

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

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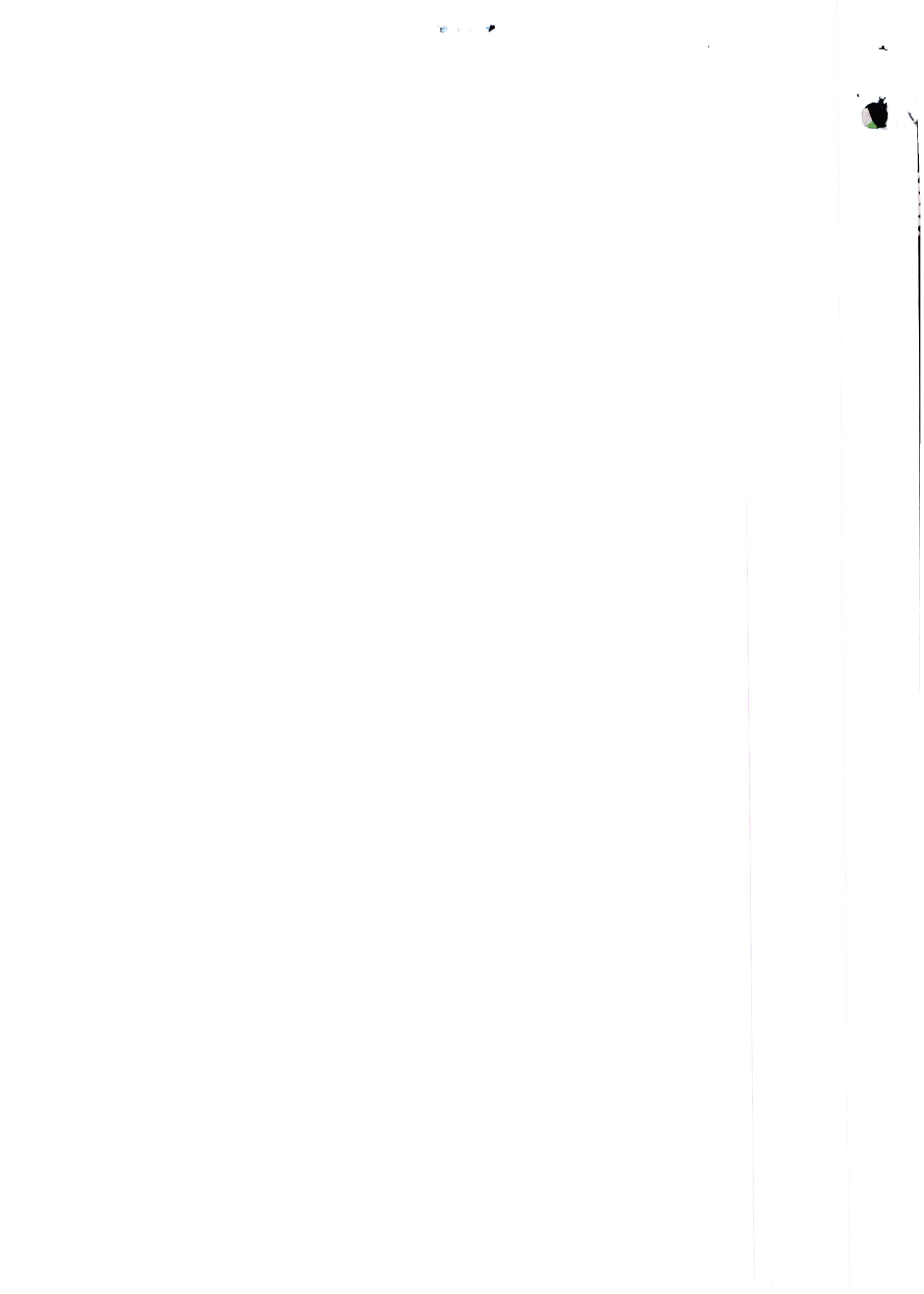
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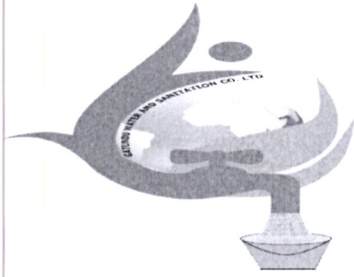
THE AUDITOR-GENERAL

ON

**GATUNDU WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**





**GATUNDU WATER AND SANITATION COMPANY LIMITED REPORTS AND
FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

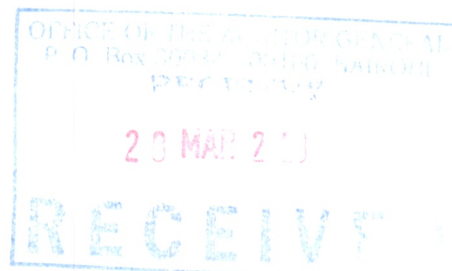


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I. Key Entity Information

Background information

The *Gatundu Water Company Ltd* was established by the Company's Act of Parliament on 8th October 2014. 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 and has branches in Gatukuyu, Kamwangi, Kiganjo, Karatu and Ituramiro.

Principal Activities

The principal activity of the Company is to Provide domestic, industrial and institutional water services, provide sewerage and sanitation services.

Gatundu Water Company coverage includes Gatundu South, Gatundu North, parts of Githunguri sub-county and parts of Juja.

In terms of water service provision, the situation in the area can be categorized as

- ❖ Areas that are well served 24/7
- ❖ Areas that are under served
- ❖ Areas that are not served
- ❖ Areas that are served through community water projects

In terms of sewerage services, the situation is wretched since

- ❖ All areas are not served
- ❖ Some centers depend on septic tanks
- ❖ Rural areas depend on pit and VIP latrines

In terms of storage and conservation

- ❖ There is only one dam- Theta dam
- ❖ A lot of soil is lost through erosion
- ❖ A lot of water is lost to the Indian ocean through river flow
- ❖ A second dam (Karimenu II dam) is under way

Vision

To be the best in provision of potable rural water and sanitation services in the region and beyond.

Mission

To promote good health standards and raise economic level of our community through provision of quality, reliable, adequate and affordable water and sanitation services in an environmentally friendly manner while meeting expectations of our customers and other stakeholders.

Directors

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

1. Martin Ndungu Kahura- Chairman -Appointed on14th February 2022
2. Jenifer Musyoki - Chief officer - Appointed on 14th February 2022
3. Stephen Karau Kangethe -Appointed on14th February 2022
4. Joyce Wanjiku Kangara -Appointed on14th February 2022
5. Stephen Ndichu Mungai -Appointed on14th February 2022
6. Peter Gichuki -Appointed on14th February 2022
7. Samuel Gatama Njuguna -Appointed on14th February 2022
8. Charles Gikonyo - Alternate to Chief Officer
9. Prof. Bernard Njoroge - Left on14th February 2022
10. Prof. Steven G. Njuguna - Left on14th February 2022
11. Mr. James Gitau Muriuki -Left on14th February 2022
12. Eng. Andrew G. Muigai -Left on14th February 2022
13. Mrs. Emmah Waithira Nganga -Left on14th February 2022
14. Mr. Ndungu Wa Munywe -Left on14th February 2022
15. Mr. Dominic Gachanja -Left on14th February 2022
16. Solomon Wairiri Waweru -Left on14th February 2022
17. Dr. Martin Njogu -Left on14th February 2022

Corporate Secretary

Gikuhi Kiana & Company

Certified Public Secretaries

P.O. Box 1271-10100

Nyeri

Registered Office

Gatundu Water Office
Gatundu Karinga Road
P.O. Box 140
Gatundu, KENYA

Corporate Headquarters

P.O. Box 140
Gatundu Water office Building
Gatundu Karinga Road
Nairobi, KENYA

Corporate Contacts

Telephone: (254) 0110096418
E-mail: gatwasco@gmail.com
Website: [www. Gatunduwater.co.ke](http://www.Gatunduwater.co.ke)

Corporate Bankers

1. Co-operative Bank of Kenya
P.O. Box 82-01030,
Gatundu Branch.
2. Co-operative Bank of Kenya
P.O. Box 1815,
Thika Branch.
3. Equity Bank of Kenya
P.O Box 528-01030
Gatundu Branch
4. Equity Bank of Kenya
P.O Box
Gatundu Branch
5. Kenya Commercial Bank
P O Box 420-00232

Ruiru
Gatundu Branch

6. Family Bank

P O Box 481-01030
Gatundu Branch

7. Safaricom Limited

M-pesa money transfer service
Paybill No.893400

Independent Auditors

Auditor General

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

Principal Legal Advisers

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

Nyokabi Waiganjo, Omungala

Hazina Towers 12th floor

Monrovia street

P O Box 1874-00100





Nairobi




Mwaiganjoadvocates@gmail.com

II. The Board of Directors.

 <p>Rev. Martin Ndung'u Kahura</p>	<p>DOB : 1967</p> <p>Qualification: Diploma In Education, Dip In Theology</p> <p>Work Experience: Pastoral Leadership Christian Church International, Teaching in Gikindu Primary School, Mukurwe Primary School, Mukurwe Primary and Nembu Primary school</p> <p>Position: Chairman of the Board</p>
 <p>Jennifer Kanini Musyoki</p>	<p>DOB: 1984</p> <p>Qualification: MBA (Strategic Management); BSc Civil Engineering</p> <p>Work Experience: Previously worked as a Water & Sanitation Engineer in planning and design of urban and rural water and sanitation infrastructure; formulating national and county government water and sanitation policies, strategies and plans; conducting out technical assessments, socio-economic studies and surveys with H.P. Gauff Ingenieure, GIZ International Water Stewardship programme and Authentic Living Int. Co. Ltd. Currently working as the Chief Officer in the Department of Water, Environment, Energy and Natural Resources.</p> <p>Position: Chief Officer-Dept of Water, Environment, Energy and Natural Resources</p>
 <p>Stephen Karau Kangethe</p>	<p>DOB : 1960</p> <p>Qualification: Bachelor of Arts Economics , Cert In Industrial Relations</p> <p>Work Experience: Retired Human Resource Manager wells Fargo Ltd, Over 40years experience in different position to as General manager Binti Apparels Ltd, HR manage Mirage fashionware EPZ Ltd, Personel manager Barclays Bank, Personnel manager Magadi Soda Company</p> <p>Position: Chairman Finance Commitee</p>

 <p>Joyce Wanjiku Kangara</p>	<p>DOB : 1985</p> <p>Qualification: Bsc Acturial Science, Pursuing Mba Accounting And Finance, Investment and Security Analyst, Certificate in Automated Trading System Operations</p> <p>Work Experience: Executive Director Foundation of Reaching and Transforming (NGO) Team leader Fort Credit Limited, Project manager Al-Eman Technology, Sales support and Investment advisor Chase Bank, Ministry of health Industrial attachment.</p> <p>Position: Chair Audit Committee</p>
 <p>Stephen Ndichu Mungai</p>	<p>DOB : 1984</p> <p>Qualification: MA Economics (Uon), CPAK</p> <p>Work Experience: Over 10 years' experience in national and county government on economic planning & finance</p> <p>Position: County representative Finance</p>
 <p>Peter Gichuki</p>	<p>DOB : 1976</p> <p>Qualification: Degree (Bed Science)</p> <p>Work Experience: 19 years</p> <p>Position: County representative Admin</p>
 <p>Samuel Njuguna Gatama</p>	<p>DOB : 1953</p> <p>Qualification: Business man, PI Teacher</p> <p>Work Experience: Retired teacher over 30Years Experience, Business man and farmer</p> <p>Position: Chairman Technical committee</p>

	<p>DOB : 1956</p> <p>Qualification: Ph.D Duke University (U.S.A); M.Sc. New Castle Upon Tyne (U.K); B.Sc.(U.O.N.), Civil Engineering Eng.; M.I.E.K.</p> <p>Work Experience: DVC Finance University of Nairobi, U.O.N Professor Faculty of Engineering from year 2002</p>
	<p>DOB: 12/09/1950</p> <p>Qualification: Phd, Msc, Bsc(1st Class Hons) Environmental Science, Diploma in Education</p> <p>Work Experience: Kenyatta University, Faculty of Environmental Studies</p>
	<p>DOB : 1956</p> <p>Qualification: Bachelor of Science in Chemistry/Biochemistry, Msc. Environmental Health Engineering</p> <p>Sector: Representative of Water Consumers</p> <p>Work Experience: Ministry of Water and Irrigation, Technical Consultant on Water and Waste water Treatment and Quality Analysis; Environmental Audits, Environmental Impact Assessments (EIA).</p>
	<p>DOB: 10/01/1964</p> <p>Qualification: Bsc Civil Engineering UON</p> <p>Work Experience: Director Kenya Industrial Research and Development Institute Entrepreneur Engineer and Management Consultant</p>

