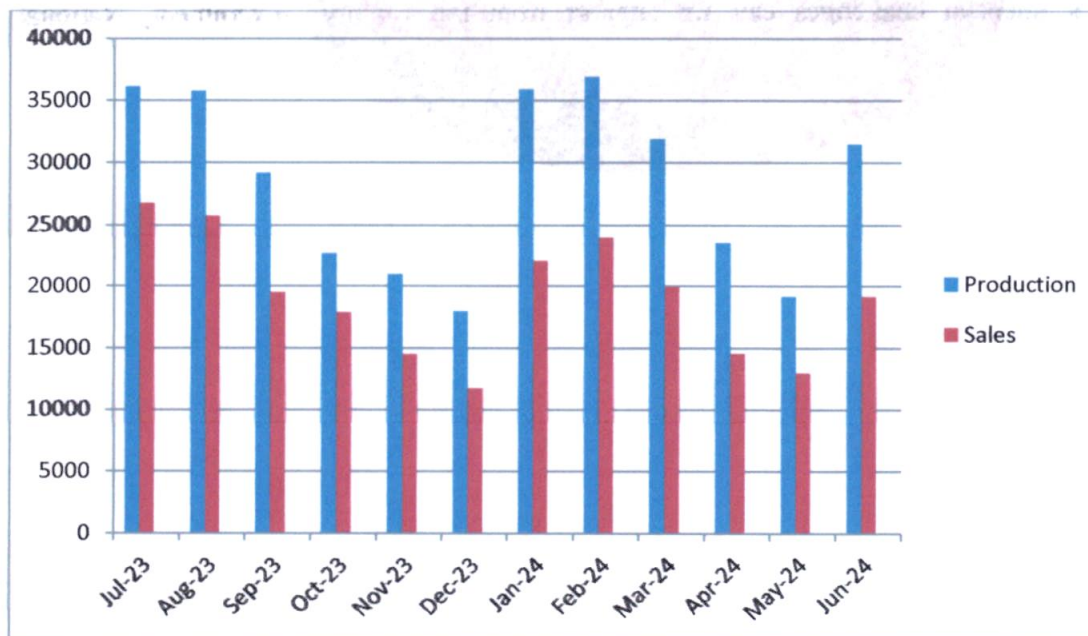
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**Water production for the last two years and M& E**

<b>WATER PRODUCTION 2022/2023</b>													
	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Production in M <sup>3</sup>	41,323	36,046	38,905	37,423	37,627	29,959	28,706	34,545	36,456	32,667	31,915	42,043	427,615
Sales in M <sup>3</sup>	29,131	24,037	30,133	27,262	25,625	18,617	22,829	25,478	23,521	21,581	19,861	26,138	294,213
NRW	12,192	12,009	8,772	10,161	12,002	11,342	5,877	9,067	12,935	11,086	12,054	15,905	133,402
NRW%	29.5	33.3	22.5	27.2	31.9	37.9	20.5	26.2	35.5	33.9	37.8	37.8	31.2

<b>WATER PRODUCTION FOR 2023/2024</b>													
	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Production in M <sup>3</sup>	36,119	35,776	29,173	22,706	20,994	17,932	35,925	36,878	31,907	23,589	19,136	31,496	341,631
Sales in M <sup>3</sup>	26,771	25,764	19,490	17,872	14,517	11,731	22,118	24,003	19,955	14,560	12,979	19,119	228,879
NRW	9,348	10,012	9,683	4,834	6,477	6,201	13,807	12,875	11,952	9,029	6,157	12,377	112,752
NRW%	26	28	33	21	31	35	38	35	37	38	32	39	33

Below is a bar chart showing the comparison between water produced against water sold in M<sup>3</sup>;



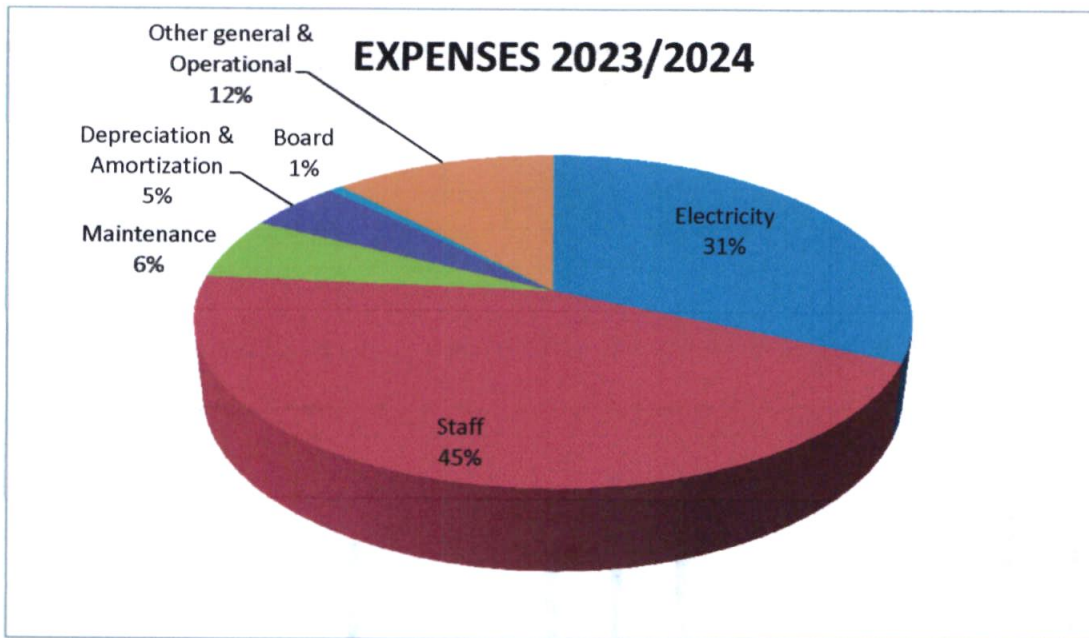
**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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The company second highest operational expense is electricity. This is because our water sources are underground based such as boreholes and sumps. The water from these sources are double or triple pumped before it reaches the final consumers. The company and potential partners are looking for way and resources to solarise the pumping stations to reduce the power bill.

Below is a pie chart showing the cost elements and the respective percentages to the total annual expenses;

**COMPANY'S DISTRIBUTION OF EXPENCES**



**10. Environmental and Sustainability Reporting**

**i) Sustainability strategy and profile -**

For the company to achieve her mission to provide clean, safe, reliable, affordable and sustainable water and sewerage services its obliged in meeting the following objectives

- To increase access to water and sanitation services and coverage within area of jurisdiction
- To promote institutional strengthening of the company
- To ensure operational efficiency and sustainability of the company
- To attain financial sustainability of the company
- To realize optimal utilization of available water/ optimizing water usage
- To mainstream cross-cutting issues of poverty, gender, environment and HIV/AIDS which impact on water and sanitation.

To achieve this, the management has entered into partnership with both the county government and other potential development partners to achieve these objectives development of new water sources in order to meet the current water demand.

The management has also made an application of a cost recovery tariff that will enable increased revenue billing and collection and therefore the company will attain financial sustainability. The management has made proposals to several national and international donors to assist in installation of modern technology to optimise use of available resources and bring down the non-revenue water to acceptable levels.

**ii) Environmental performance.**

Though the company does not have her own environmental policy but it follows the County government one to promote environmentally friendly practices in her operations. The company staffs participate in environmental related forums including those for tree planting, garbage collection catchment protection among others that take place within Wote town and her environs. The Management has appointed an environmental Champion to spearhead matters on environment within the water company.

**iii) Employee welfare**

Matters relating to employees are guided by the company's human resource manual, and such matters include recruitment, promotions, and discipline among others. Staff recruitment is done in a competitive way and is done with the authority of the board and both genders are given equal opportunities. The workforce is composed of three categories namely those that have been seconded by the county government, those employed on permanent basis and those that are on contracts.

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Training of employees is done on need basis though the entity falls short of financial capability to carry out substantial staff training.

