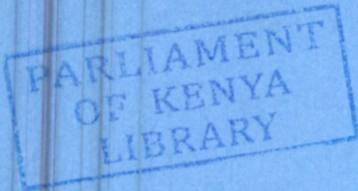


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

OF

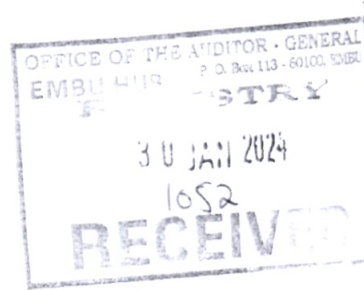
THE AUDITOR-GENERAL

ON

**NGAGAKA WATER AND SANITATION
COMPANY LIMITED**

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

PAPERS LAID	
DATE	23/04/2024
TABLED BY	Dep. Senate majority whip
COMMITTEE	—
CLERK AT THE TABLE	CAROLYNE C.



NGAGAKA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

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1. Acronyms and Glossary of Terms

Provide Acronyms and glossary of terms that appear in this annual report and financial statements.

<i>NGAWASCO</i>	<i>Ngagaka Water and Sanitation Company Limited</i>
<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>GM</i>	<i>General Manager</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>WSTF</i>	<i>Water Sector Trust Fund</i>
<i>WRA</i>	<i>Water Resources Authority</i>
<i>TWWDA</i>	<i>Tana Water Works Development Agency</i>
<i>O+M</i>	<i>Operation and Maintenance</i>

2. Key Entity Information

Background information

Ngagaka water and sanitation company (NGAWASCO) is a water service provider (WSP) which was incorporated in March 2011 under the Water Act 2016 and falls under County Government of Embu. NGAWASCO covers an area of over 80km² which has a population of about 84,150 as per. Impact, Issue No 15/23. The head office is at Kianjokoma market, Embu County.

Principal Activities

The principal activity of NGAWASCO is provision of water and sanitation services within the designated Service Area.

Vision

To have quality water and sanitation services for enriched lively hood

Mission

To provide quality, affordable, reliable and sustainable water and sanitation services to our Customers within the Service area.

Core Objectives

- a) Quality service,
- b) Transparency and Accountability,
- c) Good Governance,
- d) Competence,
- e) Innovation,
- f) Reliability and Commitment to team work.

Directors

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

1.	Justin J. Gatumuta	Chairman	Appointed in July 2019
2.	Jacinta Gatavi Nyaga	Director	Appointed in July 2019
3.	Njagi Njue	Director	Appointed in July 2019
4.	Doras Muthoni Nyaga	Director	Appointed in July 2019
5.	Andrew Kinyua Munyi	Director	Appointed in July 2019
6.	Josphine Marigu Nyaga	Director	Appointed in July 2019
7.	Maureen Mukami	Director	Appointed in December 2023
8.	Lydia W. Maina	Director	(General Manager)

*Ngagaka Water And Sanitation Company Limited
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For The Year Ended June 30, 2023*

Key Entity Information (Continued)

Corporate Secretary

FCS Richard K. Gikuhi
P. O. Box 1271-10100
Nyeri, Kenya

Registered Office

Kianjokoma Market
P.O. Box 2507-60100
Embu, Kenya

Corporate Contacts

Telephone: (254) 2701 084 424/0738 360 306
E-mail: ngawasco@gmail.com
Website: ngawasco.co.ke

Corporate Bankers

1. Family Bank of Kenya
P. O. box 789-60100
Embu, Kenya
2. Consolidated Bank of Kenya
P. O. Box 1377-60100
Embu, Kenya
3. Equity Bank of Kenya
P. O. Box
Embu Kenya

Independent Auditors

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

Principal Legal Advisers

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
GPO 00100
Nairobi, Kenya

3. THE BOARD OF DIRECTORS

The Board of Directors



Justin Gatumuta (70 Years)
Board Chairperson
Nationality: Kenyan
Appointed: January 2023
Mr. Gatumuta is an astute insurance broker with over 46 years in insurance industry. He holds a certificate in Insurance.



Lydiah Wanjiru Maina (58 Years)
General Manager and Executive Director.
Nationality: Kenyan
Appointed: May 2023
Lydiah holds a diploma from Kenya Water Institute (KEWI). Her experience spans over 32 years in management of water and sanitation services in Embu County Government.



Maureen Mukami Muriithi (36 Years)
Non-Executive Director
Nationality: Kenyan
Mrs. Maureen Muriithi is a certified consultant with KIM, with over 14 years' experience in marketing. She is currently the Chief Officer in charge of Water, Sanitation and Irrigation, County Government of Embu. She holds a Bachelor degree in Business Administration and a Masters in Business Administration.



Njagi Njue (57 Years)
Non- Executive Director
Nationality: Kenyan
Appointed: July 2019
Mr. Njagi is currently engaged in farming business.
He holds a certificate in O Level education.



Josphine Marigu (43 Years)
Non- Executive Director
Nationality: Kenyan
Appointed: July 2019
Mrs. Nyaga is a social worker and a farmer with over 14 years' experience.
She holds certificate in social work and O Level Education.



Doras Muthoni (59 Years)
Non- Executive Director
Nationality: Kenyan
Appointed: July 2019
She is a business lady with experience spanning over 30 years.
She holds a certificate in O Level education.



Jacinta Gatavi (61 Years)
Non- Executive Director
Nationality: Kenyan
Appointed: July 2019
She is currently engaged in farming business.
She holds a certificate in O Level education.



Andrew Kinyua (50 Years)
Non- Executive Director
Nationality: Kenyan
Appointed: July 2019
Mr. Kinyua is a church elder as well as a farmer with more than 20 years' experience.
He holds a certificate in O Level education.

4. Management Team



Lydia Maina
General Manager
Diploma in Water Technology



Francis Niagi
Commercial Manager
CPA
Accounts & Finance



Josphat Njogu
Technical Manager
Diploma in Water Engineering
Water Engineering



Alice Muthoni
Human Resource
Ordinary Diploma-HR
Human Resource



Agnes Murugi
Accountant
CPA (K)/BBA Icpak
Accounts & Finance



Peter Nyaga
Internal Auditor
DIP BSM/CPA/BCOM
Internal Audit

*Ngagaka Water And Sanitation Company Limited
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For The Year Ended June 30, 2023*

5. Chairman's Statement

It is with great pride that I report yet another year of solid growth and stellar financial performance for our company, in line with our expectations. We have remained steadfast in our commitment to transforming the lives of the community we serve through continuous provision of the services that make a real difference to our customers.

The last twelve months have been characterized by several dynamic factors amongst them, the demise of the chairman Mr. Cyrus Njoka, the prolonged dry spell which affected our business, and the slowdown of the economy which affected the global environment in doing business.

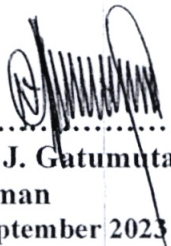
On the governance front, the impact of devolution has continued to take shape. The executive of the County Government has been fully represented in the Board of Directors of the Company.

Our dedication to our strategy has yielded a relatively fair set of financial results, despite the several challenges witnessed in our country and across the border. This is a clear confirmation of our commitment to generating long term value for our stakeholders.

In conclusion, we continue to enjoy the support and goodwill inter alia of the County Government, Regulatory Authority, the board, our clients, suppliers and service providers. I wish to record our appreciation to them all and note that we highly value this relationship.

I also wish to thank and congratulate the management team and staff of the company for the loyalty, dedication and tireless efforts that have made these results possible.

Finally, to my fellow directors, thank you for your commitment, support and considered advice that is so essential in this extremely noble service.


.....
Justin J. Gatumuta
Chairman
25th September 2023

6. Report of the Managing Director

I am pleased to announce yet another year of fairly performance in our duty of provision of water services. We have maintained our record of growth through superior commercial performance across our entire services. Our customers have rewarded us with loyalty as we strived to deliver on our promise of a superior customer service.

Our fairly financial performance has enabled us to continue with substantial investment in our network and other services. Customer satisfaction levels have continued to improve as evidenced by higher usage of our services.


The Company's total revenue decreased from Ksh. 43.9 million to Ksh. 39.9 million. This was a as result of grant of 4.8 million which the Company received from WSTF the previous year. Equally, the approved tariff which was supposed to be in operation from February 2023 was put on hold until further notice.

Our staffs are the greatest resource and we have an exciting mix of skills in various disciplines blended with wealth of experiences. The average age of our employees is approximately thirty-five years. They are enthusiastic to make certain that the Company is always in the leading. These employees are always ready to roll up their sleeves whenever required to perform specific tasks to ensure that customers' needs are met and our goals achieved.

Strategic priorities

Our goal is to continue transforming the lives of our fellow Kenyans and delighting our customers with great value and services. SMS billing is still going on well. That is a mile stone project given the value it has added to the company after it was fully automated. Further the company's automation of bills payment has been going on well. Mpesa payment has given our customers the opportunity to choose their preferred mode of payment. Our priority this year is to reduce the number of dormant connections 30% to 15% and making E- payment the preferred mode of payment. This will make a significant contribution to the lives of our customers and the economy at large.

Ngagaka water has continued to be the front runner and this can only be due to the commitment and diligence by the board, management and staff who have worked tirelessly to satisfy our clients, and all stakeholders. Finally, I register my appreciation to the former General Manager Mr. Francis Njoka whose support has made once again a momentous year for all of us. We hope to offer better services in.

.....

Mrs Lydlah Maina
General Manager
25th September 2023

7. **Statement of Performance against Predetermined Objectives for the FY 2022/2023**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County Government entity's performance against predetermined objectives.