	<p>DOB : 01/01/1957</p> <p>Qualification: Msc Corporate Entrepreneurship</p> <p>Work Experience: 40 years' experience in Business and Marketing</p>
<p>Emmah Waithera Ng'ang'a</p>	<p>DOB : 25/11/1958</p> <p>Qualification: Bachelor of Arts, Advanced Public Administration</p> <p>Work Experience: Worked with UON as Senior Administration Assistant. Ministry of Water and Ministry of Commerce</p>
	<p>DOB: 31/01/1955</p> <p>Qualification: Doctor in Pharmacy</p> <p>Work Experience: Businessman Thika, Board Member Land Control Board</p>
<p>Ndung'u Wa Munywe</p>	<p>DOB : 15/8/1950</p> <p>Qualification: Retired Public Officer</p> <p>Work Experience: Bishop of A Church- Representative of NGOs</p>
	<p>Bishop Solomon Waweru</p>



**Dr. Martin Njogu
Mbugua**

DOB : 15/5/1968

Qualification: Doctor of Philosophy – Chemistry

Work Experience: Lecturer and researcher, Department of Chemistry/UoN



Patrick N. Mwangi





Position: Managing Director



DOB: 1962

Qualification: Higher Diploma Water Engineering

Work Experience: Over 32yrs experience in water sector i.e. Ministry of water & Karimenu Water, Gatundu Water

III. Management Team

<p>1. Patrick N. Mwangi</p> 	<p><u>Managing Director</u> Professional Qualifications: Water Engineering Academic Qualification: Experience : Higher Diploma Water Engineering Over 30yrs experience in water sector i.e. Ministry of water & Karimenu Water, Gatundu Water</p>
<p>2. Joseph K. Kariuki</p> 	<p><u>Technical Manager</u> Professional Qualifications: Water Engineering Academic Qualifications: Diploma in Water Engineering Experience : Over 30years experience in water sector ministry of water & Karimenu Water, Gatundu Water</p>
<p>3. Emmah W. Chege</p> 	<p><u>Finance Manager</u> Professional Qualifications: Accountancy Academic Qualifications: CPA K, Bachelors of commerce Experience : Over 10years experience in water sector Karimenu Water, Gatundu water</p>
<p>4. David G. Muigai</p> 	<p><u>Commercial Manager</u> Professional Qualifications: Water Engineering Academic Qualifications: Diploma in water technology 'O' Level Division two Experience : Over 30 years experience in water sector ministry of water & Gatundu South Water company, Gatundu Water</p>

<p>5. Jessica N. Peter</p> 	<p><u>Procurement Officer</u> Academic Qualifications: Bachelors of purchasing & Supplies Experience : Over 10years experience in water sector Gatundu South Water company, Gatundu Water</p>
<p>6. Nancy N. Waweru</p> 	<p><u>Human Resource Officer</u> Academic Qualifications: Diploma in Human Resources & Management Experience : Over 10years experience in water sector Karimenu Water, Gatundu Water</p>

IV. Chairman's Statement

Water is a vital resource to all forms of life. It is the backbone of economic growth and a catalyst to national prosperity.

Kenya is classified as a water scarce country, a situation that is worsened by deterioration of water sources. This is as a result of global warming and population explosion. Water service providers on the other hand, must develop strategies that are basically S.M.A.R.T.

During the year under review, the Company embarked mainly on reconstructing of the board that had hitherto, been disbanded by the County Government. The Company was able to recruit and engage four (4) independent directors from stakeholder groups where another three (3) were recruited from the County Government.

The board has drawn it's membership as;

- | | |
|------------------------|---|
| 1. Martin N. Kahura | - Religious organizations |
| 2. Stephen K. Kangethe | - Business community |
| 3. Samuel G Njuguna | - Community |
| 4. Joyce W. Kang'ara | - Youth |
| 5. Stephen Mungai | - Finance, Strategy and Economic Planning |
| 6. Peter Gichuki | - Administration and Public Services |
| 7. Jennifer Musyoki | - Water Environment, Energy and Natural Resources |

The reconstituted board developed a business plan and literally hit the ground running.

It has had both committee and full board meetings where budgets and the Company development agenda was discussed.

Key among other issues discussed were;

- i. New projects that would improve a coverage,
- ii. Improvement on quality of service delivery,
- iii. Cross cutting issues.

It is my humble opinion that the Company is heading in the right direction. We request all stakeholders to assist us achieve the noble purpose of water and sewerage service provision.

MARTIN N. KAHURA
BOARD CHAIRMAN

V. Report of the Managing Director

Gatundu Water and Sanitation Co. Ltd offer water and sanitation services in Gatundu North, Gatundu South and parts of Githunguri and Juja Sub-counties.

It started operating in the year 2014 but had a short stint of disruption when the County Government of Kiambu came up with Kiambu County Water and Sewerage Company in January 2018. Gatundu Water and Sanitation Co. Ltd was to operate as a region in the big company.

During the year under review (through intervention of WASREB), the County Government reconstituted Gatundu Water and Sanitation Co. Ltd board and the 1st board met in April 2022. The constituted board has re-looked through the policy documents and played an oversight role since.

For the last five (5) years, the National Government has had many road projects within our area of operation. These being new roads, they required expansions and constituted to destruction of our pipe network.

It took a long time to reinstate the pipe networks and up to date, some of the pipe network systems have not been reinstated, which has had a negative impact in service delivery, billing and revenue collection.

The management however, has embarked on a rigorous recovery plan that is anticipated to get our finances back by the end of this financial year.

Key among many interventions include re-evaluating our strategic plan that revolve around the following;

- i. Water production
- ii. Water distribution and waste water collection and disposal
- iii. Commercial operations
- iv. Infrastructure development
- v. Administration and support services.

It is against this backdrop that the Company has procured an ERP system that brings together all operations. The system also provides a good platform for monitoring progress and evaluating performance.

It is our believe and conviction that the Company is now on the right path and is a going concern.

We appeal to the County Government, the National Government and all other stake holder to support the Company as it leaps to the next level.

Development projects

During the year under review, the Company through AWWDA was implementing the following projects;

No	Project	Funding Agency	Level of Implementation
1	Gatundu Sewerage Project	ADB	30%
2	Ruabora Water Project	ADB	10%
3	Handege Water Project	ADB	45%
4	Ngenda Water Project	ADB	45%

These projects when complete shall inject 17,000m³/day to the system. This shall improve coverage from the current 68% to 95%.

We shall also improve revenue collection from the present 11 million per month to 19 million. Sewage coverage shall improve from the current 0% to 6%.

It is hoped that with the improved service delivery, followed by good revenue collection, both employee and customer satisfaction shall improve from the current 65% and 60% to 80% and 75% respectively.



PATRICK N. MWANGI
MANAGING DIRECTOR

VI. Statement of Performance Against Predetermined Objectives for FY 2021/2022

GATWASCO has *nine* strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2018/2019- FY 2023/2024. These strategic pillars/ themes/ issues are as follows:

1. Water sources, production and treatment
2. Operation and maintenance (water distribution)
3. Operation and maintenance (wastewater collection and treatment)
4. Commercial operations
5. Financial stewardship
6. Human resource management
7. Information Communication & technology (ICT)
8. Management of non-revenue water
9. Brand equity

GATWASCO develops its annual work plans based on the above *nine* pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly/yearly basis. The *Company* achieved its performance targets set for the FY 2021/2022 period for its nine strategic pillars, as indicated in the diagram below:

THEMATIC AREAS	STRATEGIC OBJECTIVES	SPECIFIC ACTIVITIES	PERFORMANCE INDICATORS	Status report	Challenges
1) WATER SOURCES, PRODUCTION AND TREATMENT	Increase water production from 27,440m ³ /day to 52,440m ³ /day	a) Implement proposed surface water projects that have a total design capacity of 25,000m ³ /day <ul style="list-style-type: none"> • Ruabora – 4,000m³/day • Handege – 9,000m³/day • Ngenda – 4,000m³/day • Gatei project – 4,000m³/day • Kanyoni-Kariua/Dry – 4,000m³/day 	Increase surface water production by 25,000m ³ /day	Level of implementation of the projects is as follows <ol style="list-style-type: none"> 1. Ruabora- 0% progress 2. Handege- 30% progress 3. Ngenda- 51% progress 4. Gatei- Funding not secured 5. Kanyoni-Kariua/Dry -50% 	- Compensation of land and way leaves issues affecting Ruabora, Dam area and Ngenda water projects. The issues are being handled by NLC
		b) Conduct energy audit every two years	Updated power demand inventory of all water production plants and appliances used in the office	Not done	Budget constraints
		c) Improve water treatment efficiency <ul style="list-style-type: none"> • Documentation of water treatment procedures 	-Water treatment schedules -Water treatment manuals/flow diagrams	• Water quality monitoring done quarterly per production unit	

THEMATIC AREAS	STRATEGIC OBJECTIVES	SPECIFIC ACTIVITIES	PERFORMANCE INDICATORS	Status report	Challenges
		<ul style="list-style-type: none"> Water quality monitoring Installation of lamella plates at Gakoe and Gacharage treatment plants 		<ul style="list-style-type: none"> In the process of developing water treatment manual 	
		d) Develop and implement repair and maintenance schedule for water production infrastructure <ul style="list-style-type: none"> Generation of work plan for maintenance of <ol style="list-style-type: none"> Surface pumps and motors Raw water mains Reservoirs buildings 	Maintenance schedule in place	Maintenance schedules in place	
	Establish a water & waste water Quality Reference laboratory	Develop a water reference laboratory <ul style="list-style-type: none"> Undertake a feasibility study on establishment of a Reference Laboratory 	-Study report -Bankable proposal -Water quality reports from analysis	<ul style="list-style-type: none"> Some of the required apparatus already secured through AWWDA Location of the Laboratory identified- at the new office block under construction 	Budget constraints

THEMATIC AREAS	STRATEGIC OBJECTIVES	SPECIFIC ACTIVITIES	PERFORMANCE INDICATORS	Status report	Challenges
		<ul style="list-style-type: none"> Construct and Equip & Operationalize the laboratory 	undertaken at the Laboratory		
	Build a partnership with development agencies on water supply and Sewerage Infrastructure development	Development of favourable proposals to prospective financiers. <ul style="list-style-type: none"> Identify areas of collaborations Identify select agencies Submit & implement 	-Prospective proposals in place	Proposals in all key areas available i.e. <ul style="list-style-type: none"> NRW management Last mile connectivity Production & distribution Sewer extensions 1. 2.	Budget constraints
	Allocate 0.5% of the operational budget to watershed conservation	<ul style="list-style-type: none"> Partner with relevant agencies in watershed conservation 	<ul style="list-style-type: none"> WRUA subscription receipts No. of trees grown 	Tree growing exercise undertaken Biannually at Theta, Thiririka, Ndarugu, Ruabora and Karimenu rivers	Lack of synergy in stakeholders involvement

THEMATIC AREAS	STRATEGIC OBJECTIVES	SPECIFIC ACTIVITIES	PERFORMANCE INDICATORS	Status report	Challenges
		<ul style="list-style-type: none"> ● Active participation in water resource user associations (WRUAs) 			
		<ul style="list-style-type: none"> ● Growing of trees in various watersheds 			
<p>2) OPERATION AND MAINTENANCE (WATER DISTRIBUTION)</p>	<p>To increase water coverage from the current 68% to 85%</p>	<p>a. Extension of 115km distribution network assorted sizes (DN90 to DN25) in upcoming estates along Kenyatta road.</p> <p>b. Increase water storage capacity in the distribution system by 500m³ to serve Kenyatta road and Gachika Gichogogo areas.</p> <p>c. Upgrade 5km DN90 to DN160 water transmission pipeline from Kairini to Gatitu B to serve more people downstream</p>	<ul style="list-style-type: none"> - No of pipes installed - No. of tanks installed - Total span of pipeline rehabilitated 	<p>Proposals in place</p>	<p>Budget constraints</p>