**iv) Market place practices-**

**a) Responsible competition practice.**

The company is not in competition with any other in her area of water service provision, the management is considering entering into public private partnership especially with private borehole owners for bulk water purchase arrangements for distribution to her customers

The company responsibly supply potable water to her customer that make them confident of the service rendered.

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

Wote water maintains a good customer relations profile with all her stake holders through constant engagement and interactions. This involves regular communications and even faster grievance handling of customers.

**c) Responsible marketing and advertisement.**

The company maintains good operational practices in the spirit of providing clean, safe and sufficient affordable water to Wote residents and her environs

**d) Product stewardship**

The management and staff respects the rights of consumers at all levels. The company strives to ensure provision of safe clean and sufficient water to her customers. Any pre-organised water supply interruptions are communicated early enough and customer complains promptly addressed. Customers get their bill in time and any intent to disconnect them due to non-payment is communicated severally and in good time.

**v) Corporate Social Responsibility / Community Engagements**

In Kamunyolo dam the company provides free water to a self-help group involved in tree seedlings nursery preparation and growth. This is not only encourages growth of trees but also is responsive to issues related to climate change.

In the company premises where there are other offices involved the company provides free water for cleaning and drinking for the officers and visitors.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**11. Report Of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the company's affairs.

**i) Principal activities**

The principal activities of the Company continue to be water service provision.

**ii) Results**

The results of the company for the year ended June 30, 2024 are set out on page 1. Below is summary of the profit or loss made during the year.

---

	<u>2024</u>	<u>2023</u>
Total Revenue	39,424,623	42,676,978
Total Expenses	(46,900,466)	(50,612,521)
<b>Profit/(Loss) before tax</b>	<b>(7,475,843)</b>	<b>( 7,935,543)</b>

**iii) Dividends**

The company has not declared dividends for the year ended June 30, 2024 due to the ownership of the Company being a County Government entity.

**iv) Directors**

The members of the Board of Directors who served during the year are shown on page .vi. In accordance with Regulation 58 of the company's Articles of Association.

**v) Auditors**

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

By Order of the Board



.....  
**Justus M. Kuti**  
**Managing Director/Secretary to the Board**  
Date: ...11/12/2024.....

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**12. Statement Of Directors' Responsibilities**

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

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, 2024, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

**In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern and disclose that the Company's ability to sustain its operations will depend on Government subsidies and other stakeholder's support. The company's high operational costs have led to the persistent losses, negative retained earnings and negative working capital.**


**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**Statement Of Directors' Responsibilities (Continued)**

**Approval of the financial statements**

The company financial statements were approved by the Board on 11/12/ 2024 and signed on its behalf by:

  
.....

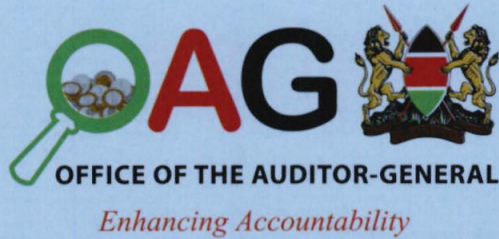
**Pastor Joseph Mututa**  
**Chairperson of the Board**

  
.....

**Justus M. Kuti**  
**Managing Director**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON WOTE WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024**

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### PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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.

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*Report of the Auditor-General on Wote Water and Sewerage Company Limited for the year ended 30 June, 2024*

## REPORT ON THE FINANCIAL STATEMENTS

### **Qualified Opinion**

I have audited the accompanying financial statements of Wote Water and Sewerage Company Limited set out on pages 1 to 45 which comprise of the statement of financial position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Wote Water and Sewerage Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unconfirmed Customer Deposits Balance**

The statement of financial position reflects customer deposits balance of Kshs.5,673,850 as disclosed in Note 25 to the financial statements. However, the reconciled cashbook balance reflected Kshs.2,000,372 in respect to customer's deposits resulting in unexplained variance of Kshs.3,673,478. Customer's deposits are refundable on demand to customers who may wish to terminate their service contracts and have no outstanding bills. Although Management indicated that the money was utilized to finance its operations, Management did not provide any strategy on how they will meet their obligation in the event customers demand for their deposits.

In the circumstances, the accuracy and completeness of customers deposits of Kshs.5,673,850 could not be confirmed.

#### **2. Unconfirmed Receipts in the Bank**

The statement of financial position and as disclosed in Note 21 to the financial statements reflect bank and cash balances of Kshs.9,698,846. However, included in the revenue account reconciliation statement are receipts in the bank not recorded in the cash book of Kshs.371,650. The amounts relate to periods dating back to May 2022, which Management is yet to establish the source of the money for updating of its cash records.

In the circumstances, the accuracy and completeness of bank and cash balances of Kshs.9,698,846 could not be confirmed.

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

## **Emphasis of Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.49,300,000 and Kshs.39,424,623 respectively resulting in an under-funding of Kshs.9,875,377 or approximately 20% of the budget.

The under-funding may affect the planned activities and may impact negatively on service delivery to the public.

### **2. Long Outstanding Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.31,663,440 and as disclosed in Note 26 to the financial statements. However, review of the supporting schedules and as reflected in the ageing analysis revealed that payables amounting to Kshs.15,936,646 or approximately 50% have been outstanding for more than three (3) years. Although Management indicated that the payables have been long outstanding due to financial constraints caused by the inability to break even, no mechanisms or strategies have been put in place to clear the payables.

The Company is exposed to litigations and the risk of incurring penalties and interest for late payments.

My opinion is not modified in respect of these matters.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## **Other Matter**

### **1. Unresolved Prior Year Matters**

In the audit report of the previous year, several paragraphs were raised. However, Management has not resolved all the prior year matters as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board. Management has not provided any explanation for the delay in resolving the issues.

### **2. Material Uncertainty Relating to Going Concern**

The statement of profit or loss and other comprehensive income reflects loss before taxation of Kshs.7,475,843 (Deficit of Kshs.7,935,543 for 2022/2023). Thus, the financial performance increased marginally by Kshs.459,700 during the period under review. In addition, the statement of financial position reflects current liabilities totalling Kshs.31,663,440 against current assets of Kshs.18,741,057 resulting in a negative working capital of Kshs.Kshs.12,922,383 which may be an indication of the Company's inability to settle its obligations as and when they fall due.

Management has in the annual report highlighted the following challenges which may affect the Company's future profitability;

- i. Limited and seasonal nature of water sources, and frequent pipeline bursts occasioned by dilapidated water distribution infrastructures which may have contributed greatly to decrease of water production by 85,631M<sup>3</sup> (from 427,615M<sup>3</sup> in 2022/2023 to 341,631 M<sup>3</sup> in 2023/2024) translating to loss of revenues by approximately Kshs.10,318,080.
- ii. Frequent machine/pumps breakdown and burnt electrical parts contributing to high losses in the Company.
- iii. High operational costs due to use of booster stations to improve on water distribution systems.

In the circumstances, due to the deficit and the negative working capital, the ability of the Company to continue to sustain its services is dependent on continued support from the County Government and other stakeholders.

### **Other Information**

Management is responsible for the other information set out on pages iii to xxiii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The other information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's, financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Lack of a Strategic Plan**

During the year under review, the Company operated without a strategic plan. This is contrary to Regulation 30 (2) of the Public Finance Management (County Governments) Regulations, 2015, which requires all budget proposals to be supported by the County Government entity' strategic plan. Although Management indicated that they have made a proposal for the strategic plan, it is not clear when the strategic plan will be in place.

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

#### **2. Excessive Non- Revenue Water**

Review of the Company records revealed that water production was 341,631 M3 during the year under review, out of which only 228,878.60 M3 was billed to customers. The balance of 112,752.40 M3 or approximately 33% of total production represents Non-Revenue Water (NRW) valued at Kshs.13,532,292.80. This contravenes the Water Services Regulatory guidelines which requires water service providers to ensure that commercial losses in respect of water produced do not exceed 25% of total production. Although Management attributed the high level of non-revenue water (NRW) to frequent pipe bursts due to dilapidated distribution network, vandalism of water supply infrastructure, illegal water connections, inefficient production and consumer water meters, no measures have been put in place to address the issues.