Ngagaka Water and Sanitation has 5 Strategic Pillars/ Themes/Issues and Objectives within the current Strategic Plan for the year **2019 – 2023**. The Strategic pillars are as follows:

1. ***Water and sanitation infrastructure development***

This thematic area includes hardware investments like water treatment plants, new pipelines, storage tanks and sanitation infrastructure.

2. ***Operational efficiency and customer service***

This thematic area includes internal systems improvements that reduce operational costs and water losses, increase revenues, as well as activities to promote customer satisfaction like call centres, community outreach activities and customer satisfaction surveys.

3. ***Financial sustainability***

This thematic area refers to activities that have an impact on the financial position of the WSP including billing and collections, new connections, strong accounting and financial management systems, and proper procurement procedures and controls.

4. ***Institutional capacity/strengthening***

This thematic area refers to human resource policies, procedures, training and incentives as well as abiding by the Labour Laws of the country.

5. ***Corporate governance***

This thematic area refers to the system of rules, practices and processes by which the WSP is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders - these include its stakeholders, Bod, management, customers, suppliers, financiers, government and the community.

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Ngagaka Water And Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2023

We develop our annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Company* achieved its performance targets set for the FY 2022-2023 period for its 5 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
<i>1. Water and sanitation infrastructure development</i>	Increase water supply coverage from 96% to towards 97% by the year 2023	Total production of 9.017 m ³ per day	New Customers Water Connections/E xtension of Service Area (SA)	Increased Water Supply at 97%
<i>2. Operational efficiency and customer service</i>	Optimize operational efficiencies and reduce costs	Improved efficiency and institutional performance	Digitizing Operations on Mobile Money Payment & E-Billing	Digitizing Operations on Mobile Money Payment & E-Billing
	Reduce Non-Revenue Water from 38% to 35% by 2023	All utility operations are automated	Automating Billing Automating Accounting	Automation in progress for both Billing & Accounting (35%)
		Monthly maintenance & implementation reports Daily/Monthly consumption reports Meters installation Abnormal consumption reports Aged meter report Accurate meter readings Replace non-functional aged meters	4 Zonal Meters Installed	Non-Revenue Reduced to 35%

*Ngagaka Water And Sanitation Company Limited
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For The Year Ended June 30, 2023*

<p>3. Financial Sustainability</p>	<p>Improve O&M cost coverage from 120% to towards 140%</p>	<p>Projected increase in annual revenue Procurement Procedures that are efficient and aligned to PFMA Increased collection efficiency by 0.5% per year</p>	<p>Increased Water sales E-Collections & E-Billings</p>	<p>Increase in Annual Revenue Efficient E-Collections</p>
<p>4. Institutional capacity/strengthening</p>	<p>Strengthen staff capacity, efficiency and satisfaction</p>	<p>Operational structure Number of staffs trained Compliance with OSH guidelines External Training Attendance</p>	<p>Staff Training E-Platform Implemented</p>	<p>There has been staff training Decision to have Structured Yearly Plan for Staff Training</p>
<p>5. Corporate governance</p>	<p>Clear and responsible corporate governance policies, procedures and practices</p>	<p>Board manual Periodic progress reports Succession management policy in place Risk management plan & risk register in place</p>	<p>Initiatives Started</p>	<p>Existence of a Formal Board Board Members eager to understand Principles of Good Corporate Governance</p>

8. Corporate Governance Statement

Good corporate governance is key to the integrity of water sector institutions and markets and is central to the health of our economics and their stability. Corporate governance plays a leading role in making certain how corporations and their boards and management are directed, controlled and held to account. Corporate governance therefore encompasses the systems, practices and procedures by which the individual corporation regulates its self to remain competitive, ethical, sustainable and fair.

Appointed on July, 2019 The Board of **NGAWASCO** limited follows, principles of openness, integrity and accountability in its stewardship of the company's affairs. It recognizes the developing nature of corporate governance and assesses the company's' compliance with generally accepted corporate governance practice on a regular basis, directly and through its board committees and management. The role of the board is to ensure conformance by focusing on and providing the company's' overall strategic direction and policy –making as well as performance review through accountability and ensuring appropriate monitoring and supervision. The board is also responsible for the overall system of internal control and for the reviewing its effectiveness. The controls are designed to both safeguard the company's' assets and ensure the reliability of financial information.

A management team, comprising the general manager, heads of departments and senior staff meets regularly to consider issues of operational and strategic importance to the company. Here below are the key features of the existing corporate governance practices within Ngagaka Water and Sanitation Company Limited which are reviewed and improved on a regular basis: -

1. Board of Directors

The board of directors consists of one executive director and seven non-executive directors, who have been appointed in accordance with the Water Act 2016. The chairman of the board is a non-executive director and the board meets formally at least four times a year.

The board is responsible for setting the direction of the company through the establishment of strategic objectives, key policies and approval of budgets. It monitors the implementation of strategies and policies through a structured approach to reporting by management and consequent accountability.

The non-executive directors are actively involved in and bring strong independent judgment on board deliberations and discussions. These directors have a wide range of knowledge and experience of local markets that is applied to the formulation of strategic objectives and decision making.

The board meets regularly and retains full and effective control over the company in all strategic, financial, operational and compliance areas. In 2023, four board meetings were held and all directors attended the four meetings

To assist the board in the discharge of its responsibilities, board committees have been established. All the board committees meet at least four times a year. The committees are as follows: -

a) Audit Committee

The audit committee comprises of three non-executive directors and Internal Audit manager. The committee is responsible for inter alia, developing and advising an audit and financial controls and compliance issues of the company. It also defines the scope of the internal audit function and acts as a liaison between the external auditors and management. The current members of the committee are: Josphine Nyaga (Chairperson), Chief Officer, Water and Irrigation, County Government of Embu, Njagi Njue and Internal Auditor. In attendance is the Commercial Manager

b) Finance And Technical Committee

The finance and technical committee comprise of four non-executive directors and the general manager. The committee provides guidance to the board on finance and technical requirements for the company. The current members are Doras Muthoni, Jacinta Nyaga, Chief Officer Water and Irrigation County government of Embu, General Manager and Andrew Kinyua (Chairman).

2. Internal Controls

The company has implemented and maintained internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the company's' assets. Such controls are based on established policies and procedures and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of the system of internal controls is monitored regularly through internal audit functions, operational meetings and the annual external audit.

3. Related Party Transactions and Directors Remuneration.

The related party transactions with the company during the year ending 30 June 2023 are detailed under note 28 on page 19 and 20 of these annual report and financial statements.

The remuneration for directors consists of sitting allowances for their services relating to the Board and committee meetings.

The aggregate amount of director's remuneration for services rendered during the year ending 30th June 2023 are contained under note 28 on page 20 of these annual report and financial statements.

4. Going Concern

The directors confirm that the company has adequate resources to continue in business for the feasible future and therefore the continued use of going concern as a basis of preparing the financial statements.

9. Management Discussion and Analysis

Operational Review through Key Performance Data Analysis

The right to water is best achieved in a sector operating under uniform norms and standards, where performance is measured against agreed set bench marks and is reported.

Ngawasco's reporting and monitoring is therefore key in mapping the WSPs progress in meeting the right to water and sanitation to the consumers.

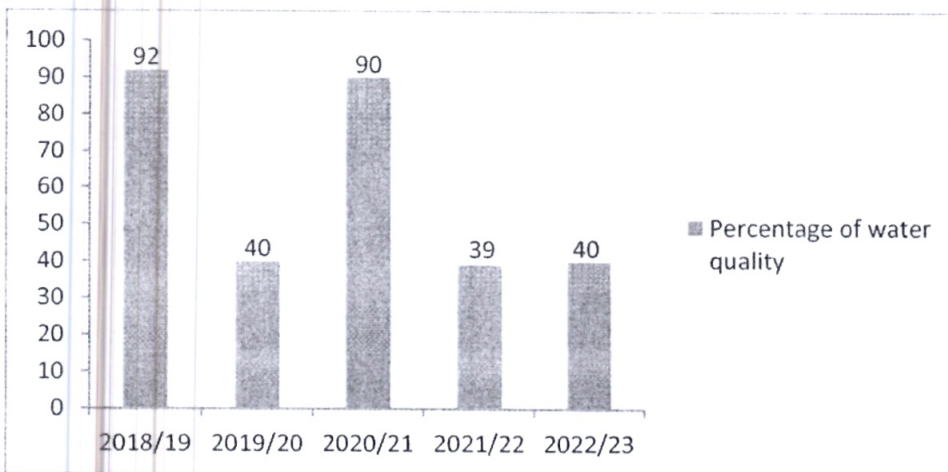
The progress on key performance indicators is as here below: -

a) Drinking Water Quality

Access to clean water and safe drinking water is vital for public health. The Regulator has continued to monitor the set water quality standards and compliance. The key performance indicator is the weighted factor of compliance to the residual chlorine and bacteriological standards.

To this end Ngawasco has strived to ensure the set standards are met as depicted by the below chart over a period of the last five years.