THEMATIC AREAS	STRATEGIC OBJECTIVES	SPECIFIC ACTIVITIES	PERFORMANCE INDICATORS	Status report	Challenges
3) OPERATION AND MAINTENANCE (WASTEWATER COLLECTION AND TREATMENT)	Increase sewer coverage from 0% to 8% by 2024	<ul style="list-style-type: none"> Undertake master plan study for sewerage development in the area of jurisdiction 	- Study report	Done	<ul style="list-style-type: none"> Slow progress in the implementation of Gatundu sewer project due to land compensation issues. However, the matter is being handled by NLC Budget constraints
		<ul style="list-style-type: none"> Develop four decentralized wastewater treatment facilities at Kamwangi, Kiganjo, Kigumo and Gatukuyu towns 	- No. of treatment facilities constructed	Concepts available. Currently sourcing for funds	
		<ul style="list-style-type: none"> Procure one exhauster vehicle 	- Exhauster in place	Request forwarded to AWWDA	
		<ul style="list-style-type: none"> Extension of 1.5km sewer networks to upcoming estates along Kenyatta road 	- Span of sewer extended	Will be implemented once Gatundu Sewerage project is complete and operational	
		<ul style="list-style-type: none"> Develop and implement a maintenance schedule for sewerage infrastructure 	- Maintenance reports	Will be implemented once Gatundu Sewerage project is complete and operational	

THEMATIC AREAS	STRATEGIC OBJECTIVES	SPECIFIC ACTIVITIES	PERFORMANCE INDICATORS	Status report	Challenges
		<ul style="list-style-type: none"> Construction of improved toilet at Gatundu and Kamwangi DCC compounds 	<ul style="list-style-type: none"> No. of toilets constructed 	Concepts available	
4) COMMERCIAL OPERATIONS	Reduce the average age of consumer meters to 8 years by 2024	<ul style="list-style-type: none"> Carry out census of consumer meters 	<ul style="list-style-type: none"> No. of meters visited 	Task being undertaken by meter readers	
		<ul style="list-style-type: none"> Replace all meters older than 10 years or have clocked over 	<ul style="list-style-type: none"> No. of meters replaced 	Majority of the meters more than 10 years old. Replacement to be phased out. Proposal for funding available, looking for prospective donors	
		<ul style="list-style-type: none"> Establish a meter calibrating laboratory 	<ul style="list-style-type: none"> No of meters calibrated 	already secured meter testing bench through AWWDA	
	Attain 100% billing	<ul style="list-style-type: none"> Automating billing system 100% Streamlining customer contracting process 	<ul style="list-style-type: none"> ERP billing in place 	ERP billing system operational from 1 st July 2022	
	Attain 100% meter reading efficiency	<ul style="list-style-type: none"> Procure 100 smart phones for ease of communication with the new billing system 	<ul style="list-style-type: none"> Improved meter reading efficiency 	60 out of 100 smart phones procured	

THEMATIC AREAS	STRATEGIC OBJECTIVES	SPECIFIC ACTIVITIES	PERFORMANCE INDICATORS	Status report	Challenges
		<ul style="list-style-type: none"> Equip the meter readers 16 with motorcycles 		Motorbikes being acquired through staff getting loans from the Company to buy motorbikes	
5) FINANCIAL STEWARDSHIP	Increase revenue collection efficiency from 85% to 96%	<ul style="list-style-type: none"> Reduce the average debtor days to not more than ninety (90) days 	- Total amount of debts collected	Debt collection team in place using debt collection app in the new billing system	
		<ul style="list-style-type: none"> Integrate on real time the pay points and billing systems Make Billing systems interactive 	- ERP billing in place	Currently being undertaken in the new billing system-ERP	
		<ul style="list-style-type: none"> Apply for cost recovery tariff 	- Proposal in place	Data preparation in progress	
	Attain unqualified audit reports by 2024	<ul style="list-style-type: none"> Adherence to the provisions of annual budget Adherence to the Annual Procurement plan 	- Unqualified reports available	Budget, procurement plan and draft policies in place	

THEMATIC AREAS	STRATEGIC OBJECTIVES	SPECIFIC ACTIVITIES	PERFORMANCE INDICATORS	Status report	Challenges
		<ul style="list-style-type: none"> ● Adherence to policies and procedures of the Company 			
6) HUMAN RESOURCE MANAGEMENT	Improve staff satisfaction level by 5%	<ul style="list-style-type: none"> ● Conduct annual refresher course for each member of staff ● Improve staff terms and Conditions ● Develop a performance contracting culture ● Provide Personal Protective Equipment to staff members ● Develop innovations to improve on efficiencies 	<ul style="list-style-type: none"> - No. of staff trained - Improved staff satisfaction levels 	<ul style="list-style-type: none"> ➤ The Company has been sponsoring short courses to staff ➤ Commercial staff attended a benchmarking tour at Nakuru rural to be enlighten on the operations of the ERP 	Financial constraints
	Ratio of personnel costs to Operation & Maintenance cost is reduced	<ul style="list-style-type: none"> ● Increase staff productivity from 190m³ per staff per day to 275m³ per day per staff. ● Align job descriptions to staff establishment 	<ul style="list-style-type: none"> - Report on improvement 	Realignment ongoing to march current staff establishment	

THEMATIC AREAS	STRATEGIC OBJECTIVES	SPECIFIC ACTIVITIES	PERFORMANCE INDICATORS	Status report	Challenges
	from 55% to 40% by 2024				
	Reduce work related accidents and near miss incidents to nil by 2024	<ul style="list-style-type: none"> ● Comply with OSHA policy 	- OSHA audit reports	To be included in FY 2023/2024 Budget	
7) INFORMATION COMMUNICATION & TECHNOLOGY (ICT)	Make the company paperless by 2023	<ul style="list-style-type: none"> ● Establish a wide area network connectivity for the Company by 2023 ● Attain the ratio of 1:1 computers to management and supervisory staff 	100% automation	Already in place	Low internet connectivity in some areas
	Attain 100% security of data and operations	<ul style="list-style-type: none"> ● Establish recovery site 			
8) MANAGEMENT OF NON-REVENUE WATER	Establish NRW teams and acquisition of equipment	<ul style="list-style-type: none"> ● Establish an active NRW team ● Obtain NRW equipment 	- Reduced NRW levels	-Trainings and benchmarking tours done	Budget constraints

THEMATIC AREAS	STRATEGIC OBJECTIVES	SPECIFIC ACTIVITIES	PERFORMANCE INDICATORS	Status report	Challenges
				-Some of the required equipment already secured through AWWDA	
	Profile the NRW in the distribution network	<ul style="list-style-type: none"> ● Establishing intelligent DMA's of a maximum 500 connections ● Implement pressure management in the transmission and distribution network 	<ul style="list-style-type: none"> - No. of DMAs established 	Proposal in place and shared with KCG and AWWDA	
	Eradication of illegal connections by 2024	<ul style="list-style-type: none"> ● Leverage on existing laws to impose heavy penalties for illegal connections 	<ul style="list-style-type: none"> - No. of illegal connectors prosecuted 	Awareness, surveillance and disconnection activities ongoing	
	GIS mapping all water and sewer network by 2024	<ul style="list-style-type: none"> ● Mapping of the pipe networks and appurtenances ● Establish a GIS unit 	<ul style="list-style-type: none"> - Map of meters mapped - Map of pipeline network mapped 	Mapping already done. Team in place to continuously update new infrastructure	

THEMATIC AREAS	STRATEGIC OBJECTIVES	SPECIFIC ACTIVITIES	PERFORMANCE INDICATORS	Status report	Challenges
9) BRAND EQUITY	Increase visibility to 85%	<ul style="list-style-type: none"> ● Branding of all assets ● Create staff brand identity ● Establish an interactive website ● Provide marker posts for all pipes and sewer networks ● Acquire ISO certification in all areas 	<ul style="list-style-type: none"> - Report of assets branded - Operational website - ISO progress report 	<ul style="list-style-type: none"> ➤ Marker posts gradually being installed on existing networks. For new projects, they are part of project deliverables 	Budget constraints
	Increase customer satisfaction to 80% by 2024	<ul style="list-style-type: none"> ● Establish a customer care desk ● Develop Customer Service Charter ● Establish an interactive customer call centre 	<ul style="list-style-type: none"> - Operational customer care desks - Operational service charter 		
	Integration of Asset management	<ul style="list-style-type: none"> ● Conduct assets audit and undertake asset tagging of all Company assets 	<ul style="list-style-type: none"> ➤ Audit report 	<ul style="list-style-type: none"> ➤ Asset inventory in place ➤ Tagging of assets ongoing 	

VII. Corporate Governance Statement

BOARD MEETINGS AGENDA 2021/2022 FINANCIAL YEAR

	MEETING	DATES	AGENDAS	MEMBERS IN ATTENDANCE
1	FULL BOARD			
	9 th Special	16 th September 2021		<ol style="list-style-type: none"> 1. Prof. Bernard Njoroge 2. Emma Nganga 3. Prof. Stephen Njuguna 4. Samuel Gatama 5. James Muriuki 6. Eng. Andrew Muigai 7. Dominic Gachanja 8. Ndungu Wa Munywe 9. Bishop Solomon Waweru 10. Jennifer Musyoki 11. David Kuria
	10th Special	29th SEPTEMBER 2021	<ol style="list-style-type: none"> 1. Adoption of the 2020/21 Financial Report for purposes of submission to the Auditor General 	<ol style="list-style-type: none"> 2. Prof. Bernard Njoroge 3. Prof. Stephen Njuguna 4. Samuel Gatama 5. James Muriuki 6. Eng. Andrew Muigai 7. Dominic Gachanja 8. Bishop Solomon Waweru 9. Jennifer Musyoki 10. David Kuria

	MEETING	DATES	AGENDAS	MEMBERS IN ATTENDANCE
	11th Full Board	3rd, 4th and 10th November 2021	<ol style="list-style-type: none"> 1) CECM General Remarks – An update on the merger process 2) Presentation of the updated paper of the Finance & ICT Committee Report. 3) Presentation of the Risk & Audit Committee Report. 4) Presentation of the update paper of Human Resource & Administration Committee Report. 5) Presentation of the updated paper Technical Committee Report. 6) Presentation of the Ad Hoc Committee Report. 7) Confirmation of the Minutes of 9th Full Board Meeting held on 9th December, 2020 	<ol style="list-style-type: none"> 1. Prof. Bernard Njoroge 2. Emma Nganga 3. Prof. Stephen Njuguna 4. Samuel Gatama 5. James Muriuki 6. Eng. Andrew Muigai 7. Dominic Gachanja 8. Ndungu Wa Munywe 9. Bishop Solomon Waweru 10. Jennifer Musyoki 11. David Kuria 12. Martin Njogu
	Retreat	6th to 10th December 2021	<ol style="list-style-type: none"> 1. Finance Committee report 2. Human resource committee 3. Resolution of the Board workshop on the following issues: <ul style="list-style-type: none"> • Adoption of the merger Road map • Guide on the transition plan 	<ol style="list-style-type: none"> 4. Prof. Bernard Njoroge 5. Emma Nganga 6. Prof. Stephen Njuguna 7. Samuel Gatama 8. James Muriuki 9. Eng. Andrew Muigai 10. Dominic Gachanja 11. Ndungu Wa Munywe 12. Bishop Solomon Waweru 13. Jennifer Musyoki

	MEETING	DATES	AGENDAS	MEMBERS IN ATTENDANCE
				14. David Kuria 15. Martin Njogu
	11 th	10 th and 22 nd February 2022	<p>8) Presentation of the Technical Committee Report</p> <p>9) Presentation of the Human Resource & Administration Committee Report</p> <p>10) Presentation of the Finance & ICT Committee Report</p> <p>11) Presentation of the Risk & Audit Committee Report</p> <p>12) Confirmation of the Minutes of 10th Full Board Meeting</p> <p>13) Confirmation of the Minutes of 8th Special Board Meeting</p>	<p>1. Prof. Bernard Njoroge</p> <p>2. Emma Nganga</p> <p>3. Samuel Gatama</p> <p>4. James Muriuki</p> <p>5. Eng. Andrew Muigai</p> <p>6. Dominic Gachanja</p> <p>7. Ndungu Wa Munywe</p> <p>8. Bishop Solomon Waweru</p> <p>9. Jennifer Musyoki</p> <p>10. David Kuria</p>
2	FINANCE			
	10 th	6 th , 7 th & 9 th September 2021	<p>1. Consider,adopt and recommend to the Board the Committee Annual work plan</p> <p>2. Consider,adopt and recommend to the Board the 2021/22 Financial report</p> <p>3. Consider,adopt and recommend to the Board the procurement plan performance for the 2021/22 financial year</p> <p>4. Consider,adopt and recommend to the Board the proposed implementation of the salary harmonisation framework by the Regions</p>	<p>1. James Muriuki</p> <p>2. Bishop Solomon Waweru</p> <p>3. Samuel Gatama</p> <p>4. End Andrew Muigai</p>