In the circumstances, the effectiveness of the Company's water production, profitability and sustainability of services to the residents of Makueni could not be confirmed.

### **3. Non-Compliance with Law on Ethnic Composition**

During the year under review, the total number of employees of the Company was thirty-seven (37) out of which thirty-six (36) or approximately 97% of the total number were members of the dominant ethnic community in the County. This is contrary to Section 65(e) of the County Government Act, 2012 which requires that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure at least thirty percent of the vacant posts at the entry level are filled by candidates who are not from the dominant ethnic community in the County.

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

### **4. Non-compliance with the Law on Fiscal Responsibility - Wage Bill**

The statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflect staff cost of Kshs.20,961,339 which represents approximately 53% of total revenue of Ksh.39,424,623. This is contrary to the provisions of Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which requires, (a) the County Executive Committee Member with the approval of County Assembly to set out a limit of County Government expenditure on wages and benefits for its public officers which shall not exceed thirty-five percent (35%) of the County Government's total revenue.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

## **Basis for Conclusion**

### **1. Lack of Internal Audit and an Audit Committee**

Review of overall internal control of the Company revealed that Management has not established an internal audit function and an Audit Committee of the Board. This is contrary to Regulation 167(1) and 168(a) of Public Finance Management (County governments) Regulations, 2015 which requires that each County Government entity establishes an audit committee, whose duty shall be to support the Accounting Officers with regard to their responsibilities for issues of risk, control and governance and associated assurance.

In the circumstances, the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

### **2. Lack of Approved Information Technology Security Policy**

Review of the Company's information technology systems revealed that the Company did not have an IT policy for governance and management of its ICT resources. In addition, there was no ICT steering committee in place to assist in the development of ICT policy framework to enable the company to realize long-term ICT strategic goals. Lack of an approved IT policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Company's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, the effectiveness of the IT control measures put in place could not be confirmed.

### **3. Non-compliance with Guidelines on Board Operations**

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflect Board expenses amounting to Kshs.345,256. However, review of Board minutes and attendance register revealed that the Board held three virtual meetings on 4 September 2023, 6 October 2023 and 2 November 2023 out of which only minutes of one meeting were signed. This is contrary to Section 8(1) of the State Corporations Act, 2015 which states that the Board of every state corporation shall meet not less than four times in every financial year and not more than four months shall elapse between the date of one meeting and the date of the next meeting. In addition, the Company lacked an annual board work plan, board charter and there was no Board evaluation done during the year.

In the circumstances, the effectiveness of governance measures put in place could not be confirmed.

#### **4. Irregular Recruitment of a Board Member**

During the year under review, a Director of the Board representing the business and manufacturing community was recruited. However, review of the recruitment process revealed that there was no dully filled Makueni County job application form and there was no evidence of clearance from the Criminal Investigation Department, Higher Education Loans Board, Kenya Revenue Authority, Ethics and Anti-Corruption Commission and Credit Reference Bureau. In addition, the appointment was not supported with a Gazette notice and the nomination letter by the business and manufacturing community was not provided for audit review This is contrary to Mwongozo Code of Governance for State Corporations on appointment of Board of Directors' which stipulates that each Board member shall be formally appointed through a Gazette Notice and an appointment letter. Although Management has indicated that they are in consultation with the County Government of Makueni, no measures have been put in place to ensure adherence to requirements.

In the circumstances, the effectiveness of the recruitment process of the Board member could not be confirmed.

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

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### **Conclusion**

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages xxi and xxii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page xxi, xxii, 23 and 36 has been properly prepared in accordance with the Companies Act, 2015.

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and those Charged with Governance**

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

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

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

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

Those charged with governance are 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**30 December, 2024**

**Wote Water and Sewerage Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.**

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	29,991,005	37,114,418
Grants Income	7	8,709,584	4,700,760
Other Income	8	724,034	861,800
<b>Total Revenue</b>		<b>39,424,623</b>	<b>42,676,978</b>
<b>Expenses</b>			
Staff Costs	9	20,961,339	23,813,725
General and Operations expenses	10	20,486,978	20,828,924
Board Expenses	11	345,256	1,128,670
Maintenance Expenses	12	2,793,060	3,741,022
Depreciation and Amortization expenses	13	2,313,833	1,100,180
<b>Total Expenses</b>		<b>46,900,466</b>	<b>50,612,521</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(7,475,843)</b>	<b>(7,935,543)</b>
<b>Income Tax Expense/(Credit)</b>	14	<b>0</b>	<b>0</b>
<b>Profit/(Loss) After Taxation</b>		<b>(7,475,843)</b>	<b>(7,935,543)</b>
Earnings Per Share – Basic and Diluted	15	(1,495.17)	(1,587)
Dividend per share	16	0	0
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>		<b>(7,475,843)</b>	<b>(7,935,543)</b>
Surplus Or Deficit on Revaluation Of PPE		0	0
Remeasurement Of Net Defined Benefit Liability		0	0
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		0	0
<b>Total Comprehensive Income for The Year</b>		<b>(7,475,843)</b>	<b>(7,935,543)</b>

Wote Water and Sewerage Company Ltd.  
Annual Report and Financial Statements for the year ended June 30, 2024

15. Statement Of Financial Position As at 30 June 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	29,950,590	15,417,116
Intangible assets	18	270,000	360,000
<b>Total non-current assets</b>		<b>30,220,590</b>	<b>15,777,116</b>
<b>Current assets</b>			
Inventories	19	91,358	99,181
Trade and receivable	20	8,950,853	10,630,308
Bank and cash balances	21	9,698,846	5,029,859
<b>Total current assets</b>		<b>18,741,057</b>	<b>15,759,348</b>
<b>Total Assets</b>		<b>48,961,647</b>	<b>31,536,464</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	22	40	40
Capital reserve	23	37,079,977	17,021,356
Retained earnings	24	(25,455,660)	(17,979,817)
<b>Total Capital and Reserves</b>		<b>11,624,357</b>	<b>(958,421)</b>
<b>Non-current liabilities</b>			
Customer Deposits	25	5,673,850	5,330,850
<b>Total non-current liabilities</b>		<b>5,673,850</b>	<b>5,330,850</b>
<b>Current liabilities</b>			
Trade and other payables	26	31,663,440	27,164,035
<b>Total current Liabilities</b>		<b>31,663,440</b>	<b>27,164,035</b>
<b>Total Equity and Liabilities</b>		<b>48,961,647</b>	<b>31,536,464</b>

**Wote Water and Sewerage Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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The financial statements were approved by the Board on 11/12/ 20<sup>24</sup> and signed on its behalf by:



.....  
**Justus M. Kuti**  
**Managing Director**



.....  
**David K. Maingi**  
**Head of Finance**  
**ICPAK M/No:14658**



.....  
**Pastor Joseph Mututa**  
**Chairperson of the Board**

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**16. Statement Of Changes in Equity for the Year Ended 30 June 2024**

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
<b>As at July 1, 2022 (Previous FY)</b>		40	0	0	(10,044,274)	0	3,815,088	(6,229,146)
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(7,935,543)	-	-	(7,935,543)
Capital/Development grants received during the year		-	-	-	-	-	13,206,268	13,206,268
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
<b>As at June 30, 2023 (Previous FY)</b>		40	0	0	(17,979,817)	0	17,021,356	(958,421)

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
<b>As at July 1, 2023 (Current FY)</b>		<b>40</b>	<b>0</b>	<b>0</b>	<b>(17,979,817)</b>	<b>0</b>	<b>17,021,356</b>	<b>(958,421)</b>
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(7,475,843)	-	-	(7,475,843)
Capital/Development grants received during the year		-	-	-	-	-	20,058,621	20,058,621
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
<b>At June 30, 2024 (Current FY)</b>		<b>40</b>	<b>0</b>	<b>0</b>	<b>(25,455,660)</b>	<b>0</b>	<b>37,079,977</b>	<b>11,624,357</b>