Figure 1.1: Water quality as a percentage

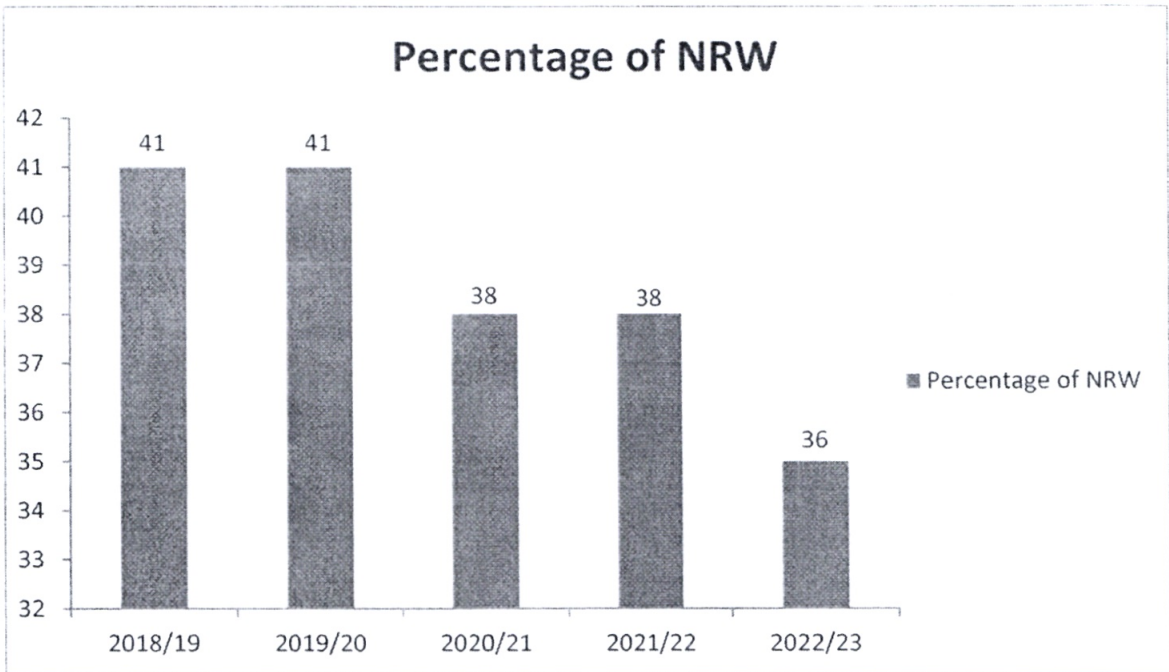


b) Non-Revenue Water

Non-Revenue Water refers to the difference between the amount of water put into the distribution system and the amount of water billed or authorized as consumption. It includes both commercial (apparent) losses, such as billing inaccuracies and physical (real) losses, which include leaks in the distribution system. NRW is an operational indicator that measures efficiency of operations by the Wsp, contributing to sustainability of the water supply system.

The allowable bench mark for NRW is 25%. As indicated below, over a period of five years, the NRW has gone down by five (5) digits signifying a positive trend.

Figure 1.2: Percentage of Non-Revenue Water

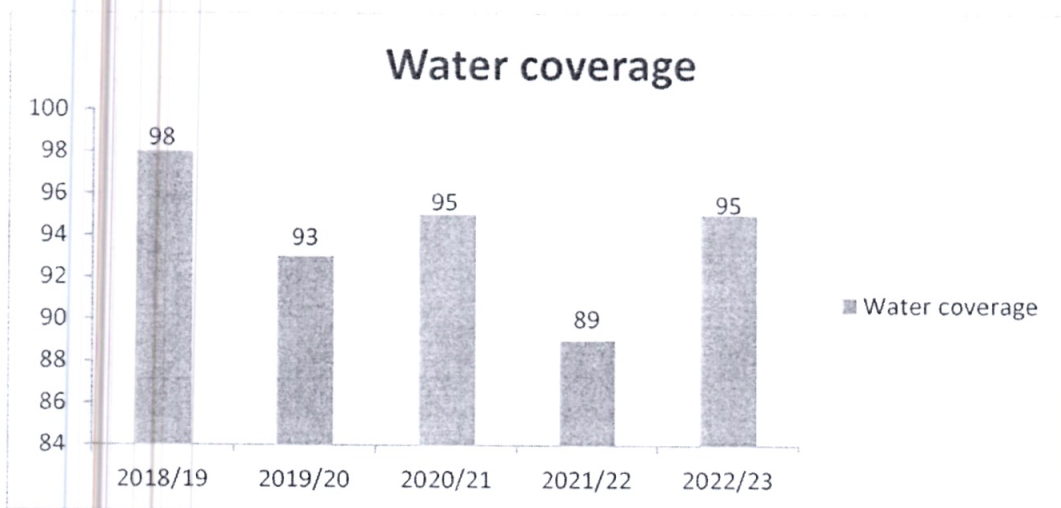


c) Water Coverage

During the current reporting period, the total population within the service area was approximately 84,110 out of which 95% are served by water.

The growth is evidenced by the number of connections which stands at 11,710 as at the end of the reporting period. The only threat is the increasing number of dormant connections which stand at 3,310 or 28%.

Figure 1.3: Water coverage



d) Hours of supply

This metric is an important indicator of the continuity and availability of the water services to the customers and reflects the quality of service provided by the utility.

Ngawasco has ensured the average hours of supply remained 24 per day.

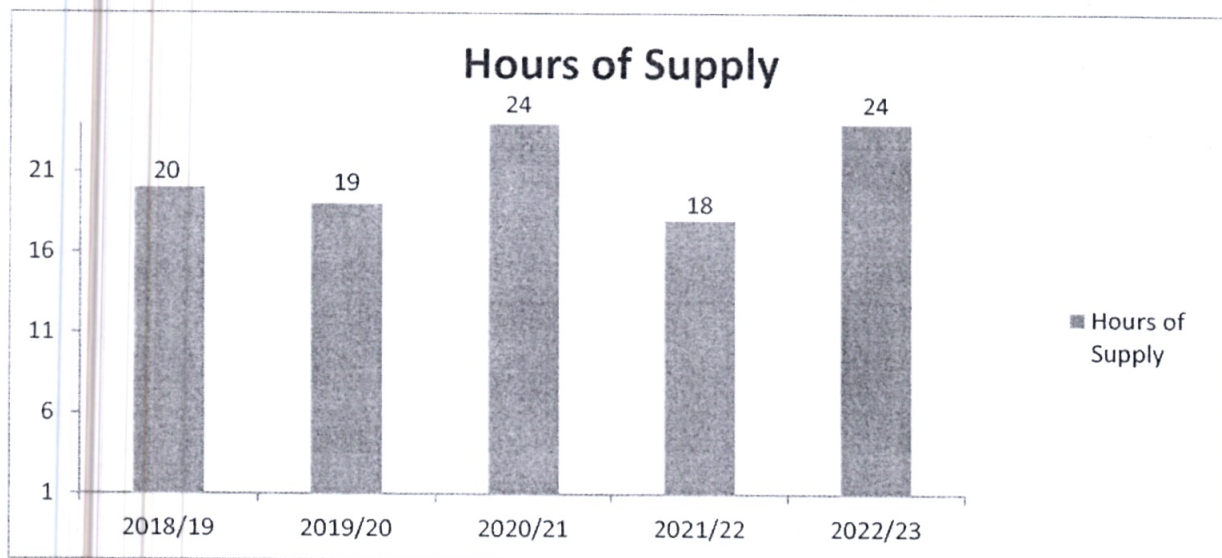


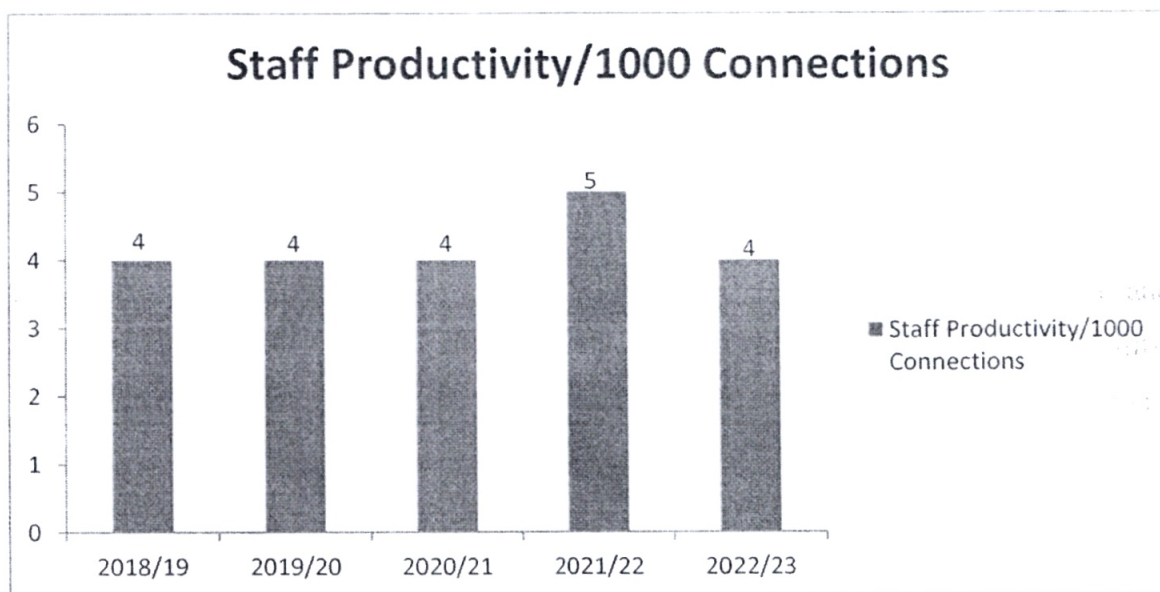
Figure 1.4: Hours of Supply

e) Staff Productivity (Staff per 1000 Connections)

Staff productivity refers to efficiency of employee utilization in delivering services to customers. In the water sector, it is measured as the number of personnel employed per 1,000 connections, which include both water and sanitation connections. Staff productivity is crucial aspect of evaluating the overall efficiency of a WSP, as it impacts the cost of delivering services to customers.

Like the previous years, Ngawasco has continued to shine on this key indicator and looking forward to either maintain the four or below.