	MEETING	DATES	AGENDAS	MEMBERS IN ATTENDANCE
			5. Confirmation of the 8 th Financial Committee meeting 6. Confirmation of the 9 th Financial Committee meeting	
	5th Special	30th November, 1st December 2021	1) Consider and recommend to the Board the Kiambu Region CBA for adoption and approval of its immediate implementation. 2) Consider and recommend to the Board the Kiambu Region's financial capability to implement the harmonised salary framework. 3) Consider and recommend to the Board the Karuri's Region's financial capability to implement the harmonised salary framework. 4) Consider and recommend to the Board Kikuyu's Region solarisation proposal.	1. James Muriuki 2. Bishop Solomon Waweru 3. Samuel Gatama 4. Eng. Andrew Muigai
	11TH	26th January, 2022 9th February, 2022	a)	1. James Muriuki 2. Bishop Solomon Waweru 3. Samuel Gatama 4. Eng. Andrew Muigai

MEETING	DATES	AGENDAS	MEMBERS IN ATTENDANCE
		INDEPENDENT COMPANY BOARD COMMITTEE	
1st	15th to 17th March 2022	1. Board Induction	1. Rev Martin Kahura 2. Stephen Mungai 3. Stephen Kangethe 4. Stephen Kiiru 5. Joyce Wanjiku 6. Gatama Njuguna 7. Jenniffer Musyoki
2nd	30th March 2022		1. Rev Martin Kahura 2. Stephen Mungai 3. Stephen Kangethe 4. Stephen Kiiru 5. Joyce Wanjiku 6. Gatama Njuguna 7. Jenniffer Musyoki
3rd	6th April 2022		
		TECHNICAL COMMITTEE	
4th	18th May 2022	1. Review of the Committee's TORS 2. Consideration and recommendation of the Board 3 rd Quarter Technical Report 3. Consider and recommend to the Board the proposed 2022/23 financial year projects 4. Consider and recommend to the Board the status of the on going projects	1. Stephen Kangethe 2. Samuel Gatama 3. Jennifer Musyoki 4. Joyce Kangara 5. Joseph Kariuki

MEETING	DATES	AGENDAS	MEMBERS IN ATTENDANCE
		FINANCE COMMITTEE	
5th	20th & 31st May 2022	<p>The Report of the 3rd Quarter Financial Report</p> <p>(b) The 3rd Quarter Report on the implementation of the Procurement Plan</p> <p>(c) The 2022/23 Financial year Budget</p> <p>(d) The 2022/23 Procurement Plan</p> <p>(e) 3rd Quarter Human Resource Department Report</p> <p>(f) Report of recruitment of the Technical Manager.</p>	<ol style="list-style-type: none"> 1. Stephen Karau Kangethe 2. Samuel Gatama Njuguna 3. Stephen Mungai 4. Jenniffer Musyoki
		AUDIT COMMITTEE	
6th	25th May 2022	Presentation of Audit report Charter	<ol style="list-style-type: none"> 1. Joyce Kangara 2. Stephen Kiiru 3. Samuel Njuguna
		FULLBOARD MEETING	
7th	30th March 2022	<ol style="list-style-type: none"> 2. Review terms of reference for the Committee 3. Discuss,adopt and make recommendations on 3rd Quarter Human Resource Report 4. Discuss,adopt and make recommendations on 3rd Quarter procurement utilization report 5. Discuss,adopt and make recommendations on 3rd Quarter performance contract report 	<ol style="list-style-type: none"> 1. Stephen Karau Kangethe 2. Samuel Gatama Njuguna 3. Stephen Mungai 4. Jenniffer Musyoki

	MEETING	DATES	AGENDAS	MEMBERS IN ATTENDANCE
			<ol style="list-style-type: none"> 6. Discuss,adopt and make recommendations on 3rd Quarter financial and budget performance report 7. Consider,adopt and recommend the proposed budget for 2022/2023 financial year. 	
	8th	10 th June 2022	<ol style="list-style-type: none"> 1. Receive and adopt technical committee report 3rd quarter 2. Receive and recommend report of finance and administration committee report <p>Receive and adopt report of Audit committee</p>	<ol style="list-style-type: none"> 1. Rev Martin Kahura 2. Stephen Mungai 3. Stephen Kangethe 4. Stephen Kiiru 5. Joyce Wanjiku 6. Gatama Njuguna 7. Jenniffer Musyoki
3	HUMAN RESOURCE			
	9th	13 th July ,2021 2 nd & 3 rd September 2021	<ol style="list-style-type: none"> 1. To consider and approve the recruitment of new staff members 2. To discuss and adopt the senior management profile and make recommendation to the Board 3. Consider,adopt and recommend to the Board the status to secondment staff 4. Consider and adopt the status report of transferred staff members 5. Consider,adopt and recommend to the Board the 	<ol style="list-style-type: none"> 1. Emma Nganga 2. Dminic Gachanja 3. Ndungu Wa Munywe

	MEETING	DATES	AGENDAS	MEMBERS IN ATTENDANCE
			<p>report of the Human Resource committee Mombasa retreat</p> <p>6. Confirmation of the 7th Human Resource & Administration committee minutes.</p> <p>7. Confirmation of the 8th Human Resource & Administration committee minutes.</p> <p>8.</p>	
	5th Special	21st October 2021	<p>1. To discuss proposed Kiambu Water & sewerage Company collective bargaining agreement (CBA)</p>	<p>1. Emma Nganga 2. Bishop Solomon Waweru 3. Dominic Gachanje</p>
	6th Special	29th & 30th November 2021	<p>1) To discuss Contract proposed Kiambu County Water Collective Bargaining Agreement (CBA).</p> <p>2) To discuss the status of Seconded and integrated staff Members within the Regions.</p> <p>3) To discuss the FY 2021/22 Region's performance.</p> <p>4) To Discuss the performance of the Caretaker Manager, Ruiru.</p> <p>5) To discuss allowances payable to the Head quarter's team seconded from the County Government.</p> <p>6) To discuss the payment of the hospital Bill, Ruiru Region.</p>	<p>1. Emma Nganga 2. Bishop Solomon Waweru 3. Dominic Gachanja 4. Ndungu Wa Munywe 5. Jennifer Musyoki</p>

MEETING	DATES	AGENDAS	MEMBERS IN ATTENDANCE
10 th	18 th January 2022	<ol style="list-style-type: none"> 1) Consider and recommend to the Board the filling of vacant position in Karuri and Githunguri Region. 2) Paper on James Muiruri deployment 3) Paper on Translation of Terms of Employment for the ICT Director. 4) Consider and recommend the approval of acting allowance for the Headquarter staff member seconded by the County Government 5) Confirmation of minutes of the 6th Special Human Resource Committee meeting 	<ol style="list-style-type: none"> 1. Emma Nganga 2. Dominic Gachanja 3. Bishop Solomon Waweru
7 th Special	8 th February,2022	<ol style="list-style-type: none"> 1) To discuss Contract proposed Headquarters' Staff members allowances 2) To discuss Resumption of office of the Managing Director, Kiambu Region 3) Confirm minutes of the 10th Human Resource Committee Meeting 4) Gatundu Region field visit 5) Githunguri Region field visit 	<ol style="list-style-type: none"> 1. Emma Nganga 2. Bishop Solomon Waweru 3. Dominic Gachanja 4. Ndungu Wa Munywe 5. Jennifer Musyoki 6. James Muriuki 7. Samuel Gatama

	MEETING	DATES	AGENDAS	MEMBERS IN ATTENDANCE
			TECHNICAL COMMITTEE	
	7 th	13 th & 14 th September, 2021	<ol style="list-style-type: none"> 1) Discussion, adoption and recommendation to the Board the 2020/21 Performance Contracting Report. 2) Discussion, adoption and recommendation to the Board of the 2021/22 Financial year Key Performance Indicators. 3) Discussion, adoption and recommendation to the Board the 2021/22 Committee Work Plan 4) Confirmation of Minutes of the 7th Technical Committee Meeting. 	<ol style="list-style-type: none"> 1. Eng Andrew Muigai 2. James Muriuki 3. Prof. Stephen Njuguna 4. Samuel Gatama 5. Jennifer Musyoki
	8 th	24 th January	<ol style="list-style-type: none"> 1) Presentation of the half year performance contracting <ol style="list-style-type: none"> (a) Kiambu Region (b) Karuri Region (c) Kikuyu Region (d) Limuru Region (e) Githunguri Region (f) Ruiru Region (g) Gatundu Region 2) Confirmation of Minutes of the 7th Technical Committee Meeting 	<ol style="list-style-type: none"> 1. Eng Andrew Muigai 2. James Muriuki 3. Prof. Stephen Njuguna 4. Samuel Gatama 5. Jennifer Musyoki

MEETING	DATES	AGENDAS	MEMBERS IN ATTENDANCE
		INDEPENDENT COMPANY BOARD	
5. RISK AND AUDIT			
7 th	1 st , 2 nd , 3 rd , & 16 th December 2021 6 th January, 2022	5) Confirmation of minutes of the 6 th Risk & Audit Committee Meeting held on 10 th May 2021 6) Discussion of the Internal Audit Work plan FY2021/2022 7) Discuss, adopt and recommend to the board the Risk Policy 8) Discuss, adopt and recommend to the board the Risk Frame Work 9) Consider, adopt and recommend to the Board the internal audit report for i. Karuri Region ii. Kikuyu Region iii. Limuru Region iv. Githunguri Region v. Gatundu Region vi. Ruiru Region follow up audit vii. Tariff & License summarized. 10) Discus the exit of the Company Secretary from the Risk and Audit committee	1. Dominic Gachanja 2. Emma Nganga 3. Prof. Stephen Njuguna 4. Ndungu Wa Munywe 5. Jennifer Musyoki

During the year the County Government of Kiambu appointed Independent board of directors. The duties and role of the Board of Directors are as stipulated in the Board Charter which includes the following:

- Strategic Management
- Identification and management of risks
- Company's financial oversight
- Succession planning and evaluation of management performance
- Oversight of communications and public disclosure
- In charge of corporate Governance

The following Board committee have been established with specific duties and meet quarterly as minimum

- Audit & Risk Management Committee
- The Finance and ICT Committee
- Technical Committee;
- Human Resource and Administration Committee

The remuneration of Directors is determined by the annual general meeting within the maximum approved by shareholders guided by the Government of Kenya Regulations (Water Services Regulatory Board) from time to time. The Chairman will be paid a monthly honorarium of Kshs. 15,000/-, monthly telephone allowance of Kshs. 2,000/-. The Chairman will be paid a sitting allowance of Kshs. 18,572 while attending Board meetings and other functions, workshops and trainings sponsored by the Company. While attending a meeting or such function within Kiambu County and its environs, the Chairman will be paid a lunch allowance of Kshs. 1,000 and transport allowance of Kshs. 2,000/-. Directors will be paid a sitting allowance of Kshs 14,286 while attending Board and committee meetings, and other functions, workshops and trainings sponsored by the Company. Where the meeting or function is within Kiambu County, the Directors will be entitled to a lunch allowance of Kshs 1,000.00 (where no lunch is provided) and transport allowance of Kshs 2,000.00.

VIII. Management Discussion and Analysis

Projections/Proposals And Way Forward

- a) The Management is in its final term on its technical strategic plan. We have analysed specific proposals as detailed above and we strongly feel that we are on the right track.
- b) Other than improving on domestic water supply, the company intends to
- i) Construct Gatundu Sewerage works where AWWDA have contracted Reni Consulting Engineers to offer consultancy.
- ii) We initiated design for Kamwangi and Gatakuyu Sewerage works but there is a challenge on land ownership.