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**17. Statement Of Cash Flows for The Year Ended 30 June 2024**

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts		32,586,397	37,304,155
Grants Income		0	0
Finance Income		0	0
Other Income		449,400	504,800
Customer Deposits		343,000	354,500
<b>Total Receipts</b>		<b>33,378,797</b>	<b>38,163,455</b>
<b>Payments</b>			
Staff Costs		16,872,328	18,393,393
General And Operation Expenses		11,476,850	16,550,882
Board Expenses		378,620	982,500
Maintenance Expenses		3,283,326	2,725,790
Finance Costs		0	0
Refund Of Customer Deposits		0	41,000
<b>Total Payments</b>		<b>32,011,124</b>	<b>38,693,565</b>
<b>Net Cash From/ (Used In) Operating Activities</b>	28	<b>1,367,673</b>	<b>(530,110)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)		(6,787,807)	(10,309,024)
Grants received for PPE		10,089,121	13,206,268
Purchase Of Intangible Assets		(0)	(450,000)
Purchase Of Investment Property		(0)	(xxx)
Purchase Of Quoted Investments		(0)	(0)
Proceeds From Disposal of Quoted Investments		0	0
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>3,301,314</b>	<b>2,447,244</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds From Issues of New Share Capital		0	0
Proceeds From Borrowings		0	0
Repayment Of Borrowings		(0)	(0)
Dividends Paid	16	(0)	(0)
<b>Net Cash From/(Used In) Financing Activities</b>		<b>0</b>	<b>0</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>4,668,987</b>	<b>1,917,134</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>	21	<b>5,029,859</b>	<b>3,112,725</b>
Effects Of Foreign Exchanges Rate Fluctuations		0	0
<b>Cash And Cash Equivalents At End of the Year</b>	21	<b>9,698,846</b>	<b>5,029,859</b>

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization	Budget Notes
	a	b	C=a+b	d	e= c-d	f=d/c %	
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>		
Operating Revenue	44,185,000	0	44,185,000	29,991,005	(14,193,995)	67.9	1
Non-Operating Revenue	0	0	0	0	0	0	
Revenue Grants	4,293,000	0	4,293,000	8,709,584	4,413,584	202.9	2
Other income	822,000	0	822,000	724,034	(97,966)	88.1	3
<b>Total Revenue</b>	<b>49,300,000</b>	<b>0</b>	<b>49,300,000</b>	<b>39,424,623</b>	<b>(9,875,377)</b>	<b>80.0</b>	
<b>Expenses</b>							
Staff Costs	20,875,035	0	20,875,035	20,961,339	(86,304)	100.4	
Board Expenses	2,286,000	0	2,286,000	345,256	1,940,744	15.1	4
General and operations Expenses	22,192,765	0	22,192,765	22,800,811	(608,046)	102.7	
Maintenance	3,946,200	0	3,946,200	2,793,060	1,153,140	70.8	5
<b>Total Recurrent Expenditure</b>	<b>49,300,000</b>	<b>0</b>	<b>49,300,000</b>	<b>46,900,466</b>	<b>2,399,534</b>	<b>95.1</b>	
<b>Profit or Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,475,843)</b>	<b>(7,475,843)</b>		
<b>Capital Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>		
<b>Total Expenditure</b>	<b>49,300,000</b>	<b>0</b>	<b>49,300,000</b>	<b>46,900,466</b>	<b>(7,475,843)</b>	<b>95.1</b>	

**BUDGET NOTES:**

1. **OPERATING REVENUES:-** Revenues realised from water sales were less than anticipated due to the effects of prolonged rains in the months of November 2023 to January 2024.
2. **REVENUE GRANTS:-** Operating grants from the County Government of Makueni were more than anticipated after the County Government paid electricity bills for the company when the company was unable to pay the bills due to low cash flows.
3. **OTHER INCOME:-** Less customers were disconnected than anticipated. Disconnection for non-payment of water bills by customers is always the last resort after all efforts to recover the amounts are unsuccessful and therefore during the period of the prolonged rains there was more of customer negotiation than disconnections since the customers had alternative source of water.
4. **BOARD EXPENSES:-** The Board held less meetings than was anticipated.
5. **MAINTENANCE COSTS:-** Breakdowns of pumping equipment was less than the previous year which had formed the basis of our budget. This was due to the replacement of the pump/motor at Kaiti pumping plant in the beginning of the year with assistance from the County Government of Makueni.

## **19. Notes To the Financial Statements**

### **1. General Information**

Wote Water and Sewerage Company Ltd is established by and derives its authority and accountability from Company's Act. The Company is wholly owned by the Makueni County Government and is domiciled in Kenya. The Company's principal activity is water service provision.

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

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

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

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

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

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes to the financial statements (continued)**

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

**i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.**

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

*The Directors 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.*

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes to the financial statements (continued)**

**ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.***

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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

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

Wote Water and Sewerage Company Ltd did not early – adopt any new or amended standards in the year under review.

Notes to the financial statements (continued)

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

- 
- i) Revenue from water sales** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
  - ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
  - iii) Other income** is recognized as it accrues.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

**d) Depreciation and impairment of property, plant and equipment**

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

Depreciation on property, plant and equipment is recognized in the income statement on a 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%
Buildings and civil works	40	2.5%
Infrastructure works	40	2.5%
Plant and machinery	8	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33%
Office equipment, furniture and fittings	5	20%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**e) Intangible assets**

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

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

**f) Amortization and impairment of intangible assets**

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

**g) 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 FIFO method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**h) Trade and other receivables**

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables at the rate of 100% of all outstanding amounts for more than 360 days. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**i) Taxation**

**i) Current income tax**

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

**j) 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.

**k) Trade and other payables**

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

**l) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by County Pension Fund(CPF) and is funded by contributions from both the company and its employees. In addition, the employees on contract are in a gratuity arrangement administered by CPF and is funded by the company.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

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.2,160 per employee per month.

**m) Budget information**

The original budget for FY 2023-2024 was approved by the Board of Directors on 4<sup>th</sup> September 2023. The Company's budget is prepared on a same basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss as well as the 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

**n) Comparative figures**

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

**o) 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, 2024.

However the Board of Directors recruited a substantive Managing Director effective 12<sup>th</sup> August 2024 and therefore signing the annual reports and financial statements on behalf of the outgoing Ag. Managing Director. In addition, the term of two (2) directors including the Board Chairperson ended on 30<sup>th</sup> September 2024 and subsequently the new Chairperson mandated to sign the amended annual reports and financial statements.

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.

Some of the estimates and assumptions include:

- Depreciation of property, plant and equipment
- Amortization of intangible assets
- Provisions

**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.

- Depreciation on reducing balance method on an estimated useful life
- Amortization of intangible assets on straight line method on an estimated useful life.

**b) Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by the Company.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.

- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets.

**Notes to the financial statements (continued)**

**Significant Judgments and Sources of Estimation Uncertainty (continued)**

**c) Provisions**

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

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

Provisions applicable are: Provision for bad and doubtful debts at 100% of debtors above 360 days and provision for audit fees based on the previous invoice.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

Notes to the financial statements (continues)

**6. Operating Revenue**

	2023-2024	2022-2023
	Kshs	Kshs
Water sales	27,718,895	35,488,988
Billing for other services*	2,272,110	1,625,430
<b>Total</b>	<b>29,991,005</b>	<b>37,114,418</b>

*Billing for other services refers to income generated from services such as meter charges, water trucking transport charges etc.*

**7. Grants Income**

	2023-2024	2022-2023
	Kshs	Kshs
Operational grants from Government entities-Seconded staff	2,870,360	4,700,760
Recurrent/operational grants from other agencies-WSTF(CLSG)	1,853	0
Capital grants amortised	0	0
Donations from County Governments-Electricity bills paid	5,837,371	0
In Kind contribution/donations from other agencies	0	0
<b>Total</b>	<b>8,709,584</b>	<b>4,700,760</b>

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2023-2024 KShs
Department of Water Makeni county-staff	2,870,360	0	0	2,870,360	<b>2,870,360</b>
Department of Water Makeni county-	5,837,371	0	0	5,837,371	<b>5,837,371</b>