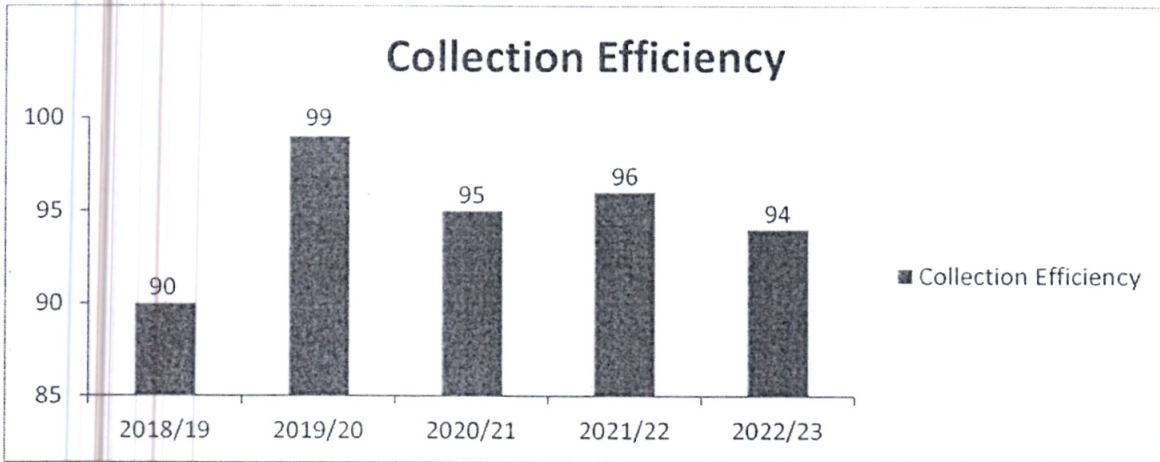
Figure 1.5: Staff Productivity/1000 Connections



f) Revenue Collection efficiency

Revenue Collection Efficiency refers to consistency between amount of revenue collected and the amount billed. This indicator assesses efficiency of revenue management system in a utility. It is crucial because only the collected revenue provides reliable funding for the Wsps operations. Ngawasco has maintained over 90% collection efficiency.

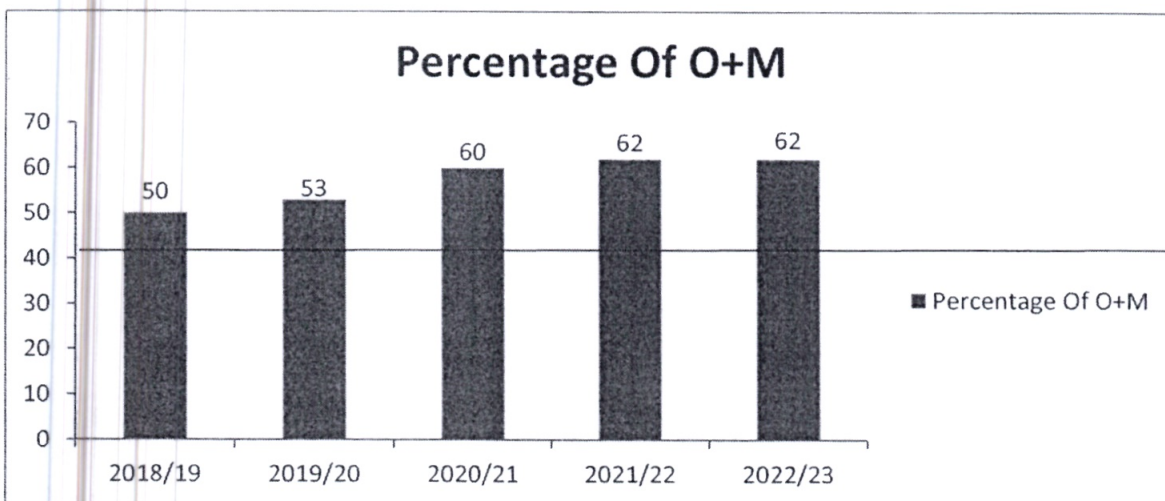
Figure 1.6: Revenue Collection efficiency as a percentage



g) Personnel Expenditure as a percentage of O+M

The proportion of personnel expenses in relation to total O + M (Operation and Maintenance) expenses is used to assess whether personnel expenses are aligned with the sector bench marks. The Company has not faired well on this simply what would have solved the problem was the tariff but was unfortunately put on hold by the County Government. Negotiation is under way between the County Government and the Company on how to implement it.

Figure 1.7: Personnel Expenditure as a percentage of O+M



h) Operation and Maintenance Cost Coverage

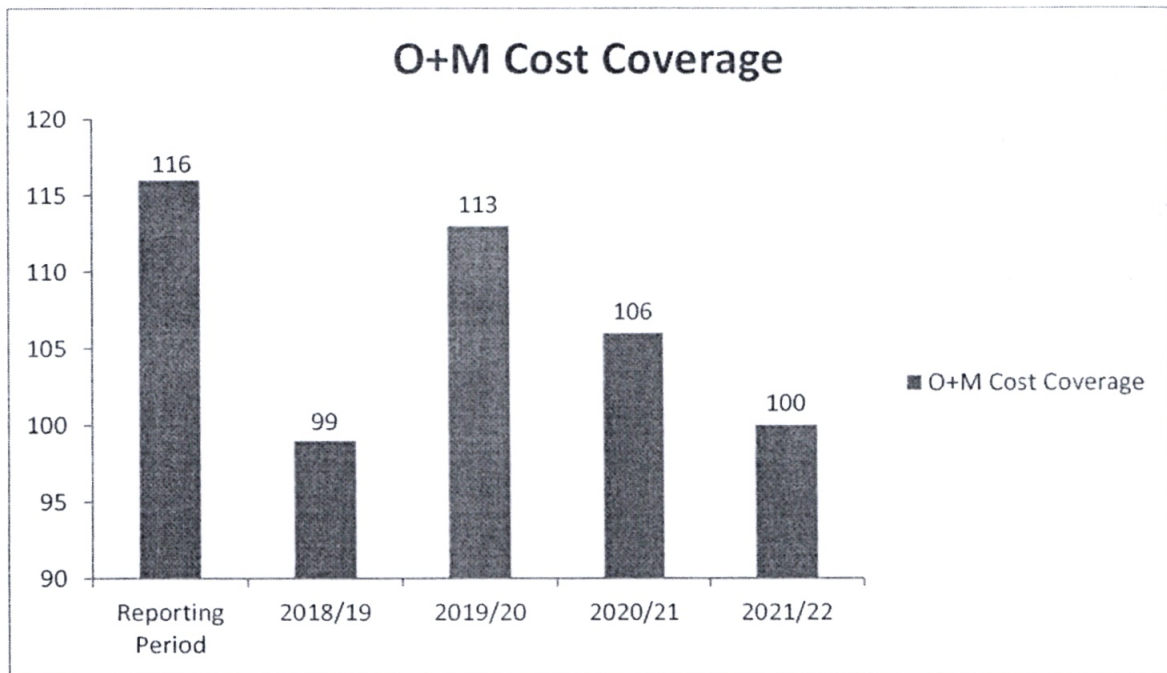
Operation and maintenance (O+M) Cost Coverage is a measure of a utility’s ability to break even in its operational costs, while relying on internally generated revenue. This indicator is a proxy measure for financial stability and resilience from external shocks.

Essentially, an O+M coverage above 150% positions a utility at full cost coverage implying the financial muscle to meet its O+M costs, service debts and renew its assets.

Ngawasco’s O+M cost coverage has been on a decline tread. Currently, it stands at 100% meaning operation and maintenance can be financed comfortably through internally generated revenues. However, debt servicing and minor investments could be a challenge to the Wsp.

Again, this will spill down to the tariff which was put on hold. Otherwise, the tariff had taken all those items into consideration.

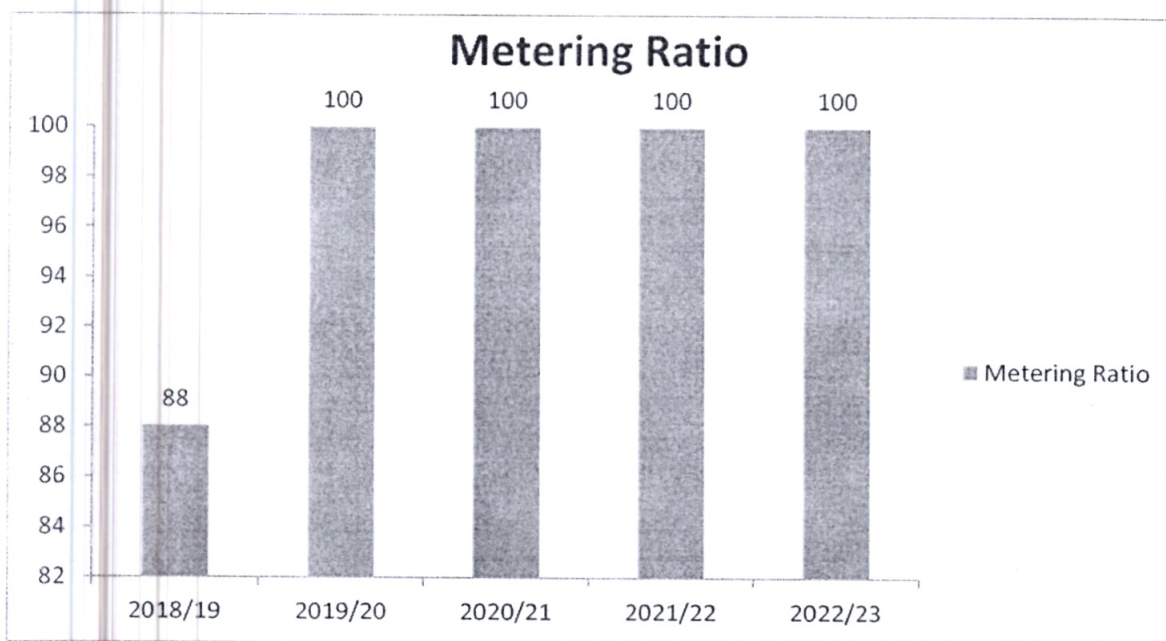
Figure 1.8: O+M Cost coverage as a Percentage



i) Metering Ratio

This quantifies the number of connections with functional meters as a proportion of the total number of active water connections. Metering of connections is designed to ensure that billing is based on actual consumption and hence customers only pay for what they use. As part of routine maintenance, Ngawasco tests functionality of these meters on a regular basis, either by sampling them for calibration or by replacing the old ones through implementation of a metering policy. To this end Ngawasco prides its self-100% metered.