Development Projects

- a) Africa Development bank in partnership with Government Of Kenya through Athi Water Works Development Agency is implementing a project under the Kenya Towns Programme.

Under the programme, we have the following projects as one project:

- Gatundu Sewerage project
- Handege water project
- Ruabora water project
- Ngenda water project

We are at 8% implementation stage.

- b) Still through AWWDA and in partnership with AXIM bank, the GOK is doing Karimenu II dam.

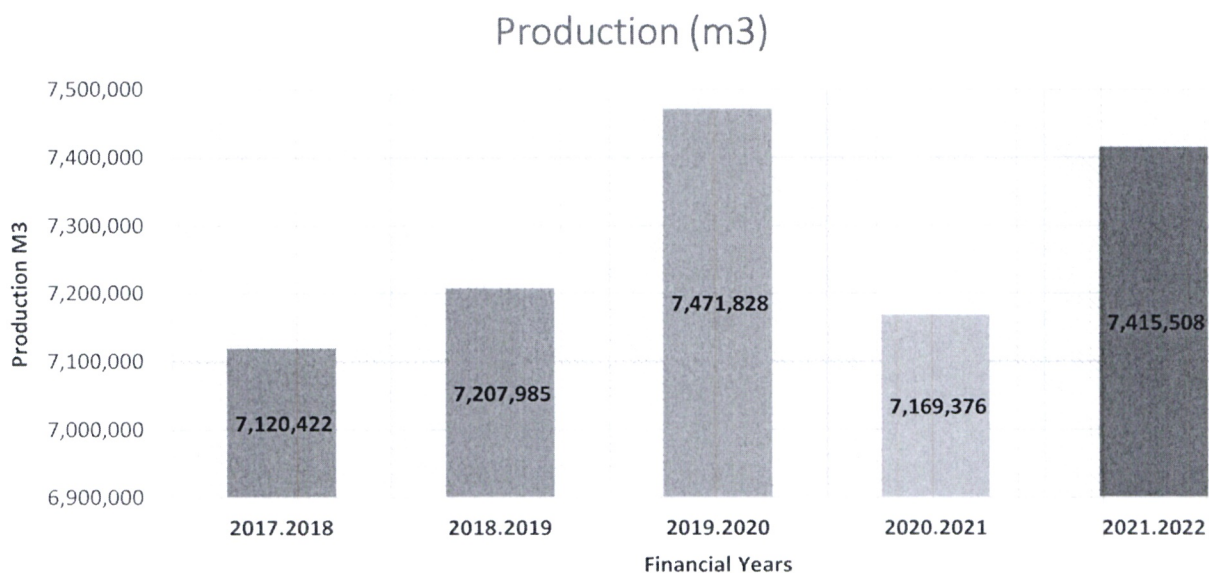
We are at 45% implementation stage.

- c) Through AWWDA, we have reinstated pipelines of HDPE and sizes ranging from 160mm to 25mm in areas that were destroyed during roads construction works. These areas include Ruburi, Ritho, Karinga, Wamwangi and Ituru.

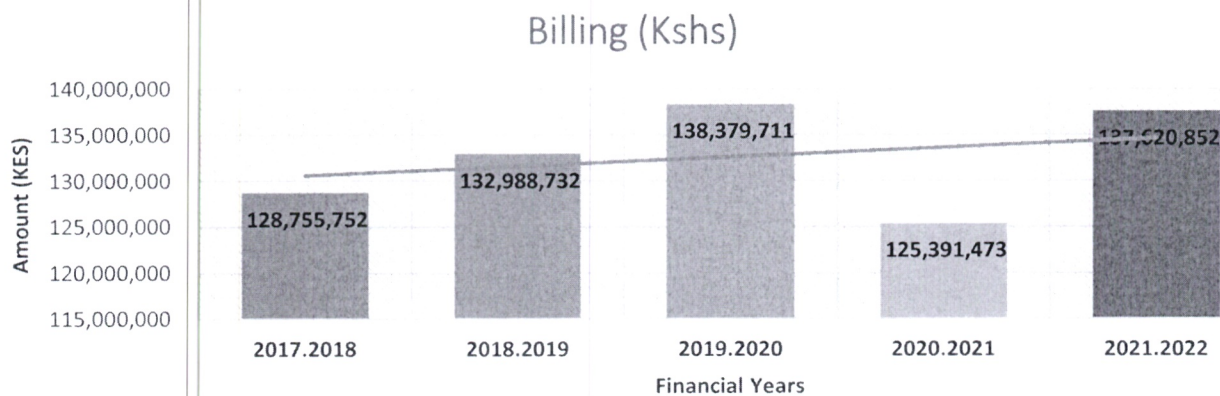
Comparative Analysis: Below is a five-year analysis of Gatundu Water Financial performance as well as water production analysis.

a. Production Analysis:

Five Year - Water Production Analysis					
Year	2017.2018	2018.2019	2019.2020	2020.2021	2021.2022
Production (m3)	7,120,422	7,207,985	7,471,828	7,169,376	7,415,508

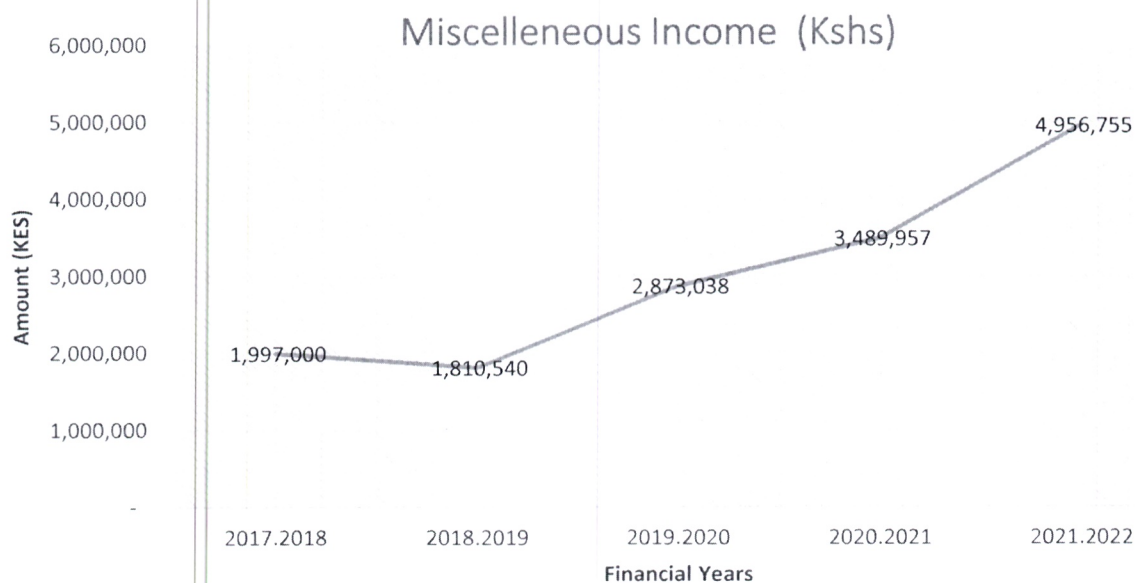


Five Year - Billing Analysis					
Year	2017.2018	2018.2019	2019.2020	2020.2021	2021.2022
Billing (Kshs)	128,755,752	132,988,732	138,379,711	125,391,473	137,620,852



c. Miscellaneous Income Analysis

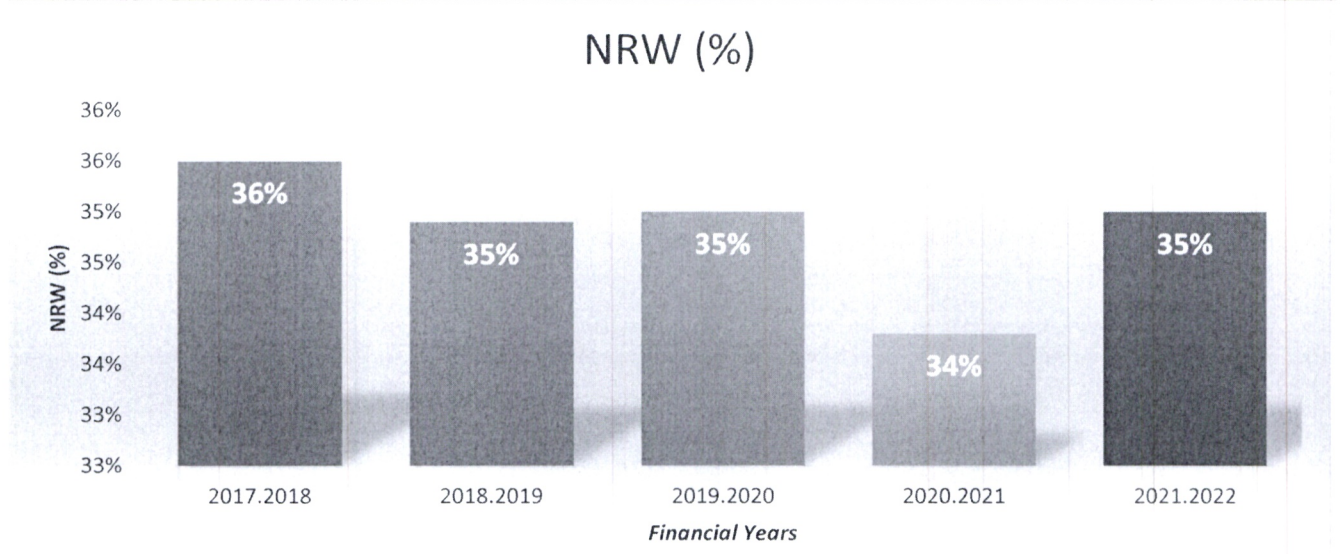
Five Year Miscellaneous Income Analysis					
Year	2017.2018	2018.2019	2019.2020	2020.2021	2021.2022
Miscellaneous Income (Kshs)	1,997,000	1,810,540	2,873,038	3,489,957	4,956,755



d. Non-Revenue Water Analysis:

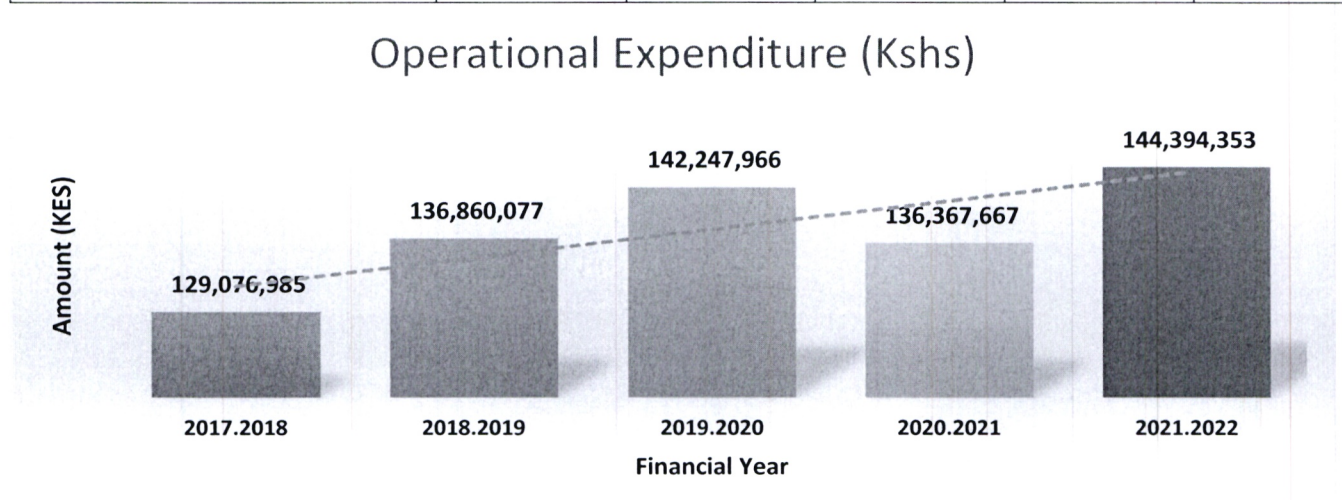
Five Year Non-Revenue Water Trend Analysis					
Year	2017.2018	2018.2019	2019.2020	2020.2021	2021.2022