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

electricity					
Water Sector Trust Fund- CLSG	1,853	0	0	1,853	1,853
Water Sector Trust Fund- Kunda kindu	0	0	4,589,200	0	4,589,200
Department of Water Makueni county-kunda kindu	0	0	2,609,964	0	2,609,964
Department of Water Makueni county-solar panels	0	0	9,969,500	0	9,969,500
Department of Water Makueni county- subbersible motor	0	0	1,000,000	0	1,000,000
Water Sector Trust Fund- Kunda kindu	0	0	1,889,957	0	1,889,957
<b>Total</b>	<b>8,709,584</b>	<b>0</b>	<b>20,058,621</b>	<b>8,709,584</b>	<b>28,768,205</b>

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes to the financial statements (continued)**

**8. Other Income**

	2023-2024	2022-2023
	Kshs	Kshs
Fine and penalties	216,000	357,000
Miscellaneous income (b)	508,034	504,800
<b>Total</b>	<b>724,034</b>	<b>861,800</b>

**8(b) Miscellaneous income**

	2023-2024	2022-2023
	Kshs	Kshs
Skilled labour	296,000	332,000
New connection fees	148,000	166,000
Disconnection on request	2,400	800
Change of name	3,000	6,000
Staff surcharges	58,634	0
<b>Total</b>	<b>508,034</b>	<b>504,800</b>

**9. Staff Costs**

Description	2023-2024	2022-2023
	Kshs	Kshs
<b>Gross Salary and Allowances(b)</b>	<b>18,136,210</b>	<b>21,495,854</b>
Casual workers' Wages	148,000	0
Medical insurance schemes	323,800	348,250
Employer's contributions to social security schemes	475,641	225,294
Employer's contributions to pension scheme	361,347	364,677
Gratuity provisions	1,240,946	1,355,750
Staff welfare	20,000	20,000
WIBA	0	0
NITA	21,550	3,900
NHDL	233,845	0
<b>Total</b>	<b>20,961,339</b>	<b>23,813,725</b>
<b>The average number of employees during the year</b>	<b>34</b>	<b>37</b>

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes to the financial statements (continued)**

**9(b)Gross Salary and Allowances**

Description	2023-2024	2022-2023
	Kshs	Kshs
Salaries for Company staff	12,887,190	13,605,734
Salary top up for Government seconded staff	2,378,660	3,189,360
Seconded staff salaries paid by the Government	2,870,360	4,700,760
<b>Total</b>	<b>18,136,210</b>	<b>21,495,854</b>

**10. General and Operations Expenses**

Description	2023-2024	2022-2023
	Kshs	Kshs
Chemicals	241,063	102,636
Electricity	14,851,307	12,542,103
Fuel, oil, lubricants, and gases	224,776	238,500
Office supplies	399,883	456,923
Telecommunication	504,723	343,733
Postage and courier	13,107	26,815
Insurance	0	130,405
Domestic Traveling and subsistence	436,000	505,000
Staff training and development	0	137,000
Bank Charges	52,606	109,365
Publicity and advertising	0	73,080
Audit fees-current provision	232,000	232,000
Audit fees-prior year adjustment	0	(272,720)
Licensing	0	37,011
Levies-WASREB/WRA	1,567,888	1,946,662
Operating allowances	62,350	271,000
Professional fees	15,200	11,200
Other Administration expenses	91,384	303,526
Other operating/General expenses	1,616,736	1,568,151
Provision for doubtful debts-increase/(decrease)	(348,234)	1,518,933
Operating Transport	526,189	547,601
<b>Total</b>	<b>20,486,978</b>	<b>20,828,924</b>

**Wote Water and Sewerage Company Ltd**  
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**Notes to the financial statements (continued)**

**11. Board Expenses**

Description	2023-2024	2022-2023
	KShs	KShs
Chairman Honoraria	300,000	287,200
Chairman's company contribution to housing levy	3,756	0
Sitting allowances	11,500	450,500
Transport	5,000	200,000
Travel and accommodation	0	0
Other Expenses	25,000	190,970
<b>Total Board Expenses</b>	<b>345,256</b>	<b>1,128,670</b>

**12. Maintenance Expenses**

Description	2023-2024	2022-2023
	Kshs	Kshs
Plant and Equipment	517,023	1,475,381
Infrastructural networks	1,132,809	1,058,755
Motor vehicles/bikes	1,042,058	1,078,121
Office equipment's	101,170	128,765
<b>Total Maintenance Expenses</b>	<b>2,793,060</b>	<b>3,741,022</b>

**13. Depreciation and Amortization Expenses**

Description	2023-2024	2022-2023
	KShs	KShs
Property, plant, and equipment	2,223,833	1,010,180
Intangible assets	90,000	90,000
<b>Total Depreciation and Amortization</b>	<b>2,313,833</b>	<b>1,100,180</b>

Notes to the financial statements (continued)

14. Income Tax Expense/(Credit)

Current taxation

	2023-2024	2022-2023
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	(4,958,756)	(2,764,482)
Current tax: prior year under/(over) provision	0	0
Current year deferred tax charge	0	0
Prior year under-provision for deferred tax	0	0
<b>Total</b>	<b>(4,958,756)</b>	<b>(2,764,482)</b>
<b>Current Tax Payable</b>	<b>0</b>	<b>0</b>

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

	2023-2024	2022-2023
	Kshs	Kshs
Profit before taxation	(7,475,843)	(7,935,543)
Tax at the applicable tax rate of 30%	(2,242,753)	(2,380,663)
Current tax	0	0
Prior year under-provision	0	0
Tax effects of expenses not deductible for tax purposes	(104,470)	1,025,088
Tax effects of income not taxable	(2,612,875)	(1,410,228)
Tax effects of excess capital allowances over depreciation/amortization	1,342	1,321
Deferred tax prior year over-provision	0	0
<b>Total</b>	<b>(4,958,756)</b>	<b>(2,764,482)</b>

15. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. (7,475,843) (2022-2023: KShs. (7,935,543)) by the average number of ordinary shares in issue during the year of 5,000 (2022-2023: 5,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

16. Dividend Per Share

The directors do not recommend payment of dividends.

Notes to the financial statements (continued)

17. Property, Plant and Equipment

2023-2024	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>Cost Or Valuation</b>									
<b>At July 1, 2023</b>	<b>150,000</b>	<b>661,800</b>	<b>2,294,982</b>	<b>1,619,701</b>	<b>3,145,539</b>	<b>209,880</b>	<b>62,072</b>	<b>10,189,024</b>	<b>18,332,998</b>
Additions	0	0	0	11,219,204	0	42,000	0	5,496,103	16,757,307
Transfers	0	0	0	0	0	0	0	(0)	0
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>At June 30, 2024</b>	<b>150,000</b>	<b>661,800</b>	<b>2,294,982</b>	<b>12,838,905</b>	<b>3,145,539</b>	<b>251,880</b>	<b>62,072</b>	<b>15,685,127</b>	<b>35,090,305</b>
<b>Depreciation</b>									
At July 1, 2023	0	93,269	442,415	777,509	1,376,173	170,740	55,776	0	2,915,882
Charge For the Year	0	14,213	231,571	1,507,673	442,342	26,775	1,259	0	2,223,833
Impairment Loss	0	0	0	0	0	0	0	0	0
Disposal	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>At June 30, 2024</b>	<b>0</b>	<b>107,482</b>	<b>673,986</b>	<b>2,285,182</b>	<b>1,818,515</b>	<b>197,515</b>	<b>57,035</b>	<b>0</b>	<b>5,139,715</b>
<b>Net Book Value At June 30, 2024</b>	<b>150,000</b>	<b>554,318</b>	<b>1,620,996</b>	<b>10,553,723</b>	<b>1,327,024</b>	<b>54,365</b>	<b>5,037</b>	<b>15,685,127</b>	<b>29,950,590</b>