Figure 1.9: Metering Ratio as a percentage



10. Environmental and Sustainability Reporting

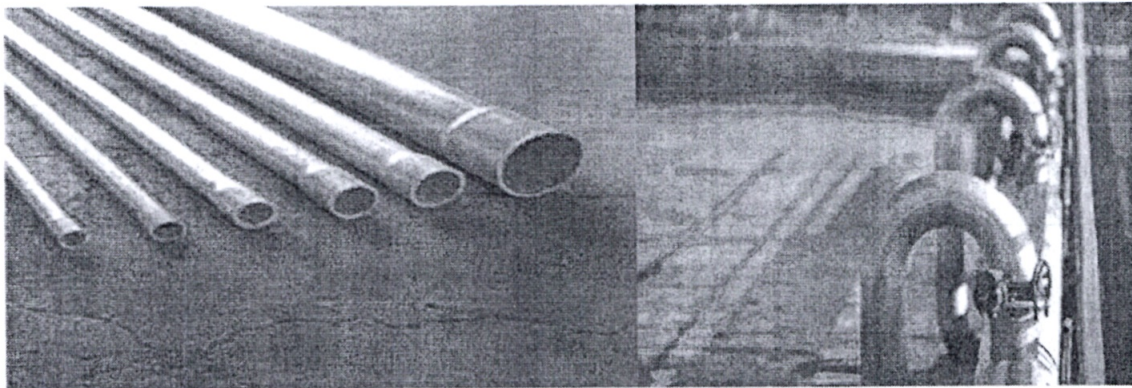
We, *Ngagaka Water and Sanitation Company*, exist to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence. Below is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

i) **Sustainability Strategy and Profile**

The sustainability of the company is dependent, among others, on the following key factors

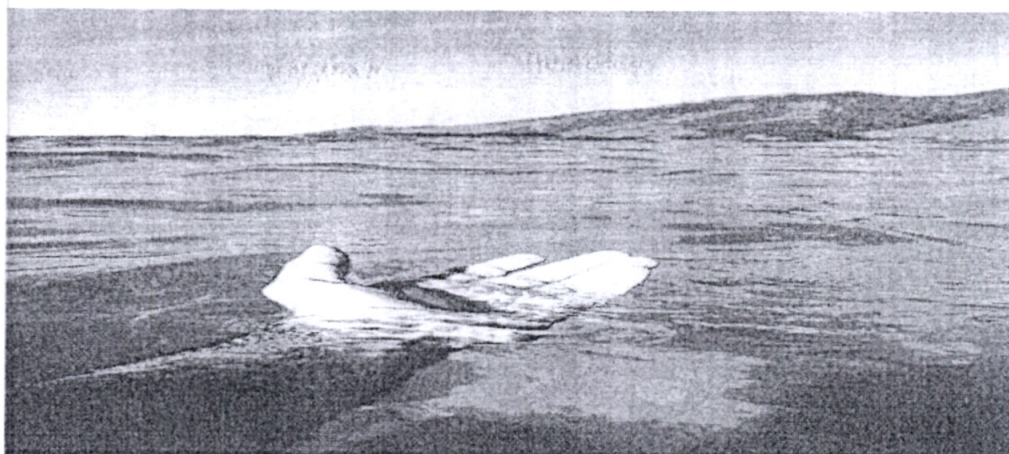


Water Sources

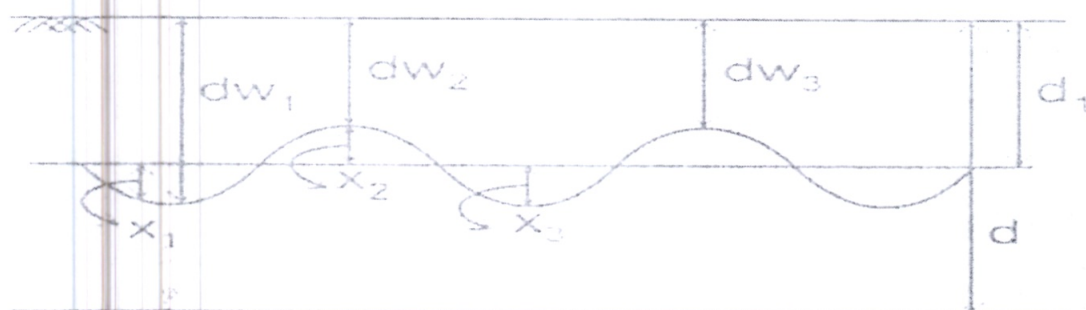


Collection and Distribution Infrastructure

The sustainability of the company is dependent, among others, on the following key factors
(continued)



Water Production Levels

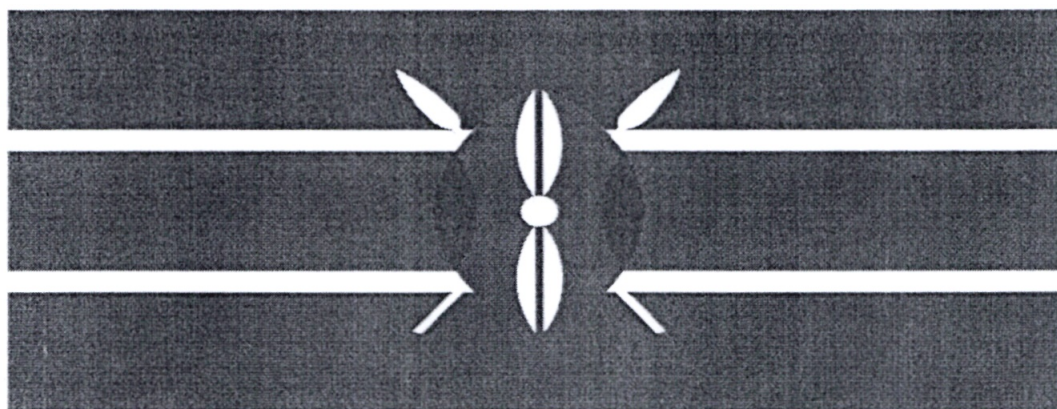


Water Distribution Efficiency



Value of Non-Revenue Water (Water Loss)

The sustainability of the company is dependent, among others, on the following key factors (continued)



Political Support/Goodwill from Government of Kenya

ii) Environmental Performance

The company acknowledges the critical role of climatic environment (weather and weather patterns) as a foundation for our existence as a corporate.

In this regard management has formulated an environmental policy and regularly commits resources to fund environmental conservation initiatives

In the coming years the management endeavours to commit more resources on environmental promotion and conservation activities

iii) Employee Welfare

Staffs are a critical resource for the attainment of our corporate objectives and personal development of the staff themselves. The company therefore, prioritizes employee welfare, among other employee management initiatives, the following are emphasized:

- i) Policies guiding the hiring process
- ii) Capacity Building
- iii) Performance management – appraisal system
- iv) Safe work environmental practices

iv) Market Place Practices

The company aspires to be a responsible open and trustworthy market player. In this regard, the company ensures that all its commercial transactions are undertaken openly, fairly and to the best interest of the parties involved.

a) Responsible Competition Practice

- b) While we are a commercial company and accordingly seek to be more competitive than our competitors, including Bottled Water, we consciously don't engage in deriding the competition. Indeed we capitalise on any collaboration opportunities in the market, even when they involve water companies.

c) Responsible Supply Chain and Supplier Relations

The company acknowledges the importance of managing suppliers through prompt payment. We endeavour to pay supplier invoices within the credit period. Where the company is unable to meet these obligations on due dates, we pro-act by notifying suppliers of the intended delays and communicate in writing alternative payment plans. A policy on Pending bills and their management is in place

d) Responsible Marketing and Advertisement

The company, while publicizing its products, ensures that our marketing and advertisements campaigns are conducted using fair language are morally upright and adhere to other fair advertising and marketing practices.

The company is in the process of formalizing a policy on marketing and advertisement

e) Product Stewardship

The Production and Distribution Process of Water holds Safety Sacred. This includes Anti-Contamination Safeguards. An internal Quality Assurance System ensures that all our product sanitization processes uphold industry regulator standards

v) Corporate Social Responsibility Statement (CSR)

Three core values guide our Corporate Social Responsibility commitment:

- ❖ Ethical Business Practices
- ❖ Compliance with Regulatory and Other Legal Requirements
- ❖ Respect for Humanity, Communities and the Environment

The company's' corporate social responsibility (CSR) hinges on two key pillars:

Employees

During the year, our employees have become an important part of this noble objective. The employees are the backbone of our success. We have unrelentingly ensured that they have a favourable work environment. Training and development of staff has continued to be an important part of our business. All staffs are encouraged to attend internal and external training sessions to upgrade themselves technically and professionally.

Welfare Programmes

The internship placement programmes have continued with several students working as interns in various departments. Those students are drawn from various colleges.

*Ngagaka Water And Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2023*

11. Report of the Directors

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

Principal activity

The principal activity of the entity is provision of water and sanitation services within the Service Area.