NRW (%)	36%	35%	35%	34%	35%
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e. Operational Expenditure Analysis

Five Year Operational Expenditure Analysis					
Year	2017.2018	2018.2019	2019.2020	2020.2021	2021.2022
Operational Expenditure (Kshs)	129,076,985	136,860,077	142,247,966	136,367,667	146,932,368



IX. Environmental and Sustainability Reporting

Sustainability strategy and profile –

To enhance Sustainability, the GATWASCO has been able to achieve the following over time:

The company through AWWDA has been able to:

- Construct intake works on Thiririka river and lay 5km of 250mm upvc (inter basin water transfer) to Theta dam
- Upgraded Ruabora intake and laying 2.5km of 160mm and 110mm
- Improved Gacharage intake through desilting and expanding washout arrangements and construction Mwonothia intake.
- Construction of Marigoiti intake, laying 3.0Km of 110mm HDPE pipe line and two number composite filtration units and backwash tank arrangement.
- Lay over 270km of HDPE pipe of diameters ranging from 160mm to 25mm to reinstate the areas that were destroyed due to to the ongoing roads construction works.
- Through AWWDA, three water projects are ongoing ie Ngenda, Ruabora(Wamuguura) and Handege and Gatundu town sewerage works.
- Improved working conditions for staff

However, the company is faced by the below mentioned challenges;

- Old and delapidated pipes that requires regarding
- Water theft (Illegal connections)
- Inadequate funds for pipeline extensions
- Mass destruction of pipes due to ongoing roads construction works.
- Vandalism

Environmental performance

- Our Organisation always ensure that the water given to consumers meets the required standards by undertaking daily jar tests and taking water samples to registered laboratories.
- We ensure that leakages and bursts are attended to immediately reported so as to avoid waste and occurrence of land slides
- During rainy seasons, we partner with WRUAS to do tree planting near the water sources
- We always ensure that the backwashing water does not enter directly to the river but passes through a lagoon

During the year the company partnered with the community and Water Resource Users Associations (WRUAs) on planting of indigenous tree seedlings in an effort to conserve the environment and protect the catchment areas.

Employee welfare

The company is guided by the Human Resource Policy. The documents take into account the hiring process where gender ration is well explained. The company also pays for short courses in collaboration with other institutions to improve on the employees' skills. The company also organises for medical clinics where the medical test for respective employees are done at will.

Market place practices-

The company always ensures steady supply of clean and treated water to the customers. The company engages with the suppliers having followed all the necessary required procurement procedures and also maintains a good supplier relationship where the supplies are paid within 90 days upon delivery of good and services.

Community Engagements-

During the year the company supplied the community with tanks and established various washing points as directed by the Ministry of Health to curb the spread of Corona Virus.

Corporate social responsibility / community engagements

The company also ensures it promotes and is sensitive on preservation and protection of the environment by involving the youth in trees planting and cleaning the market places. The company provided mineral water during Madaraka day celebration on 1st June 2022,

Tree planting

During the financial year, the company engaged in an exercise of securing and conservation of Kiambu County water catchment areas at Kinare forest. The company purchased 1,500 indigenous trees, Hass Avocado and bamboo seedlings amounting to Ksh (275,000) Two hundred seventy five thousand only. We also took part during world water day celebration where we incurred Ksh 104,464 (One hundred four thousand, four hundred sixty four only) on media coverage and documentary.

We also received tree donation from Co-operative bank and Equity Bank both in cash and in kind.

Children support

We also visited Gatundu ,Vision centre and Familia moja children homes during christmass holiday where we donated Ksh 100,000 (One hundred thousand only) for shopping and cash donation.

X. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the company's affairs.

i) Principal activities

The principal activities of the company is to ensure and efficient and effective provision of water and sanitation Services in its area of jurisdiction.

ii) Results

The results of the company for the year ended June 30 2022 are set out on page 1.

iii) Directors

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

iv) 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 for the year ended June 30, 2022

XI. 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/period. 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, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors 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)

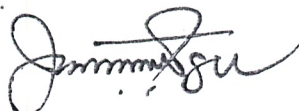
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company financial statements were approved by the Board on 5th February 2023 and signed on its behalf by:

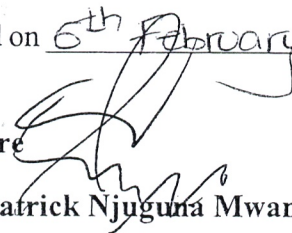
Signature



Name Martin Ndung'u Kahura

Chairperson of the Board

Signature



Name Patrick Njuguna Mwangi

Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON GATUNDU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Gatundu Water and Sanitation Company Limited set out on pages 1 to 49, which are comprised of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other

Report of the Auditor-General on Gatundu Water and Sanitation Company Limited for the year ended 30 June, 2022

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 Gatundu Water and Sanitation Company Limited as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with the Accrual Basis of accounting method under the International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012, Companies Act, 2015 and Water Act, 2016.

Basis for Qualified Opinion

1.0 Irregular and Unsupported Board Expenses

The statement of profit or loss and other comprehensive income reflect Board expenses of Kshs.3,282,583 as disclosed in Note 12 to the financial statements. Review of records revealed that included in the expenditure is an amount of Kshs.1,957,160 paid as allowances to the Members of a Caretaker Board appointed to act on behalf of the Kiambu County Water and Sewerage Company from 26 March, 2019 to 13 February, 2022. This is contrary to the provisions of Section 79(1) of the Water Act, 2016 which provides that each water service provider should have a Board of Directors constituted in accordance with the Companies Act, 2015 and any other written law.

Further, records and information on the rate of allowances, amounts paid and due were not provided for audit review.

In the circumstances, Management was in breach of the law and the accuracy of Board expenses amounting to Kshs.1,957,160 could not be confirmed.

2.0 Undisclosed Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.29,162,041 as disclosed in Note 15 to the financial statements. However, review of records and field verification revealed that the balance excludes beneficial assets of unknown values consisting of land and buildings registered in the name of Karimenu Water & Sanitation Company Limited, eight (8) treatment plants owned by Athi Water, three (3) offices erected on parcels of land that belong to the defunct Thika County Council and seven (7) motor vehicles registered in the name of Athi Water Works Development Agency.

In the circumstances, the completeness and accuracy of property, plant and equipment balance of Kshs.29,162,041 as at 30 June, 2022 could not be confirmed.

3.0 Doubtful Trade and Other Receivables Balance

The statement of financial position reflects trade and other receivables balance of Kshs.143,655,222 which includes net trade receivables balance of Kshs.141,446,573 as disclosed in Note 18 to the financial statements. Review of records revealed that receivables amounting to Kshs.123,973,575 or 88% of the trade receivables balance had

been outstanding for over one hundred and twenty (120) days. Further, the debt that is over one hundred and twenty (120) days has increased from Kshs.98,124,089 to Kshs.123,973,575 while the increase in provision for bad and doubtful debts was only Kshs.789,122, which is way below the growth in old debts. Management did not provide explanation for failure to collect the due amounts on time.

In the circumstances, the recoverability of the trade and other receivables balance of Kshs.143,655,222 could not be confirmed.

4.0 Lack of Share Certificates

The statement of financial position reflects ordinary share capital balance of Kshs.19,442,912 which includes ordinary share capital balance of Kshs.100,040 as disclosed in Note 20 to the financial statements. The balance of ordinary share capital comprises of authorized 5,000 ordinary shares of Kshs.20 par value each amounting to Kshs.100,000 and 2 issued and fully paid to ordinary shares of Kshs.20 par value each amounting to Kshs.40.

Further, related party disclosure in Note 25 to the financial statements indicates that the Company is fully owned by the County Government of Kiambu. However, the share certificate relating to the paid-up share capital was not provided for audit review. This is contrary to Section 495 of part XVIII of the Companies Act, 2015 which states that a certificate duly executed in accordance with section 37 specifying any shares held by a member is, in the absence of proof to the contrary, evidence of the member's title to the shares.

In addition, the financial statements reflect share capital balance of Kshs.100,040 but there are only two (2) issued and fully paid shares. The balance of 4998 shares have not been issued and paid and should therefore not be part of the share capital of the Company.

In the circumstances, the ownership of the Company as at 30 June, 2022 could not be confirmed.

5.0 Unsupported Long Outstanding Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.66,680,779 which includes trade payables amounts of Kshs.63,122,109 as disclosed in Note 22 to the financial statements. Review of records revealed that included in this balance are Kshs.5,779,411, Kshs.51,024,323 and Kshs.6,318,375 owed to Water Services Regulatory Board (WASREB), Athi Water Services Board and Water Resources Management Authority (WRMA), respectively. However, the supporting demand notices/invoices and statements were not provided for audit review.

Further, the amounts have been outstanding for a long period of time and Management has not provided explanation for not settling the amounts due on time. This is contrary to Section 89 (1) Water Act, 2016, which provides that a licensee shall pay to the Regulatory Board, as the case may be, on issue of the licence and at prescribed intervals thereafter, such licence fees as the Regulatory Board may determine.

In the circumstances, the Company's ability to settle the outstanding amount of Kshs.63,122,109 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Non-Compliance with Law on Ethnic Composition

Review of human resource records revealed that the Company had one hundred and forty three (143) employees, out of whom one hundred and forty (140) or 98% were from the same ethnic community. This is contrary to Section 7(1) and (2) of National Cohesion and Integration Act, 2008 which provides that “all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community”.

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

2.0 Irregular Recruitment and Appointment of Employees

The statement of profit and loss and other comprehensive income reflects staff costs of Kshs.93,094,732 as disclosed in Note 10 to the financial statements. Review of records revealed that it includes expenditure of Kshs.510,315 in respect of four (4) newly recruited members of staff for three (3) months from 1 April, 2022 to 30 June, 2022. However, their recruitment did not comply with the provisions of Section B.2 of the Human Resource Policies and Procedures Manual for the Public Service, 2016 and Section 2.2 of GATWASCO Human Resource Manual, 2015 which provides that the recruitment and selection process has four key elements; the procedure which includes vacancy determination, advertisement, selection and appointment.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Excessive Non-Revenue Water (NRW)

Review of records revealed that the total water production for the year was 7,415,508 cubic metres (m³) from the nine (9) production stations. However, only 4,793,117 litres of water was billed during the year resulting to unaccounted for water or NRW of 2,622,391 or 35%, which is 10 % over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board (WASREB) guidelines. The Non-Revenue Water represents a loss of Kshs.222,903,235 in earnings for the Company at the average rate of Kshs.85 per m³.

In the circumstances, the effectiveness of controls on water production and billing 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 control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015, I report based on the 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 my audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and
- (iii) The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 May, 2023

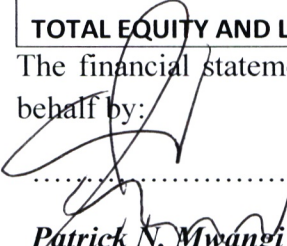
XIII. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022.