[Capital works in progress relates to Kitikyumu water project funded by Water Sector Fund under UPC 8<sup>TH</sup> Call. The scope of works include 7.9Km pipeline installation, 1No water kiosk, 1No steel elevated tank and 1No masonry tank whose total budget was Kshs 16.4Million. The project was completed and commissioned during the year; however administration processes to close the project are yet to be accomplished. In addition, the Company received funding from Water Sector Fund under UBSUP 3<sup>RD</sup> call whose total budget is Kshs 20Million for construction of a DTF and 200No safisan toilets]

Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2022-2023	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>Cost or valuation</b>									
As at 1 July 2022	150,000	661,800	1,422,100	1,619,701	3,145,536	209,880	62,072	0	7,271,092
Additions	0	0	872,882	0	0	0	0	10,189,024	11,061,906
Transfers	0	0	0	0	0	0	0	(0)	0
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
As at 30 <sup>th</sup> June 2023	150,000	661,800	2,294,982	1,619,701	3,145,536	209,880	62,072	10,189,024	18,332,998
<b>Depreciation</b>									
At July 1, 2022	0	78,691	177,763	657,198	786,385	151,463	54,202	0	1,905,702
Charge for the year	0	14,578	264,652	120,311	589,788	19,277	1,574	0	1,010,180
Impairment loss	0	0	0	0	0	0	0	0	0
disposal	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
As at 30 <sup>th</sup> June 2023	0	93,269	442,415	777,509	1,376,173	170,740	55,776	0	2,915,882
<b>Net book value</b>									
At June 30, 2023	150,000	568,531	1,852,567	842,192	1,769,366	39,140	6,296	10,189,024	15,417,116

**Wote Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30, 2024**

**Notes to the financial statements (continued)**

**17 (b) Property, Plant and Equipment at Cost**

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

	Cost or valuation	Normal annual depreciation charge
Computers and related equipment	14,480	4,827
Office equipment, furniture and fittings	4,880	976
<b>Total</b>	<b>19,360</b>	<b>5,803</b>

**18. Intangible Assets**

	2023-2024	2022-2023
	Kshs	Kshs
<b>Cost</b>		
<b>At July 1</b>	<b>917,000</b>	<b>467,000</b>
Additions	0	450,000
Disposals	(0)	(0)
<b>At June 30</b>	<b>917,000</b>	<b>917,000</b>
<b>Amortization</b>		
<b>At July 1</b>	<b>557,000</b>	<b>467,000</b>
Charge for the year	90,000	90,000
Disposals	(0)	(0)
Impairment loss	(0)	(0)
<b>At June 30</b>	<b>647,000</b>	<b>557,000</b>
<b>Net book value</b>		
<b>At June 30</b>	<b>270,000</b>	<b>360,000</b>

*[Intangible assets relates to billing system, payroll system and company website]*

Wote Water and Sewerage Company Ltd  
Annual Reports and Financial Statements For the year ended June 30, 2024

Notes to the financial statements (continued)

19. Inventories

	2023-2024	2022-2023
	Kshs	Kshs
General stores	0	0
Chemicals & Laboratory items	89,153	98,506
Water fittings and Accessories	0	0
Water meters	0	0
Uniform and protective clothing	0	0
Fuel, oil and lubricants	2,205	675
Motor vehicle spare parts	0	0
Goods in transit	0	0
Stationery and general stores	0	0
Finished goods	0	0
Work in progress	0	0
Less: Impairment of stocks	(0)	(0)
<b>Total</b>	<b>91,358</b>	<b>99,181</b>

20. Trade and Other Receivables

	2023-2024	2022-2023
	KShs	KShs
Trade receivables (note (20a))	8,939,813	10,630,268
Deposits and prepayments	0	0
VAT (Value Added Tax) recoverable	0	0
Staff receivables (note 20 (b))	11,000	0
Other receivables	40	40
<b>Gross trade and other receivables</b>	<b>8,950,853</b>	<b>10,630,308</b>
Provision for bad and doubtful receivable	(0)	(0)
<b>Net trade and other receivables</b>	<b>8,950,853</b>	<b>10,630,308</b>

**Wote Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30, 2024**

**Notes to the financial statements (continued)**

**20. (a) Trade Receivables**

	2023-2024	2022-2023
	Kshs	Kshs
<b>Gross trade receivables</b>	<b>10,819,439</b>	<b>12,858,128</b>
Provision for doubtful receivables	(1,879,626)	(2,227,860)
<b>Net trade receivables</b>	<b>8,939,813</b>	<b>10,630,268</b>
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	2,343,782	2,216,821
Between 31 and 60 days	1,148,498	921,037
Between 61 and 90 days	1,395,720	1,525,918
Between 91 and 120 days	1,422,608	1,156,063
Between 121 and 180 days	1,317,672	2,912,402
Between 181 and 240 days	600,123	779,720
Between 241 and 360 days	711,410	1,118,307
Over 360 days	1,879,626	2,227,860
<b>Total</b>	<b>10,819,439</b>	<b>12,858,128</b>

**20. (b) Staff Receivables**

	2023-2024	2022-2023
	Kshs	Kshs
<b>Staff surcharges</b>	<b>11,000</b>	<b>0</b>
<b>Amounts due after one year</b>	<b>11,000</b>	<b>0</b>

**21. Bank and Cash Balances**

	2023-2024	2022-2023
	Kshs	Kshs
<b>Cash at bank</b>	<b>9,356,099</b>	<b>4,993,819</b>
<b>Cash in hand</b>	<b>97</b>	<b>2,400</b>
<b>Mobile money account</b>	<b>342,650</b>	<b>33,640</b>
	<b>9,698,846</b>	<b>5,029,859</b>

**Wote Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30, 2024**

**Notes to the financial statements (continued)**

**Detailed analysis of the cash and cash equivalents**

Financial institution	Account number	2023-2024 KShs	2022-2023 KShs
<b>a) Current account</b>			
Equity Bank -Expenditure	0670-291-950-577	174,214	167,184
Equity Bank - CLSG	0670-280-469-759	0	1,853
Equity Bank – Kitikyumu	0670-282-621-684	134,890	3,017,244
Equity Bank – Kunda kindu	0670-284-323-351	6,475,372	0
<b>Sub- total</b>		<b>6,784,476</b>	<b>3,186,281</b>
<b>b) On – call deposits</b>			
Equity Bank -Revenue	0670-191-950-573	(242,981)	(271,488)
Equity Bank – Mwaani borehole	0670-191-717-962	0	4,207
Equity Bank - Deposits	0670-191-950-545	2,000,372	1,257,487
Equity Bank - Deposits	Performance Bond	814,232	814,232
<b>Sub- total</b>		<b>2,571,623</b>	<b>1,804,438</b>
<b>c) Others(specify)</b>			
Cash in transit		0	0
Cash in hand		97	2,400
Mobile money account		342,650	33,640
Post Bank		0	3,100
<b>Sub- total</b>		<b>342,747</b>	<b>39,140</b>
<b>Grand total</b>		<b>9,698,846</b>	<b>5,029,859</b>

**22. Ordinary Share Capital**

	2023-2024 Kshs	2022-2023 Kshs
<b>Authorized:</b>		
5,000 ordinary shares of Kshs.20 par value each	<b>100,000</b>	<b>100,000</b>
<b>Issued and fully paid:</b>	<b>0</b>	<b>0</b>
<b>Issued and NOT fully paid:</b>		
2 ordinary shares of Kshs.20 par value each	<b>40</b>	<b>40</b>

**Wote Water and Sewerage Company Ltd**  
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**Notes to the financial statements (continued)**

**23. Capital Reserve**

	2023-2024	2022-2023
	<i>Kshs</i>	<i>Kshs</i>
<b>Initial Capital inherited from previous scheme</b>		
Accruals	(94,638)	(94,638)
Creditors	(79,201)	(79,201)
Customer Deposits used on operations	(340,350)	(340,350)
Inventories	1,093	1,093
Debtors	370,444	370,444
Cash and Bank Balances	35,640	35,640
<b>Total Initial Capital</b>	<b>(107,012)</b>	<b>(107,012)</b>
Water Sector Trust Fund Grant -CLSG	1,422,100	1,422,100
Water Sector Trust Fund Grant-Kitikyumu-(WIP)	15,096,225	13,206,268
USAID- KIWASH	2,500,000	2,500,000
Makueni County Govt-Submersible motor	1,000,000	0
Makueni County Govt-Solar Panels	9,969,500	0
Makueni County Government-Kunda kindu(WIP) DTF	2,609,964	0
Water sector Trust Fund Grant – Kunda kindu(WIP) DTF	4,589,200	0
<b>Total Capital Grants</b>	<b>37,186,989</b>	<b>17,128,368</b>
<b>Total Capital Reserve</b>	<b>37,079,977</b>	<b>17,021,356</b>

**Wote Water and Sewerage Company Ltd**  
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**Notes to the financial statements (continued)**

**24. Retained Earnings**

The retained earnings represent amounts available for the Company's business activities and expansion since no distributions are made. The amount is shown in the statement of changes in equity.