Results

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

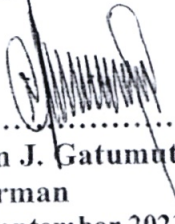
Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 21 of Public Audit Act 2015

By Order of the Board


.....
Justin J. Gatumuta
Chairman
25th September 2023

12. Statement of Directors' Responsibilities

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

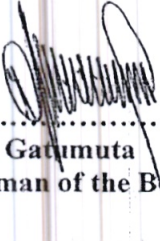
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the section 164 of the Public Finance Management Act, 2012. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2023, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

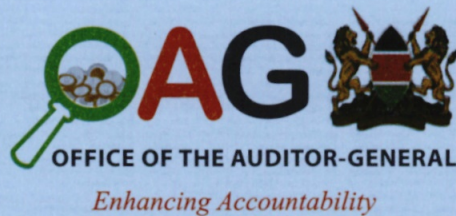
Approval of the financial statements

The company's financial statements were approved by the Board on 25/09/2023 and signed on its behalf by:


.....
Justin Gatumuta
Chairman of the Board


.....
Lydiah Maina
General Manager

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
Email: 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 NGAGAKA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ngagaka Water and Sanitation Company Limited set out on pages 1 to 24, which comprise the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of

comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly the financial position of Ngagaka Water and Sanitation Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012, Water Act, 2016 and the Companies Act, 2015.

Basis for Qualified Opinion

1. Unsupported Expenditure – Telecommunication

The statement of profit or loss and other comprehensive income reflects general and operations expenses amount of Kshs.7,838,979, which includes Kshs.541,840 in respect to telecommunication as disclosed in Note 11 to the financial statements. However, the ledger reflects Kshs.487,292 resulting to unexplained variance of Kshs.54,548.

In the circumstances, the accuracy of the expenditure amount of Kshs.541,840 could not be confirmed.

2. Long Outstanding Trade and Other Receivables

The statement of financial position reflects Kshs.19,600,782 in respect of net trade and other receivables. The balance comprises of gross receivable of Kshs.31609,363 net of provision for bad and doubtful debts of Kshs.12,208,581. Review of the ageing analysis however, revealed that trade and other receivables totaling to Kshs.28,725,035 (or 90%) are past due date and includes Kshs.15,408,760 which has been outstanding for more than 120 days. The high volume of ageing debts suggest that the Company's debt collection system was not effective and therefore the risk of illiquidity and bad debts is high. Management has not disclosed its plan to enhance collection of debts to improve the financial performance of the Company.

In the circumstances, the recoverability of long outstanding debtors of Kshs.15,408,760 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ngagaka Water and Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I

believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.44,514,000 and Kshs.42,637,848 respectively resulting to an underfunding of Kshs.1,876,152 or 4% of the budget. Similarly, the Company expended Kshs.44,575,159 against an approved budget of Kshs.44,514,000 resulting to over-expenditure of Kshs.61,159 or 4% of the budget.

In the circumstances, the underfunding may have negatively affected planned activities and service delivery to the public. In addition, the Company incurred unauthorized expenditure of Kshs.61,159.

2. Trade and Other Payables

The statement of financial position and as disclosed in Note 25 to the financial statement reflects trade and another payables balance of Kshs.6,402,767. The trade and another payables balance increased by Kshs.3,151,945 or 96% from the previous year's balance of Kshs.3,250,822, an indication that the Management did not review the liabilities portfolio to ensure that the company is able to honor its obligations as and when they are due. The Management did not give reasons as to why the debts were not settled during the year.

In the circumstances, the Company risks payment of penalties and interest in case of litigation from the suppliers.

My opinion is not modified in respect of these matters.

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 matter 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. High Non-Revenue Water Level

The statement of profit or loss and other comprehensive income reflects Kshs.38,228,600 in respect to operating revenue, which includes Kshs.33,148,200 from water sales as disclosed in Note 6 to the financial statements. Review of the records revealed that the Company produced 1,122,612 cubic meters (m³) of water and only 713,983 cubic meters (m³) of water was billed to customers. The balance of 408,629 cubic meters (m³) or approximately 36% of the total volume of water produced, worthy Kshs.19,205,563 at the rate of Kshs.47 per cubic meter (m³) represented Non-Revenue Water (NRW). The NRW is therefore 11% over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines.

The high volume of NRW will negatively impact on the Company's profitability and its long-term sustainability. Management was also in breach of the law.

2. Non-Compliance with Law on Ethnic Composition

Review of the personnel records revealed that the Company had a total workforce of thirty-seven (37) employees out of which thirty-six (36) or 97% were from the same ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which requires that no public establishment shall have more than one third of its staff from the same ethnic community.

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

3. Irregular Internal Borrowing

The statement of financial position and as disclosed in Note 23 to the financial statements reflects borrowings under non-current and current liabilities of Kshs.5,613,723 and Kshs.360,000 respectively both totalling Kshs.5,973,723. Review of records revealed that the internal borrowing amount was Kshs.2,840,000, being amount incurred in the purchase of land and billing software during the year under review. Management did not provide board minutes approving the borrowing.

In the circumstances, the regularity of internal borrowings amounting to Kshs.2,840,000 could not be confirmed.

4. Non-Implementation of Approved Tariff

During the year under review, a new water tariff was gazetted for implementation. Management did not however implement the tariff which could have helped increase the Company's revenue. This is contrary to Section 120 of the County Governments Act, 2012 which states that, a county government or any agency delivering services in the County shall adopt and implement tariffs and pricing policy for the provision of public services.

In the circumstances, the Company may have lost revenue due to non-implementation of the new tariff and the Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Tag Assets

The statement of financial position and as disclosed in Note 15 to the financial statements reflects Kshs.20,856,853 in respect to property, plant and equipment as at 30 June, 2023. However, the assets were not coded or tagged for ease of identification and tracking contrary to Regulation 132(1)(b) of the Public Finance Management (County Governments) Regulations, 2015. The Regulation stipulates that accounting officer shall take full responsibility and ensure proper control systems exist for assets and that movement and conditions of assets can be tracked.

In the circumstances, Management risk losing the untagged assets and the internal controls for the assets are therefore weak.

2. Lack of Risk Management Policy Framework

The company operated without a documented risk management policy framework contrary to the requirements of Treasury Circular No.3/2009 of 23 February, 2009. The Circular requires all heads of public institutions to develop and implement a risk management frame work as a fundamental step towards establishing an accountable and innovative public service. In addition, there was no effective reporting system that includes hotlines, report centres and whistle blower policy.

In the circumstances, there are weaknesses in internal controls and risk management and thus, prevention and detection of fraud and other operational risks may not be affective.

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 Companies Act, 2015, I report based on my audit, that:

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 March, 2024

Ngagaka Water And Sanitation Company Limited
 Annual Report And Financial Statements
 For The Year Ended June 30, 2023

14. Statement of Profit or Loss and Other Comprehensive Income for the year Ended 30 June 2023.

	Note	2022-2023	2021-2022
		Tsh	Tsh
Revenue			
Operating Revenue	6	38,228,600	37,724,829
Grant from National Govt.	7	196,201	4,863,673
Other Income	8	1,569,248	1,435,430
Other gains/(losses)	9	-	(43,439)
Total Revenue		39,994,049	43,980,493
Expenses			
Staff Costs	10	24,083,993	22,783,512
General and Operations Expenses	11	7,838,979	8,476,121
Board Expenses	12	985,000	895,050
Maintenance Expenses	13	5,637,237	4,949,242
Depreciation and Amortization Expenses	14	3,725,311	3,249,627
Total Expenses		42,270,520	40,353,552
Profit/(Loss) Before Taxation		(2,276,471)	3,626,941
Total Comprehensive Income for the Year		(2,276,471)	3,626,941

Ngagaka Water And Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2023

15. Statement of Financial Position as at 30 June 2023

	Note	2022-2023 Ksh	2021-2022 Ksh
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	20,856,853	20,117,064
Intangible assets	16	1,785,000	-
Total Non-Current Assets		22,641,853	20,117,064
Current Assets			
Inventories	17	754,541	944,277
Trade and other receivables	18	19,600,782	17,461,278
Bank and cash balances	19	3,263,263	6,625,047
Prepayments	20	2,500	2,500
Total Current Assets		23,621,086	25,033,102
Total Assets		46,262,939	45,150,166
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital fund / reserves	21	9,965,875	9,965,875
Retained earnings	22	20,952,464	23,228,935
Capital and Reserves		30,918,339	33,194,810
Non-Current Liabilities			
Borrowings	23	5,613,723	3,103,723
Deferred income	24	1,681,833	1,878,034
Total Non-Current Liabilities		7,295,556	4,981,757
Current Liabilities			
Borrowings	23	360,000	360,000
Trade and other payables	25	6,402,767	3,250,822
Customer Deposits	26	1,286,277	3,362,777
Total Current Liabilities		8,049,044	6,973,599
TOTAL EQUITY AND LIABILITIES		46,262,939	45,150,166

The financial statements were approved by the Board on 25/09/2023 and signed on its behalf by:

.....
 Lydiah Maina
 General Manager

.....
 Agnes Murugi
 Accountant ICPAK MNO: 11786

.....
 Justin Gatumuta
 Chairman of the Board

*Ngagaka Water And Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2023*

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

	Capital fund/ reserves	Revenue reserve	Total
	Kshs	Kshs	Kshs
As at July 1, 2021	9,965,875	19,601,994	29,567,869
Profit for the year	-	3,626,941	3,626,941
As at June 30,2022	9,965,875	23,228,935	33,194,810
As at July 1, 2022	9,965,875	23,228,935	33,194,810
Profit for the year	-	(2,276,471)	(2,276,471)
As at June 30,2023	9,965,875	20,952,464	30,918,339