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue			
Operating Revenue	6	137,620,852	125,391,473
Grants Income	7	38,972,051	5,352,817
Other Income	8	2,436,913	1,301,673
Finance income	9	2,519,842	2,188,284
Total Revenue		181,549,658	134,234,247
Expenses			
Staff Costs	10	93,094,732	98,387,027
General and Operations expenses	11	32,481,942	26,813,564
Board Expenses	12	3,282,853	1,886,800
Maintenance Expenses	13	15,014,299	6,895,483
Depreciation and Amortization expenses	14	3,058,543	2,741,056
Total Expenses		146,932,368	136,723,929
Profit/(Loss) For The Year		34,617,290	(2,489,682)
Extra Ordinary Income		-	18,070,582
Total Comprehensive income for the year		34,617,290	15,580,900


XIV. Statement of Financial Position As at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	29,162,041	27,573,304
Intangible assets	16	28,756	41,080
Total Non-Current Assets		29,190,797	27,614,384
Current Assets			
Inventories	17	2,824,205	3,750,640
Trade and receivables	18	143,655,222	134,477,833
Bank and cash balances	19	52,991,516	60,830,353
Total Current Assets		199,470,943	199,058,826
TOTAL ASSET		228,661,740	226,673,210
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital and capital reserve	20	19,542,952	19,542,952
Reserves		-	18,070,582
Retained earnings	21	103,058,700	68,441,410
Capital and Reserves		122,601,652	106,054,944
Current Liabilities			
Trade and other payables	22	66,680,779	82,623,958
Customer Deposits	23	39,379,308	37,994,308
Total Current Liabilities		106,060,088	120,618,266
TOTAL EQUITY AND LIABILITIES		228,661,740	226,673,210


The financial statements were approved by the Board on 6 February 2023 and signed on its behalf by:



Patrick N. Mwangi
 Managing Director



Emmah W. Chege
 Head of Finance



Martin N. Kahura
 Chairman of the Board

ICPAK M/No: 7827

XV. Statement Of Changes In Equity For The Year Ended 30 June 2022

	Notes	Ordinary share capital	Capital reserve	Retained earnings	Total
As at July 1, 2020		100,040	19,442,912	70,931,092	90,474,044
Profit for the year		-	-	(2,489,682)	(2,489,682)
As at June 30, 2021		100,040	19,442,912	68,441,409	87,984,361
As at July 1, 2021		100,040	19,442,912	68,441,409	87,984,361
Profit for the year		-	-	34,617,290	34,617,290
At June 30, 2022		100,040	19,442,912	103,058,699	122,601,651

XVI. Statement of Cash Flows for The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows From Operating Activities	24		
Receipts			
Operating Revenue		129,175,325	129,693,132
Other Income		81,600	66,600
Finance Income		2,519,842	2,188,284
Grants		38,972,051	5,352,817
Customer Deposits		1,436,000	1,332,000
Total Receipts		172,184,819	138,632,832
Payments			
Staff Costs		(95,098,331)	(86,422,781)
Board Expenses		(2,369,410)	(1,886,800)
General And Operation Expenses		(39,756,504)	(3,813,564)
Maintenance		(42,396,895)	(2,895,483)
Total Payments		(179,621,140)	(95,018,628)
Net Cash From/(Used In) Operating Activities		(7,436,321)	43,614,205
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(402,516)	(935,871)
Net Cash From/(Used In) Investing Activities		(402,516)	(935,871)
Increase/(Decrease) In Cash And Cash Equivalents		(7,838,837)	42,678,334
Cash And Cash Equivalents At Beginning Of Year		60,830,353	18,152,020
Cash And Cash Equivalents At End Of The Year		52,991,516	60,830,353

XVII. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	226,248,750	(83,000,000)	143,248,750	137,620,852	5,627,898	4
Grants	-	38,972,051	38,972,051	38,972,051	-	0
Finance Income	2,100,000	-	2,100,000	2,519,842	(419,842)	-20
Other gains	3,331,530	(2,200,000)	1,131,530	2,436,913	(1,305,383)	-115
Total Revenue	231,680,280	(46,227,949)	185,452,331	181,549,658	3,902,673	2
Expenses					-	
Staff Costs	133,374,280	(39,800,000)	93,574,280	93,094,732	479,548	1
Board Expenses	2,928,000	422,000	3,350,000	3,282,853	67,147	2
General and operations Expenses	42,583,950	(8,520,000)	34,063,950	32,481,942	1,582,008	5
Maintenance	11,640,000	3,050,000	14,690,000	15,014,299	(324,299)	-2
Depreciation and amortization	3,480,000	-	3,480,000	3,058,543	421,457	12
Total Recurrent Expenditure	194,006,230	(44,848,000)	149,158,230	146,932,368	2,225,862	1
Profit or Loss	37,674,050	(1,379,949)	36,294,101	34,617,290	1,676,811	5
Capital Expenditure	-	17,880,000	8,720,000	4,634,955	4,085,045	47
Total Expenditure	194,006,230	(26,968,000)	167,038,230	151,567,323	15,470,907	9

1. Revenue:

- The Company had budgeted to bill Kshs. 143,248,750 for Water Services and Meter rent during 2021/2022 financial year but the company achieved the actual billing of Kshs. 137,620,852 which is 4% less of the budgeted billing. This was attributed to Road works in parts of Ndarugu, Gituamba and Thiririka scheme affected our billings as 1,532 connections were not billed during the reporting period. However, the company achieved a 9% increase (i.e. increase by Kshs. 12,229,379) in billing as compared to the 2020/2021 financial year which was Kshs. 125,391,473.
- Under miscellaneous income the company had budgeted to achieve Kshs. 2,631,530 but the actual achievement was Kshs. 2,436,913 which resulted in under achievement by 7%. This was attributed to a decrease in the anticipated number of new connections where the company had anticipated to achieve additional 2,500 new connections but only realized 1,327 new connections.
- The company earned interest of Kshs. 2,519,843 from the co-operative bank out of the customer deposit amount invested in a fixed deposit account. The company also received a VAT refund amounting to Ksh 1,398,546 for the period May 2018 to August 2018 .
- The company also received Kshs. 38,972,051 during the year under Conditional Liquidity Support Grant from WSTF. The amount was for short-term COVID-19 emergency response interventions for the period May 2020 to date and therefore was charged to the respective year.

2. Staff Costs:

- The company incurred a cost of Kshs. 92,374,280 against a budget of Kshs. 92,321,682 resulting to a variance of 1 %. There was also an introduction of 15 % relief on NHIF contribution during the year which reduced the amount of PAYE payable to Kenya Revenue Authority. The company also absorbed four staff seconded by Athi Water Works Development Agency under the Gatundu Water and Sewerage project in March 2022.
- The personnel expenditure related to the payment of staff salaries where the company had a total workforce of 165 which comprised 116 permanent staff, 39 staff on contract and 6 on casual basis plus 4 seconded staff.

3. Administrative Expenses:

- During the year the company had budgeted to spend Kshs. 21,160,000 but the actual amount incurred under administration expenses was Kshs. 16,510,501 resulting in a variance of 22%.
- Under administrative expenses the under expenditure by 22% which is 12 % above the recommended variance of 10% was attributed by:
- There was less cost incurred on printing as the company adopted use of mobile phones from the previous manual way of printed bills, printing meter books and cutoff list.
- There was no Annual General Meeting held during the year thus the budgeted amount of Kshs. 200,000 remained unutilized.
- No expenditure was incurred in relation to the performance reward system of Kshs. 100,000.
- Ksh 500,000 on Covid-19 invention measures was not utilized during the year as the situation had greatly improved.

4. Finance Cost:

- During the period the company never incurred any cost in relation to borrowing as it had not been granted any loan from any financial institutions.

5. Operational Cost:

- The cumulative cost of operations was Kshs 28,944,000 as compared to budgeted amount of Kshs 29,196,468. The major variance was on maintenance of water systems since we had pipes rehabilitation where our pipes were destroyed as a result of road works, the cost of maintenance of plant and equipment was less since we had fewer incidences of plant breakdown and increase in fuel cost as a result of increase in fuel pump price. Water quality test was done internally
- The company also received 5,000 indigenous trees from Equity Bank Foundation thus saving on the company cost of purchasing the indigenous tree seedlings and hence resulting in under expenditure by 67% of the budgeted amount on environmental conservation.

6. Board Expenses:

The company had budgeted to incur a total cost of Kshs 3,360,000 but the actual amount incurred during the year was Kshs. 3,282,853 resulting in a variance of Kshs. 77,147 i.e. a saving of 2% of the budgeted amount.

7. Regulatory Fees/ Levies:

- This is computed as 4% of the total billing which during the period was underspent by 2 % as a result of decrease in actual billing as compared to the budgeted billing i.e. the company had budgeted to bill Kshs. 143Million whereas the actual billing was Kshs. 137 Million thus the result for under expenditure on regulatory fees.

9. Capital Expenditure:

- During the year the company bought two laptops. The company also purchased 34 pieces of Techno Spark 7 smartphones to enhance smart meter reading and revenue enhancement.

XVIII. Notes to the Financial Statements

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**3. Application of New and Revised International Financial Reporting Standards (IFRS)****i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022**

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Improvements to IFRS Standards 2018-2020)		
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The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

	Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	
IAS 8- Accounting Policies,	The amendments, applicable to annual periods beginning on or after	The amendments are effective for annual
Errors and Estimates	1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements OR The directors have elected to early adopt xxx and they expect xx to be the impact of the adoption of the entity financial statements.

iii. Early adoption of standards

The Gatundu Water did not early – adopt any new or amended standards in year 2021/2022

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**Summary of Significant Accounting Policies****d) Depreciation and impairment of property, plant and equipment**

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

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

Item	Years	Rates
Freehold Land		Nil
Buildings and civil works	10	10%
Infrastructure works	8	12.5%
Plant and machinery	10	10%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3.3	30%
Office equipment, furniture and fittings	3.3 8	30% 12.5%

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant 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 so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

The company made a general provision on doubtful debt at 10% of debtors and a specific provision of doubtful debt amounting to Kshs. 12,869,571. These are part of debts inherited from Ministry of Water when the company was incorporated. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

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

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

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

o) Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

p) Borrowing costs

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2015. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

u) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

v) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors in February 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations in December 2021. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

w) Comparative figures

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

x) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2021-2022	2020-2021-1
	Kshs	Kshs
Water sales	137,620,852	125,391,473
Total	137,620,852	125,391,473

7. Grants Income

	2021-2022	2020-2021
	Kshs	Kshs
Operational grants from Government entities	-	1,201,164
Recurrent/operational grants from other agencies	35,564,651	4,151,653
Capital grants	3,407,400	-
Total	38,972,051	5,352,817

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Fine and penalties	1,480,146	66,600
Miscellaneous income (Connection fees)	956,767	1,235,073
Total	2,436,913	1,301,673

9. Finance Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest from commercial banks	2,519,842	2,188,284
Total	2,519,842	2,188,284

This is the amount earned as a result of fix depositing the amount held at customer deposit account earning an interest rate of 8.7 % p.a.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowances	83,591,017	87,735,400
Casual workers' Wages	936,700	2,024,230
Employer's contributions to social security schemes	334,000	343,200
Employer's contributions to pension scheme	6,576,861	6,679,137
Gratuity provisions	883,104	851,560
Staff welfare	773,050	753,500
Total	93,094,732	98,387,027
The average number of employees during the year	143	148

11. General and Operations Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Chemicals	8,164,828	5,934,185
Electricity	810,593	1,287,962
Fuel, oil, lubricants, and gases	3,139,413	2,625,567
Office supplies	890,853	730,864
Uniform and protective clothing	1,003,400	34,650
Telecommunication	646,070	990,119
Postage and courier	18,900	9,450
Insurance	283,970	946,999

Gatundu Water & Sanitation Company Ltd

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Hire of Equipment and vehicles	-	36,000
Claims and compensation	466,462	-
Domestic Traveling and subsistence	2,698,860	1,771,190
Foreign travel and accommodation	339,633	-
Staff training and development	603,735	423,350
Bank Charges	623,476	422,379
Security services	1,749,000	1,701,215
Publicity and advertising	175,733	17,000
Audit fees	1,038,311	232,000
Legal fees	-	261,255
Licensing and levies	8,363,528	8,932,416
Stakeholders' expenses	205,351	-
Donations/CSR	101,240	100,700
Conservation expenses	369,464	-
Provision for doubtful debts	789,122	356,262
Total	32,481,942	26,813,564

12. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Chairman Honoraria	60,000	-
Sitting allowances	3,044,853	1,105,000
Induction and Training	30,800	-
Travel and accommodation	147,200	-
Other allowances		781,800
Total Board Expenses	3,282,853	1,886,800

13. Maintenance Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Plant and Equipment	218,940	104,349
Buildings	316,679	332,876
Infrastructural networks	11,400,827	4,494,601
Motor vehicles	872,723	866,680
Software	756,070	85,500
ICT	1,449,059	1,011,477
Total Maintenance Expenses	15,014,299	6,895,483

14. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant, and equipment	3,046,219	2,723,450
Intangible assets	12,324	17,606
Total Depreciation and Amortization	3,058,543	2,741,055

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Property, Plant and Equipment

2021-2022	Freehold land	Water Infrastructure	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Water Meters	Total
Cost Or Valuation							
At July 1, 2021	9,796,058	6,414,407	1,493,542	1,217,500	4,589,803	26,834,312	50,345,622
Additions	-	1,315,650	-	318,000	433,776	2,567,529	4,634,955
At June 30, 2021	9,796,058	7,730,057	1,493,542	1,535,500	5,023,579	29,401,842	54,980,578
Depreciation							-
At July 1, 2021	-	3,874,648	1,430,101	1,003,629	3,877,992	12,585,948	22,772,318
Charge For The Year	-	481,926	15,860	159,561	286,884	2,101,987	3,046,219
At June 30, 2022	-	4,356,574	1,445,961	1,163,191	4,164,876	14,687,935	25,818,536
Net Book Value At June 30, 2022	9,796,058	3,373,483	47,581	372,309	858,703	14,713,907	29,162,041