However, we have assessed the entity's ability to continue as a going concern and disclose that the Company's ability to sustain its operations will depend on Government subsidy and other stakeholder's support. The company's high operational costs have led to the persistent losses, negative retained earnings and negative working capital.

**25. Refundable Deposits and Prepayments**

	2023-2024	2022-2023
	<i>Kshs</i>	<i>Kshs</i>
Customer deposits	5,673,850	5,330,850
Prepayments by customers	590,077	226,016
Retention/Contract deposits	0	0
Others (Specify)	0	0
<b>Total</b>	<b>6,263,927</b>	<b>5,556,866</b>

**Aging Analysis for Refundable Deposits and Prepayments**

	2023-2024	% of the total	2022-2023	% of the total
Under one year	933,077	14.9%	580,516	10.4%
1-2 years	536,500	8.6%	692,783	12.5%
2-3 years	906,000	14.5%	771,167	13.9%
Over 3 years	3,888,350	62.1%	3,512,400	63.2%
<b>Total</b>	<b>6,263,927</b>		<b>5,556,866</b>	

Wote Water and Sewerage Company Ltd  
Annual Reports and Financial Statements For the year ended June 30, 2024

Notes to the financial statements (continued)

26. Trade and Other Payables

	2023-2024	2022-2023
	Kshs	Kshs
<b>a) Operational</b>		
Trade payables	7,107,108	5,802,130
Revenue received in advance	590,077	226,016
Employee payables	3,759,177	2,770,954
Other payables	19,947,078	17,612,053
<b>Sub-Total operational payables</b>	<b>31,403,440</b>	<b>26,411,153</b>
<b>b) Capital assets</b>		
Payables for capital assets	260,000	752,882
<b>Sub-Total Capital assets payables</b>	<b>260,000</b>	<b>752,882</b>
<b>Total Trade and other Payables</b>	<b>31,663,440</b>	<b>27,164,035</b>

Aging Analysis for Trade and other Payables

	2023-2024	% of the total	2022-2023	% of the total
Under one year	9,969,485	31.5%	8,515,319	31.3%
1-2 years	4,028,819	12.7%	1,937,497	7.1%
2-3 years	1,728,490	5.5%	1,472,788	5.5%
Over 3 years	15,936,646	50.3%	15,238,431	56.1%
<b>Total</b>	<b>31,663,440</b>		<b>27,164,035</b>	

27. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2023-2024	2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	0	0	0	0	0
Non-current benefit obligation	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Wote Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30, 2024**

**Notes to the financial statements (continued)**

**Retirement benefit Asset/ Liability**

The Company does NOT operate a defined benefit (DB) scheme but instead operates a defined contribution (DC) scheme.

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% employee's pensionable pay per employee per month to a limit of Kshs 2,160. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund (CPF). Employees contribute 5% while employer contributes 5% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

Wote Water and Sewerage Company Ltd  
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Notes to the financial statements (continued)

28. Notes to The Statement of Cash Flows

	2023-2024	2022-2023
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	(7,475,843)	(7,935,543)
Depreciation	2,223,833	1,010,180
Amortization	90,000	90,000
(Gain)/loss on disposal of property, plant and equipment	0	0
<b>Operating profit/(loss) before working capital changes</b>	<b>(5,162,010)</b>	<b>(6,835,363)</b>
Working capital changes:		
(Increase)/decrease in inventories	7,823	(55,797)
(Increase)/decrease in trade and other receivables	1,679,455	1,515,190
Increase/(decrease) in trade and other payables	4,842,405	4,845,860
Increase/(decrease) in retirement benefit obligations	0	0
Increase/(decrease) in provision for staff leave pay	0	0
<b>Cash generated from/ (used in) operation</b>	<b>1,367,673</b>	<b>(530,110)</b>
<b>(b) Analysis of cash and cash equivalents</b>		
Cash at bank	9,356,099	4,993,819
Cash in hand	97	2,400
Mobile Money	342,650	33,640
<b>Balance at end of the year</b>	<b>9,698,846</b>	<b>5,029,859</b>

**Wote Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30, 2024**

**Notes to the financial statements (continued)**

**Other Disclosures**

**29. Related Party Disclosures**

**County Government of Makueni**

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

Other related parties include:

- The County Department in charge of Water
- Government of Kenya
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WRA
- Water Sector Trust Fund
- Key management
- Board of directors

**Transactions with related parties**

	2023-2024	2022-2023
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Water sales to Govt. agencies	6,030,900	6,556,810
<b>Total</b>	<b>6,030,900</b>	<b>6,556,810</b>
<b>b) Grants from the Government</b>		
Grants from National Government Agencies	6,479,157	10,706,268
Grants from County Government	12,317,695	7,200,760
Donations in kind	0	0
<b>Total</b>	<b>18,796,852</b>	<b>17,907,028</b>
<b>c) Key management compensation</b>		
Directors' emoluments	345,256	1,128,670
Compensation to key management	4,102,623	7,667,760
<b>Total</b>	<b>4,447,879</b>	<b>8,796,430</b>

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**Notes to the financial statements (continued)**

**30. Financial Risk Management**

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

**(i) Credit risk**

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
<b>At 30 June 20xx</b>				
Trade Receivables	10,819,439	6,310,608	2,629,205	1,879,626
Other Receivables	40	0	40	0
Investments	0	0	0	0
Bank balances	9,698,846	9,698,846	0	0
<b>Total</b>	<b>20,518,325</b>	<b>16,009,454</b>	<b>2,629,245</b>	<b>1,879,626</b>
At 30 June 2023 (previous Year)				

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Receivables	12,858,128	5,819,839	4,810,429	2,227,860
Other Receivables	40	0	40	0
Investments	0	0	0	0
Bank balances	5,029,859	5,029,859	0	0
<b>Total</b>	<b>17,888,027</b>	<b>10,849,698</b>	<b>4,810,469</b>	<b>2,227,860</b>

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

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

**ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June current year</b>				
Trade payables	1,382,858	576,960	5,147,290	7,107,108
Other Payables	1,461,382	2,297,795	260,000	4,019,177
Provisions	232,000	0	0	232,000
Payables to related parties	133,368	195,967	19,385,743	19,715,078
Customer prepayments	0	590,077	0	590,077
<b>Total</b>	<b>3,209,608</b>	<b>3,660,799</b>	<b>24,793,033</b>	<b>31,663,440</b>
<b>At 30 June previous year</b>				
Trade payables	1,769,866	1,259,301	8,541,558	11,570,725

**Wote Water and Sewerage Company Ltd**  
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<b>Other Payables</b>	<b>1,605,284</b>	<b>945,670</b>	<b>0</b>	<b>2,550,954</b>
Provisions	232,000	0	0	232,000
Payables to related parties	177,270	147,066	17,590,854	17,915,190
Customer prepayments	0	226,016	0	226,016
<b>Total</b>	<b>3,784,420</b>	<b>2,578,053</b>	<b>26,132,412</b>	<b>32,494,885</b>

**(iii) Market risk**

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.