*Ngagaka Water And Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2023*

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

		2022-2023	2021-2022
	NOTES	Kshs	Kshs
Cash Flows From Operating Activities			
Net surplus/(deficit) before taxation		(2,276,471)	3,626,941
Adjustment for depreciation and amortization	14	3,725,311	3,249,627
Adjustment for Provision for bad debts		220,150	158,152
Grant from National Gvt.	7	(196,201)	(224,229)
Loss on disposal fixed assets	9	-	43,439
Operating profit/(loss) before working capital changes		1,472,789	6,853,930
Changes In Working Capital			
(Increase)/decrease in trade receivables	18	(2,359,654)	(1,761,628)
Increase/(decrease) in trade payables and accruals	25	3,151,945	1,018,764
(Increase)/decrease in inventories	17	189,736	(372,605)
Increase/(decrease) in customer deposits	26	(2,076,500)	752,000
Cash generated from operating activities		(1,094,473)	(363,469)
Net cash from(used in) operating activities		378,316	6,490,461
Cash flow From Investing Activities			
Purchase of non -current assets	15	(3,700,100)	(3,392,400)
Purchase of intangible assets	16	(2,550,000)	-
Net cash from(used in) investing activities		(6,250,100)	(3,392,400)
Cash Flow From Financing Activities			
Proceeds from borrowing	23	2,840,000	150,000
Repayment of borrowing	23	(330,000)	(360,000)
Net cash from(used in) financing activities		2,510,000	(210,000)
Increase/(Decrease) in cash and cash equivalent		(3,361,784)	2,888,061
Cash and cash equivalent at the beginning of year	19	6,625,047	3,736,986
Cash and cash equivalent at the end of the year	19	3,263,263	6,625,047

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18. Statement of Comparison of Budget and Actual Amounts for the Period ended 30 June 2023

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	Performance Difference	% Utilization
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Operating Revenue	41,592,000	82,000	41,674,000	39,797,848	(1,876,152)	95
Internal borrowing	2,840,000	-	2,840,000	2,840,000	-	100
Total Revenue	44,432,000	82,000	44,514,000	42,637,848	(1,876,152)	
			-			
Expenses						
Staff Costs	24,399,600	(597,600)	23,802,000	24,083,993	(281,993)	101
Board Expenses	696,000	250,000	946,000	985,000	(39,000)	104
General & Operation Expenses	8,668,300	(1,033,760)	7,634,540	7,618,829	15,711	100
Maintenance Expenses	5,167,960	703,000	5,870,960	5,637,237	233,723	96
Total Recurrent Expenditure	38,931,860	(678,360)	38,253,500	38,325,059	(71,559)	100
Profit or Loss	5,500,140	760,360	6,260,500	3,322,389	(2,794,993)	53
Capital Expenditure	5,500,140	760,360	6,260,500	6,250,100	10,400	100
Total Expenditure	44,432,000	82,000	44,514,000	44,575,159	(61,159)	

Notes to the comparison of budget and actuals

NB: The total expenditure in the statement of profit or loss and other comprehensive income for the year ended 30 June 2023 is Kshs 42,270,520 and that of statement of comparison of budget and actual amounts Kshs 38,325,059. The difference is as a result of inclusion of depreciation and bad debts items as reconciled below.

30 June 2023	Kshs
Total expenditure in the statement of profit or loss and other comprehensive income	42,270,520
Depreciation and amortization expenses	(3,725,311)
Bad debts w/off	(220,150)
Total actual expenditure in statement of comparison of budget and actual amounts	38,325,059

The statement of profit or loss and other comprehensive income and note 6 to the financial statements ended 30 June, 2023 reflects Kshs 38,228,600 and that of statement of comparison of budget and actual amounts Kshs 39,797,848. The variance of Kshs 1,569,248 other income in note 8.

30 June 2023	Note	Kshs
Statement of profit or loss and other comprehensive income and note 6		38,228,600
Other Income	8	1,569,248
Operating revenue in statement of comparison of budget and actual amounts		39,797,848

19. Notes to the Financial Statements

1. General Information

Ngagaka Water and Sanitation Company (NGAWASCO) is incorporated under the Companies Act (Cap 486) and that the Company is limited by Guarantee. It's domiciled in Kenya. The Company's principal activity is provision of water and sanitation services within the designated service area. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. Statement of compliance and basis of preparation

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

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

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

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 2023

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

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ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 20223

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

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

iii. Early adoption of standards

The company did adopt any new or amended standards in year under review.

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the company's activities as described below.

- i) **Revenue from the sale of water** is recognised in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the company receives such grants.
- iii) **Other income** is recognised as it accrues.

a) 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 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 financial performance both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

b) Property, plant and equipment

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

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.

e) Depreciation and impairment of property, plant and equipment

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	2%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers, software and related equipment	30%
Office equipment, furniture and fittings	12.5%

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

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

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

d) Finance leases

Leases which confer substantially all the risks and rewards of ownership to the company are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

e) Inventories

Inventories are stated at the lower of cost and net realisable value

f) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end using rate of 10%. Bad debts are written off after all efforts at recovery have been exhausted.

g) 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 financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and which were not surrendered or accounted for at the end of the financial year.

h) Borrowings

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

i) Trade and other payables

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

j) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2020. The scheme is administered by Co-trust Investment Retirement Benefits Scheme 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.

k) Provision for staff leave pay

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

l) Comparative figures

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

m) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

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. An example is *provision for bad debts*.

6. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water Sales	33,148,200	32,710,729
Billing for Other Services	5,080,400	5,014,100
Total	38,228,600	37,724,829

7. Grant from National Government

Capital grant realized	196,201	224,229
Recurrent grant received	-	4,639,444
Total	196,201	4,863,673

[Capital grant - water meters received from TWWDA/ recurrent grant – CLSG from WSTF]

8. Other Income

	2022-2023	2021-2022
	Kshs	Kshs
Fines and penalties	295,000	225,000
Miscellaneous income	1,274,248	1,210,430
Total	1,569,248	1,435,430

9. Other Gains/ (Losses)

	2022-2023	2021-2022
	Kshs	Kshs
Acc. Depreciation	-	563,231
Cost Fixed PPE W/off	-	606,670
Gain/(loss) on disposal		(43,439)

Notes to the Financial Statements (Continued)

10. Staff Costs

	2022-2023	2021-2022
	Kshs	Kshs
Salaries and allowances of permanent employees	21,278,149	20,446,860
Wages of contracted staff	276,000	-
Employer's contributions to social security schemes	237,474	84,000
Employer's contributions to pension scheme	1,648,810	1,609,092
Other Staff payments (retirement benefits)	643,560	643,560
	24,083,993	22,783,512
The average number of employees at the end of the year was:		
Permanent employees – Management	5	5
Permanent employees – Unionisable	31	32
Total	36	37

[Being number of staff throughout the year]

11. General and Operation Expenses

	2022-2023	2021-2022
	Kshs	Kshs
Water chemicals	370,990	335,240
Electricity	80,995	76,686
Motor vehicle fuels and oil	928,141	884,942
Office suppliers	173,427	179,083
Staff uniform and protective clothing	214,050	141,250
Telecommunication	541,840	666,975
Postage and courier	10,660.00	13,750.00
Water & sewerage	18,500	11,290
Insurance costs	178,300	199,435
Rent and rates	60,000	60,000
Hire of equipment and vehicles	10,000	
Domestic travelling and subsistence	1,690,900	1,476,600
Staff training and development	221,200	677,850
Bank charges	54,460	52,296
Security services	145,600	-
Audit fee	290,000	290,000
Legal fees	17,400	18,120
Consultancy fees	115,000	50,097
Licensing and levies	959,284	971,164
Sports and recreation	-	115,600.00
Stakeholders	-	614,710
Hospitality	814,494.00	602,601.00

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Notes to the Financial Statements (Continued)

General and Operation Expenses

Provision for bad and doubtful debts	220,150	158,152
Waspa expenses	629,900	808,600
Cleaning	80,964	71,680
Other general expenses	12,724	-
Total	7,838,979	8,476,121

12. Board expenses

	2022-2023	2021-2022
	Kshs	Kshs
Sitting allowances	782,000	387,500
Travel and accommodation	35,000	13,000
Other allowances	168,000	494,550
Total	985,000	895,050

13. Maintenance Expenses

	2022-2023	2021-2022
	Kshs	Kshs
Buildings	10,640	142,740
Infrastructural networks	3,785,431	4,250,316
Motor vehicles	1,728,571	468,142
Software	112,595	88,044
Total	5,637,237	4,949,242

14. Depreciation and Amortization Expenses

	2022-2023	2021-2022
	Kshs	Kshs
Property, plant and equipment	2,960,311	3,249,627
Intangible assets	765,000	-
Total	3,725,311	3,249,627

Notes to the Financial Statements (Continued)

15. Property, Plant and Equipment

	Land	Building	Plant & machinery	Water Meters	Motor Vehicle	Computers	Motor Cycle	Furniture & fittings	Tools & Equip.	Total
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
COST										
At July 1, 2021	-	854,816	3,255,510	28,102,495	7,296,692	2,276,522	836,390	386,190	231,890	43,240,505
Additions	150,000	-	-	3,210,400	-	-	-	32,000	-	3,392,400
Write off	-	-	-	-	-	(514,500)	-	(92,170)	-	(606,670)
As at 30th Jun. 2022	150,000	854,816	3,255,510	31,312,895	7,296,692	1,762,022	836,390	326,020	231,890	46,026,235
Depreciation										
At July 1, 2021	-	126,605	1,889,961	13,586,974	4,857,683	2,012,951	295,816	279,722	173,063	23,222,775
Charge for the period	-	14,564	170,694	2,215,740	609,752	79,071	135,144	17,309	7,353	3,249,627
Acc. Depreciation w/off	-	-	-	-	-	(494,357)	-	(68,874)	-	(563,231)
At June 30, 2022	-	141,169	2,060,655	15,802,714	5,467,435	1,597,665	430,960	228,157	180,416	25,909,171
NBV at June 30, 2022	150,000	713,647	1,194,855	15,510,181	1,829,257	164,357	405,430	97,863	51,474	20,117,064
At July 1, 2022	150,000	854,816	3,255,510	31,312,895	7,296,692	1,762,022	836,390	326,020	231,890	46,026,235
Additions	1,850,000	-	-	1,850,100	-	-	-	-	-	3,700,100
At June 30, 2023	2,000,000	854,816	3,255,510	33,162,995	7,296,692	1,762,022	836,390	326,020	231,890	49,726,335
Depreciation										
At July 1, 2022	-	141,169	2,060,655	15,802,714	5,467,435	1,597,665	430,960	228,157	180,416	25,909,171
Charge for the period	-	14,273	149,357	2,170,035	457,314	49,307	101,358	12,233	6,434	2,960,311
At June 30, 2023	-	155,442	2,210,012	17,972,749	5,924,749	1,646,972	532,318	240,390	186,850	28,869,482
NBV at June 30, 2023	2,000,000	699,374	1,045,498	15,190,246	1,371,943	115,050	304,073	85,630	45,040	20,856,853