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2020-2021	Freehold land	Water Infrastructure	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Water meters	Total
COST OR VALUATION							
As at 1 July 2020	9,796,058	6,414,407	1,493,542	1,217,500	4,589,803	25,898,441	49,409,751
Additions	-	-	-	-	-	935,871	935,871
As at 30th June 2021	9,796,058	6,414,407	1,493,542	1,217,500	4,589,803	26,834,312	50,345,622
DEPRECIATION							
At July 1, 2020	-	3,511,825	1,408,954	911,971	3,665,651	10,550,467	20,048,868
Charge for the year	-	362,823	21,147	91,659	212,341	2,035,481	2,723,450
As at 30th June 2021	-	3,874,648	1,430,101	1,003,629	3,877,992	12,585,948	22,772,318
NET BOOK VALUE							
At June 30, 2021	9,796,058	2,539,759	63,441	213,871	711,811	14,248,364	27,573,304

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Intangible Assets

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	531,500	531,500
Additions	-	-
Disposals	-	-
At June 30	531,500	531,500
AMORTISATION		
At July 1	490,420	472,814
Charge for the year	12,324	17,606
At June 30	502,744	490,420
NET BOOK VALUE		
At June 30	28,756	41,080

17. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
General stores	-	57,600
Chemicals & Laboratory items	928,883	1,446,198
Water fittings and Accessories	958,022	793,777
Water meters	746,713	1,201,164

Motor vehicle spare parts	-	5,655
Stationery and general stores	190,587	246,246
Total	2,824,205	3,750,640

18.) Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Trade receivables (note (18a))	141,446,573	134,344,473
Deposits and prepayments	106,000	106,000
Other receivables	2,102,648	27,360
Net trade and other receivables	143,655,221	134,477,833

NOTES TO THE FINANCIAL STATEMENTS (Continued)**18 (a) Trade Receivables**

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	170,032,430	162,141,207
Specific Provision for doubtful receivables	(12,869,571)	(12,869,571)
General Provision for doubtful receivables	(15,716,285)	(14,927,163)
Net trade receivables	141,446,574	134,344,473
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	11,112,456	10,127,925
Between 30 and 60 days	13,799,887	22,992,495
Between 61 and 90 days	10,842,766	14,356,118
Between 91 and 120 days	10,303,746	16,540,580
Over 120 days	123,973,575	98,124,089
Total	170,032,430	162,141,207

19. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	51,636,734	60,714,358
Cash in hand	24,530	12,310
Mobile money account	1,330,252	103,685
	52,991,516	60,830,353

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Bank & Cash Balances	Account number	2021-2022	2020-2021-1
Co-operative Expenditure (Main Account)	01136555600000	6,226,819	20,021,784
Equity Collection-GASWASCO	0660293772335	2,436,373	436,104
Equity Collection KARIWASCO	0660262913879	182,496	344,487
KCB Collection	1102762105	308,985	24,549
Co-op Collection	01100073009101	1,037,331	1,072,450
Mpesa	893400	1,330,252	103,685
Petty Cash		24,530	12,310
Co-operative Deposits	01100073009100	40,186,868	38,712,648
Co-operative Expenditure Karimenu	01136073009100	630	630
KCB Expenditure GASWASCO	1102761990	16	16
Family Bank Act	004000030000	1,256,942	101,690
KCB (WSTF)	1287854915	273	
		52,991,516	60,830,353

20. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
Capital and Reserves		
Share Capital	100,040	100,040
Capital Reserves	19,442,912	19,442,912
	19,542,952	19,542,952

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs. 20.00 par value each	100,000	100,000
Issued and fully paid:		
2 ordinary shares of Kshs 20 par value each	40	40

21. Retained Earnings

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

	2021-2022	2020-2021
	Kshs	Kshs
Retained Income / (Accumulated Loss)	68,441,410	70,931,092
Net Profit/Loss this year	34,617,290	(2,489,682)
	103,058,700	68,441,410

22. Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	63,951,406	71,301,928
Accrued expenses	620,861	696,000
Retention/ contract monies	1,102,696	-
Employee payables	1,005,816	1,964,246
Other payables	-	8,661,785
Total	66,680,779	82,623,958

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Customer Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	37,994,308	36,071,587
Add: deposits received during the year	1,435,000	1,922,721
Less: Refunded deposits during the year	(50,000)	-
Closing balance	39,379,308	37,994,308

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Notes to The Statement of Cash Flows

	2021-2022	2020-2021
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	34,617,290	(2,489,682)
Depreciation	3,046,219	2,723,450
Amortization	12,324	17,606
Operating profit/(loss) before working capital changes	37,675,832	251,373
(Increase)/decrease in inventories	926,435	(1,801,579)
(Increase)/decrease in trade and other receivables	(9,177,389)	(3,186,061)
Increase/(decrease) in trade and other payables	(32,628,761)	23,824,158
Cash generated from/(used in) operations	(3,203,883)	19,087,891
Balance at beginning of the year	60,830,353	42,678,333
Receipts during the year	172,184,819	138,632,832
Repayments during the year	(179,621,141)	-
Balance at end of the year		
(c) Analysis of cash and cash equivalents		
Cash at bank	52,966,986	60,818,043
Cash in hand	24,530	12,310
Balance at end of the year	52,991,516	60,830,353

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

25. Related Party Disclosures

County Government of Kiambu

The County Government of Kiambu is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Kiambu 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
- County Government of Kiambu
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Other water service providers within Kiambu

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Interest income from Co-operative Banks	2,519,842	2,188,284

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Total	2,519,842	2,188,284
b) Purchases from related parties		
Bank charges paid to Commercial banks	623,476	422,379
Total	623,476	422,379
c) Key management compensation		
Directors' emoluments	3,044,853	1,105,000
Compensation to key management	11,116,008	11,116,008
Total	14,160,861	12,221,008
d) Due to Related parties		
Due to WASREB	5,779,411	9,496,824
Due to Athi Water Services Board	51,024,323	51,024,323
Due to WARMA	6,318,375	7,839,500
Total	63,122,109	68,360,647

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Contingent Assets and Liabilities

Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Contingent liabilities		
Court case No. 163 of 2018 against Joseph Gathecha Vs Gatundu Water and Sanitation Company Ltd	166,280	166,280
Bank guarantees in favour of WASREB	2,421,645	-
Total	2,587,925	166,280

27. Financial Risk Management

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

The company's financial risk management objectives and policies are detailed below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

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

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

The 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
At 30 June 2022				
Trade Receivables	170,032,430	51,454,562	105,708,297	12,869,571
Other Receivables	2,208,648	2,208,648		
Bank balances	52,991,516	52,991,516	-	-
Total	225,232,594	106,654,726	105,708,297	12,869,571
At 30 June 2021				
Receivables	162,141,207	134,344,472	14,927,163	12,869,571
Other Receivables	106,000	106,000	-	-
Bank balances	60,830,353	60,826,632	-	-
Total	223,077,560	195,277,104	14,927,163	12,869,571

NOTES TO THE FINANCIAL STATEMENTS (Continued)***Credit Risk (Continued)***

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

The 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
At 30 June 2022 current year				
Trade payables	1,005,818	961,735	64,337,299	66,680,779
Total	1,005,818	961,735	64,337,299	66,680,779
At 30 June 2021				
Trade payables	8,661,785	10,775,813	60,521,148	79,958,746
Total	8,661,785	10,775,813	60,521,148	79,958,746

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) 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:

	2021-2022	2020-2021
	Kshs	Kshs
Retained earnings	103,058,700	68,441,410
Capital reserve	19,542,952	19,542,952
Total funds	122,601,652	87,984,362
Less: cash and bank balances	(52,991,516)	(60,830,353)
Net debt/(excess cash and cash equivalents)	69,610,136	27,154,009
Gearing	57%	31%

28. Incorporation

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

29. Events After the Reporting Period

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

30. Currency

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

I. 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: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1.0	Fixed assets	The parcels of land in which the buildings were constructed are registered under the county council of Thika. Change of ownership from the county council of Thika to the county government was to be effected during the transition period for transfer of assets. The company had made available a list of all assets to the county government during this stage.	Not resolved	June 2023
1.1	Motor Cycles	Merger process between Gatundu South and Karimenu ended after financial year 2016/2017. Merger for all eight companies started in January 2018. The said motorbike are under the name of Karimenu Water the whole confusion of merger has delayed the transfer for its not clear who the asset should be transferred to since Karimenu Water company still exist just the merger process that was effected. Further the said motorbikes	Not resolved	June 2023

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		are fully depreciated. Those owned by Athi water services Board were not included under our asset as indicated in our notes.		
1.2	Land	The parcels of land in which the buildings were constructed are registered under the county council of Thika. Change of ownership from the county council of Thika to the county government was to be effected during the transition period for transfer of assets. The company had made available a list of all assets to the county government during this stage. We have repeatedly submitted the same to Kiambu County Government.	Not resolved	2025
2.0	Trade and other payables	In the current financial year we had a negotiation with WASREB during licence negotiation meeting where we agreed on a payment plan to clear the outstanding regulatory levy within 24months,(Copy of the plan attached) The balances in outstanding liabilities are the lease fee payable to Athi Water Works Development Agency. The company spent money on capital works and Athi Water Works Development Agency was to reimburse where applicable. The company has had communications and a reminder on the long outstanding amount payable	Partly Resolved	June 2023

		to AWWDA (copy of letters attached). We are yet to receive an assessor from them so as to settle on correct amount payable.		
		Other Matters		
1.0	Non-Revenue Water	<p>WASREB has issued guidelines on conditions that form part of our service provision agreement. The conditions have given timelines where, the company should reduce the levels of NRW progressively and the company is within the required range. The company was able to reduce UFW from 38% to 34%. These is as per our agreement with WASREB (See attached conditions)</p> <p>The company has also put in place the following measures to reduce the unaccounted for water:</p> <ul style="list-style-type: none"> • Metering all unmetered connections • Immediate replacement of faulty (not counting) meters once detected • Immediate response to pipe bursts and leakages – less than 12hrs once reported • Replacing the old meters (more than 9 yrs old) • Relocation of consumer meters to just at the edge of property boundary. This will avoid water theft through by- 	Resolved	

		<p>passing of the meter and also making it easily accessible.</p> <ul style="list-style-type: none"> • We have sub-divided our area of operation into schemes according to water supplies. These schemes are broken into zones, sub-zones and sub-lines. These sub-zones are manned by sub-zonal managers with an average of 350-400 consumers. This way, the field person will be able to monitor the service level. • We have embarked on fixing master meters at the water source, zonal and sub-zone meter along the supply system. 		
2.0	Low Debt collection Rate	<p>Part of those outstanding debts arose from the areas which had been affected by the road works for over two years. Most of them went for alternative sources of water for example shallow wells and boreholes. It's our company policy to disconnect a customer if bills are outstanding for more than 30days, however we try and negotiate with the customer to commit themselves in writing other than disconnecting. If this is not achieved, we issue</p>	Resolved	

		demand notices to the customers.		
3.0	Lack of Ethnic Diversity in Staffing	Gatundu Water being based in a rural area attracts most of the locals based around its environs. It is also important to note that some of the employees were inherited from GOK. However, it is our hope to give a priority to other ethnicity should a job vacancy arise.	Not resolved	2030
4.0	Irregular Appointment of Board of Directors	Water being a devolved function, the appointing authority of director is the county government of Kiambu. In September 2017 the company had paid to the Nation media group for advert of recruitment of Directors after communication from Chief Officer water which was placed in the daily nation on 12 th September 2017 page 20. (Copy of advert and payment voucher attached.) Later, on 19 th January 2018 the newly elected county Government called for an Extra ordinary General meeting. During the said meeting His Excellency the Governor explained his resolution to merge all water companies in Kiambu County to one. (Copy of a board paper prepared by the county attached) Further the County Secretary and head of public service wrote a letter (copy attached) to introduce the interim core team, for Kiambu	Resolved	