**iv) Capital Risk Management**

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

	2023-2024	2022-2023
	Kshs	Kshs
Retained earnings	(25,455,660)	(17,979,817)
Capital reserve	37,079,977	17,021,356
<b>Total funds</b>	<b>11,624,317</b>	<b>(958,461)</b>
Total borrowings	0	0
Less: cash and bank balances	(9,698,846)	(5,029,859)
<b>Net debt/ (excess cash and cash equivalents)</b>	<b>9,698,846</b>	<b>5,029,859</b>
<b>Gearing</b>		

**Wote Water and Sewerage Company Ltd**  
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**Notes to the financial statements (continued)**

**31. Incorporation**

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

**32. Events After the Reporting Period**

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

However the Board of Directors recruited a substantive Managing Director effective 12<sup>th</sup> August 2024 and therefore signing the annual reports and financial statements on behalf of the outgoing Ag. Managing Director. In addition, the term of two (2) directors including the Board Chairperson ended on 30<sup>th</sup> September 2024 and subsequently the new Chairperson mandated to sign the amended annual reports and financial statements

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**20. Appendices**

**Appendix 1: progress on follow up of auditor recommendations.**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<b>Basis for Qualified Opinion</b>				
1.	Unsupported General and Operational Expenses- Domestic travel allowances issued without imprest warrants and accountability documents	Domestic travel allowances are issued to staff based on their job groups and destination as per the company s human resources manual. However the relevant documentations and procedures are to be adhered to going forward.	Resolved	
2.	Trade and Other Receivables Balance were net of 100% provision for outstanding debtors for more than 360 days. However the 100% provision lacked approval and no measures instituted	. Provision was approved through Board minutes though the finance manual not amended on the same.  . Reminder notices are issued to institutions with long outstanding debts	Not Resolved	30 <sup>th</sup> June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	for recovery of long outstanding debts.			
3.	Customer Deposit Balance	Some money was borrowed from the customer deposit account to finance company operations and acquire performance bond for license purpose. A standing order was put in place through the bank to recover Kshs 100,000 on monthly basis.	Not Resolved	30 <sup>th</sup> June 2026
<b>Emphasis of Matter</b>				
1.	Budgetary Control and Performance- Under-performance of 13% of the budget	Delay in completion of Kitikyumu water project and breakdown of some of the company's major sources and water pipeline network destruction by road works were the leading causes	Not Resolved	30 <sup>th</sup> June 2025
2.	Long Outstanding Trade and Other Payables	The Company's inability to break-even and price increase to input materials and power was the major	Not Resolved	30 <sup>th</sup> June 2025

**Wote Water and Sewerage Company Ltd**  
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<b>cause</b>		
3.	Material Uncertainty Related to Going Concern	The company is finalizing Tariff application to acquire a cost recovery tariff.	Not Resolved	30 <sup>th</sup> June 2025
<b>Other Matter</b>				
1	Unresolved Prior Year Matters	To be acted upon as appropriate.	Not Resolved	30 <sup>th</sup> June 2026
<b>Report on Lawfulness and Effectiveness in use of public Resources</b>				
1.	Failure to File Annual Returns	The company had initiated amendments to the Memorandum and Articles of Association to comply with the ownership structure.	Resolved	
2.	Excess Non-Revenue Water	Non-revenue water reduced from 32% to 31% which will reduce further after introduction of a Non-Revenue Team	Not Resolved	30 <sup>th</sup> June 2026
3.	Lack of Approved Water Sales Tariff	Application for the tariff complete and ready for submission to WASREB	Not Resolved	31 <sup>st</sup> December 2024
4.	Non-Adherence to National Cohesion and Integration Act- 97% of staff	The company will strive to meet the requirements in the subsequent recruitments	Not Resolved	30 <sup>th</sup> June 2027

**Wote Water and Sewerage Company Ltd**  
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	were from the dominant ethnic community			
5.	Non-Compliance with One Third Deduction Rule	Review to the staff SACCO loans was done to comply to the rule	Resolved	
6.	Failure to Gazette Board Members	The company in consultation with the County Government of Makueni are to act on the gazettelement.	Not Resolved	30 <sup>th</sup> June 2025
7.	Irregular Employment of a Human Resource Officer.	Advertisement was done though other documentations for the process were not made available.	Resolved	
<b>Report on Effectiveness of Internal Controls, Risk Management and Governance</b>				
1.	Lack of a Strategic Plan	The company did a proposal to USAID STAWI seeking assistance in formulation of most of the missing documents.	Not Resolved	30 <sup>th</sup> June 2025
2.	Lack of Internal Audit Function	Recruitment of an Internal Auditor delayed due to lack of funds, however the company is committed to have the function in place	Not Resolved	30 <sup>th</sup> June 2025

**Wote Water and Sewerage Company Ltd**  
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.	Lack of Risk Management Policy	The company did a proposal to USAID STAWI seeking assistance in formulation of most of the missing documents.	Not Resolved	30 <sup>th</sup> June 2025
4.	Lack of Information Communication Technology policy and Disaster Recovery Plan	The company did a proposal to USAID STAWI seeking assistance in formulation of most of the missing documents.	Not Resolved	30 <sup>th</sup> June 2025
5.	Lack of Human Resource Instruments	The company did a proposal to USAID STAWI seeking assistance in formulation of most of the missing documents.	Not Resolved	30 <sup>th</sup> June 2025

Justus M. Kuti  
 Signature.....  
 Managing Director  
 Date. 11/12/2024.....

**Wote Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30, 2024**

**Appendix II: Projects Implemented by the Company**  
**Projects**

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Kiti kyumu	08W/Makueni/ Wote/81	WSTF-UPC	12 Months	14,148,995.49	Yes	Yes
2. Kiti kyumu	08W/Makueni/ Wote/81	Makueni County Govt.	12 Months	2,500,000.00	Yes	Yes
3. Kunda Kindu	03HS/TAWWDA/ MAKUENI/ WOTE/035	WSTF- UBSUP	12 Months	18,323,686.00	Yes	Yes
4. Kunda Kindu	03HS/TAWWDA/ MAKUENI/ WOTE/035	Makueni County Govt.	12 Months	2,609,964.00	Yes	Yes

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1.	Kiti kyumu	16,844,042	14,961,335	100%	16,844,042	14,961,335	WSTF/ Makueni County Govt.
2.	Kunda kindu	20,933,150	723,792	3.5%	20,933,150	723,792	WSTF/ Makueni County Govt.



**Appendix III- Inter-Entity Confirmation Letter**

The company DID NOT disburse funds to another entity during the year

Confirmation of amounts received by [Insert name of beneficiary Entity] at 30 <sup>th</sup> June 2024					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
		0	0	0	
Total					

**Appendix IV: Reporting of Climate Relevant Expenditures**

There was NO expenditure on climate change.

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
				0	0	0	0		



**Appendix V: Reporting Disaster Management Expenditure**

Date:						
Entity:						
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
					0	0

**Wote Water and Sewerage Company Ltd**  
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**Appendix VI: Recording of Transfers from Other Government Entities**

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/ Others	Total Amount - KES	Where Recorded/recognized					Others - must be specific	Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables			
Ministry/County department of Water-UBSUP	5/3/2024	Development	2,609,964	0	2,609,964	0	0	0	2,609,964	
Ministry/County Department of water.	5/10/2023	Development	1,000,000	0	1,000,000	0	0	0	1,000,000	
Ministry/County department of Water	30/6/2024	Recurrent(direct payment)	2,870,360	2,870,360	0	0	0	0	2,870,360	
Ministry/County department of Water	15/6/2024	Recurrent(direct payment)	5,837,371	5,837,371	0	0	0	0	5,837,371	
Water Sector Trust Fund(WSTF)-UPC	1/2/2024	Development	1,889,957	0	1,889,957	0	0	0	1,889,957	
Water Sector Trust Fund(WSTF)-UBSUP	24/4/2024	Development	4,589,200	0	4,589,200	0			4,589,200	
<b>Total</b>			<b>18,796,852</b>	<b>8,707,731</b>	<b>10,089,121</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,796,852</b>	