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Notes to the Financial Statements (Continued)

16. Intangible Assets

	2022-2023	2021-2022
	Kshs	Kshs
Cost		
As at July 1	-	-
Additions	2,550,000	-
As at June 30	2,550,000	-
Amortization		
As at July 1	-	-
Charge for the year	765,000	-
As at June 30	765,000	-
Net book value		
As at June 30	1,785,000	-

17. Inventories

	2022-2023	2021-2022
	Kshs	Kshs
Water fittings and accessories	547,586	155,277
Water meters	158,900	789,000
Motor cycle spare parts	22,400	-
Stationery and general stores	25,655	-
Total	754,541	944,277

18. Trade and other receivables

	2022-2023	2021-2022
	Kshs	Kshs
Trade receivables	31,809,363	29,449,709
Gross trade and other receivables	31,809,363	29,449,709
Provision for bad and doubtful receivables	(12,208,581)	(11,988,431)
Net trade and other receivables	19,600,782	17,461,278

[Being water sales]

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Notes to the Financial Statements (Continued)

At June 30, 2022, the ageing analysis of the gross trade receivables was as follows:

	2022-2023	2021-2022
	Kshs	Kshs
Less than 30 days	3,084,328	3,309,070
Between 30 and 60 days	5,997,935	6,082,305
Between 61 and 90 days	3,919,800	3,276,045
Between 91 and 120 days	3,398,540	3,220,660
Over 120 days	15,408,760	13,561,629
Total	31,809,363	29,449,709

19. Bank and Cash Balances

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	2,508,566	5,889,401
Cash in hand	19,051	-
Others (Wasreb bond guarantee)	735,646	735,646
Total	3,263,263	6,625,056

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Current account			
Family Bank.	075000019139	62,613	330,659
Family Bank	075000019872	445,578	3,179,070
Family Bank	075000047664	269	269
Consolidated Bank	1041202000049	341,400	794,766
Equity Bank	0190261966763	1,658,706	1,584,637
Sub- total		2,508,566	5,889,410
b) Others			
Cash at Hand		19,051	-
Wasreb Bond Guarantee		735,646	735,646
Sub- total		754,697	735,697
Grand total		3,263,263	6,625,047

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Notes to the Financial Statements (Continued)

20. Prepayments

	2022-2023	2021-2022
	Kshs	Kshs
KPLC	2,500	2,500
Total	2,500	2,500

[Being accounts deposit]

21. Capital Fund/Reserves

	2022-2023	2021-2022
	Kshs	Kshs
As at June	9,965,875	9,965,875
Total	9,965,875	9,965,875

22. Retained Earnings

As at 1 st July	23,228,935	19,601,994
Surplus/ (deficit) for the year	(2,276,471)	3,626,941
Total	20,952,464	23,228,935

23. Borrowings

Balance at the beginning of the year	3,463,723	3,673,723
Borrowings during the year	2,840,000	150,000
Repayments of domestic borrowings during the year	(330,000)	(360,000)
Balance at end of the year	5,973,723	3,463,723
Amounts due within one year (current portion)	360,000	360,000
Amounts due after one year (non-current portion)	5,613,723	3,103,723
Total balance at end of year	5,973,723	3,463,723
<i>[Being loan from customer deposits for the purchase of motor vehicle KCV 349R/land/billing software]</i>		

24. Deferred Income

	2022-2023	2021-2022
	Kshs	Kshs
At 1 July	1,878,034	2,102,263
Transfer to the income statement	(196,201)	(224,229)
Total	1,681,833	1,878,034

[Deferred income relates to water meters donated by Tana Water Works Development Agency. Deferred income is recognised as income in the statement of financial performance over the expected useful lives of the assets.]

Notes to the Financial Statements (Continued)

25. Trade and Other Payables

	2022-2023	2021-2022
	Kshs	Kshs
Trade payables	4,437,348	3,250,822
Accrued expenses	68,400	-
Employee payables	1,897,019	-
Total	6,402,767	3,250,822

26. Customer Deposits

	2022-2023	2021-2022
	Kshs	Kshs
Opening Balance	3,362,777	2,610,777
Add: Deposits received during the year	433,500	542,000
Less: Refunded deposits during the year	-	-
Less: Loan to the company	(2,840,000)	(150,000)
Add: Loan repayment	330,000	360,000
Total	1,286,277	3,362,777

[Loan to the company is for the purchase of land/billing software and the repayments are done on monthly basis]

27. Retirement Benefit Obligations

Retirement Benefit Liability

As per [IAS 19(2011).63] the Company recognised the net defined benefit liability for the staff up to June 2020 amounting to Ksh 12,108,345. The determination of the net defined benefit liability was carried out with sufficient regularity such that the amounts recognised in the financial statements do not differ materially with those that would be determined at the end of the reporting period. [IAS 19 (2011). 58]

28. Related Party Disclosures

Parties related to the organisation include those parties who have the ability or where the organisation has the ability to exercise control or exercise significant control over the operating and financial decisions. The organisations' related parties are:-

- i) The County Department in charge of Water
- ii) County Government of Embu
- iii) WASREB
- iv) WRA
- v) TWWDA
- vi) WSTF

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Notes to the Financial Statements (Continued)

Transactions with related parties

	2022-2023	2021-2022
	Kshs	Kshs
a) Expenses incurred on behalf of related party		
Water Services Regulatory Board	397,978	391,603
Water Management Authority	561,306	579,561
Total	959,284	971,164

	2022-2023	2021-2022
	Kshs	Kshs
b) Key Management Compensation		
Directors' emoluments	985,000	895,050
Compensation of key management	9,759,349	9,390,060
Total	10,744,349	10,285,110

29. Financial Risk Management Policies

Financial risk management objectives

The organisation's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The major types of financial risks faced by the organisation are:

- Market risk
- Credit risk
- Liquidity risk

Market risk management

(i) Foreign exchange risk

The organisation is not exposed to foreign exchange risk since it does not have foreign currency transactions.

(ii) Interest rate risk

The organisation is not exposed to interest rate risk since it has no external borrowing

(ii) Price risk

The organisation does not hold investments that would be subject to price risk hence there is no exposure to price risk.

Notes to the Financial Statements (Continued)

Financial Risk Management Policies (Continued)

Credit risk management

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 Kshs	Impaired Kshs
30 June 2023				
Bank balances	3,263,263	3,263,263	-	-
Trade receivables	19,600,782	-	31,809,363	(12,208,581)
Total	22,864,045	3,263,263	31,809,363	(12,208,581)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
30 June 2022				
Bank balances	6,625,047	6,625,047	-	-
Trade receivables	17,461,278	-	29,449,709	(11,988,431)
Total	24,086,325	6,625,047	29,449,709	(11,988,431)

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Notes to the Financial Statements (Continued)

Credit risk management (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 been recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due.

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.

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 2023				
Trade payables	485,189	449,892	3,502,267	4,437,348
Current portion of borrowings	-	90,000	270,000	360,000
Deferred income	-	-	-	1,878,034
Total	485,189	539,892	3,772,267	6,675,382
At 30 June 2022				
Trade payables	548,240	1,316,979	1,385,603	3,250,822
Current portion of borrowings	-	90,000	270,000	360,000
Deferred income	-	-	-	1,681,833
Employee benefit obligation	-	1,897,019	-	-
Total	548,240	3,303,998	1,655,603	5,292,655

Notes to the Financial Statements (Continued)

Capital risk management

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

	2023	2022
	Kshs	Kshs
Capital fund / reserves	9,965,875	9,965,875

30. Contingent Liabilities

The organization is exposed to various contingent liabilities in the normal course of operations. Management evaluates the status of these exposures on a regular basis to assess the probability of the organization incurring related liabilities. However, provisions are only made in the financial statements where, based on the management's evaluation, a present obligation has been established.

31. Capital Commitments

The company did not have capital commitments as at 30 June 2023.

32. Currency

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

33. Incorporation

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

34. Events after the Reporting Period

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

35. Events After the Reporting Period

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

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36. Appendix I: Implementation status of Auditor General prior year Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (date when we expect the issue to be resolved)
1.	Irregular water maintenance and rehabilitation expenditure	The supporting documents are in place.	Not Resolved	Waiting for appearance at County Assembly PAIC
2.	Interest of fixed deposit	The difference of the amount of interest was of no material value.	Not Resolved	Waiting for appearance at County Assembly PAIC
3.	Internal borrowing from customer deposits.	The internal borrowing had BOD authority.	Not Resolved	Waiting for appearance at County Assembly PAIC
4.	NRW at 48% way above the set bench mark of 25%	Non-revenue team is working on the same to ensure the set bench mark is attained.	Not resolved	2 -3 years
5.	Lack of internal audit	The Company has internal audit in place.	Not Resolved	Waiting for appearance at County Assembly PAIC

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Lydiah Maina
General Manager
25th September 2023