

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

KITUI WATER AND SANITATION COMPANY

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

PAPERS LAID	
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KITUI WATER AND SANITATION COMPANY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

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1. Acronyms and Glossary of Terms

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

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>KITWASCO</i>	<i>Kitui Water and Sanitation Company Limited</i>
<i>WSTF</i>	<i>Water Sector Trust Fund</i>
<i>WRA</i>	<i>Water Resource Authority</i>
<i>SPA</i>	<i>Service Provision Agreement</i>

2. Key Entity Information

Background information

Kitui Water and Sanitation Company is a company limited by guarantee and was incorporated on 10th April 2006 by the then defunct Kitui Municipal Council. It is currently wholly owned by the County Government of Kitui in line with the Water Services Regulatory Board (WASREB) Corporate Governance Guidelines 2018, section 3.3.1 (5) which provides that “Where companies were limited by guarantee and the main guarantors were the defunct local authorities it is clear that even before those memorandum and articles of association are amended, the county government is a bona fide member taking up the place of the defunct local authorities as a guarantor”.

The Company has the core mandate of providing water and sanitation services to Kitui Municipality, its environs and part of Machakos County where the main (*producing 90% of the water supplied by KITWASCO*) water source Masinga dam is located. Other sources are boreholes of Ithookwe, Matinyani, Ilusya, Mbooni, Mutune, Kanyangi and several subwells. The completion of Umaa Dam and Kangukangu water project will supplement water supply and ease water rationing during dry seasons.

The Company covers a total area of approximately 733Km² (*representing 54% serving a population of 232,420*) and serves the following seven (7) sub counties with piped water: Masinga (*Machakos County*) and Kitui West, Kitui Rural, Kitui Central, Kitui South, Kitui East and parts of Mwingi West (*Kitui County*). Kitui County consumes 66% of the water produced from Masinga Dam while Machakos County consumes 34%.

Principal Activities

The principal activity of the Kitui Water and Sanitation Company is to provide sustainable, safe and adequate water services for domestic, industrial and commercial use in a cost-effective manner and effectively manage the resultant waste water with a committed and motivated human resource.

Vision

To be a reputable provider adequate, reliable, safe water and sewerage services.

Mission

To provide sustainable, safe and adequate water and sewerage services to our customers in a cost-effective manner.

Core Values

Our core values include transparency and accountability, integrity, professionalism, teamwork and creativity and innovation.

KITWASCO Mandate

The mandate of the Company is; -

- To ensure that it possesses and retains all the necessary expertise necessary to fulfil the technical, commercial, financial and administrative functions.
- To provide the services within the KITWASCO's defined Service Area.
- To meet all the required standards, guidelines and provisions of the SPA.
- To obtain all necessary licenses, permits and warranties necessary to carry out its obligations in accordance with statutes in force.
- To maintain the assets in good working order and not to dispose of any assets without the authorization of Tanathi Water Services Board.
- To fulfil the performance targets set in performance contract signed and achieve them within the set timelines
- To come up with proposals for improvement of the assets so as to enhance service delivery.
- To carry out connection and disconnection of services to properties for non-payment for water and sanitation services.
- To take legal action for breach of obligations by customers and others causing damage or adversely affecting the services.
- To ensure that appropriate measures for the protection of the environment are adhered to in line with appropriate legislations.
- To maintain, exercise all statutory powers within the area, in relation to works, assets, pipe work and appurtenances of the water supply and sanitation systems.

Directors

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

- | | | | |
|----|-----------------------|------------|---------------------------|
| 1. | John Muthui | - Chairman | - Appointed November 2023 |
| 2. | Annah Mwendu Vundi | -Member | - Appointed November 2023 |
| 3. | James Mutunga Munuve | -Member | - Appointed November 2023 |
| 4. | Danaris Mbula Mwanzia | -Member | - Appointed November 2023 |
| 5. | Albanus Kioko Muthama | -Member | - Appointed November 2023 |

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6.	Nathan Kasamba Vungo	- CO Water	-Appointed August 2022
7.	Patrick Masila Munuve	- CO Economic Planning	-Appointed August 2022
8.	June Mawia Munyao	- Ag. Managing Director	-Appointed March 2023

Company Secretary

N/A

Registered Office

Kyangwithya- Misewani Rd,
Opposite Governor's office
P.O Box 341-90200 Kitui Kenya

Corporate Headquarters

Kyangwithya- Misewani Rd,
Opposite Governor's office
P.O Box 341-90200 Kitui Kenya

Corporate Contacts

Telephone: (254)701545554, (254)73233330

E-mail:kitwasco@gmail.com

Website: www.go.ke

Corporate Bankers

Kenya Commercial Bank
P.O Box 683-90200

KITUI

Co-operative Bank.
P.O Box 668-90200

KITUI

Kenya Post Office Saving Bank
P.O Box 668-90200

KITUI

M-pesa Pay bill
P.O Box 66827 -00800

NAIROBI




Independent Auditor

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



Principal Legal Advisers

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



3. The Board of Directors

Directors		Details
Ref	Directors	Details
1.	 John Muthui	Born in 1974 Bachelor of Commerce-Finance Option He is an Accountant by profession He has over 20 years' experience with the private sector serving in Faulu Kenya Ltd and Jitegemee Credit He is the chair to the Board
2.	 Annah Mwende Vundi	Born in 1992 Bachelor Degree in Law She is an Advocate of the High Court and has been practising since 2017 She is currently a partner at Vundi & Associates Advocates. Independent Director and chair of the Finance and Corporate Services Committee
3.	 James Mutunga Munuve	Born in 1977 Bachelor of Science Degree-Appropriate Technology He is an Appropriate Technologist by profession He has extensive experience in the NGO's since the year 2000 where he has worked with Solar World EA Ltd, Adventist Development and Relief Agency (ADRA), Catholic Diocese of Kitui- Emop programme, Caritas Kitui. He has

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		<p>also served as a member of County Assembly of Kitui-Kanziko ward from March 2013 to August 2022.</p> <p>Independent Director and Chair of the Technical committee</p>
4	 <p>Damaris Mbula Mwanzia</p>	<p>Born in 1973</p> <p>Bachelor of Arts in Social Work</p> <p>Diploma in Community Development and Project Management</p> <p>She is a Social Worker by Profession</p> <p>She has vast experience in Climate Change Adaptations Interventions, Programme Cycle Management, HIV Prevention, Care and Management having worked for Caritas Kitui, Centre for Health Solutions and currently Kitui Development Centre</p> <p>Independent Director</p>
5.	 <p>Albanus Kioko Muthama</p>	<p>Born in 1964</p> <p>Bachelor of Science- Computer Science and Mathematics</p> <p>He has worked with Madison Insurance Company for over 9 years at senior positions</p> <p>He has been self employed as a Contractor since 2001</p> <p>Independent Director and Chair of the Audit Committee</p>


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6		<p>Born in 1981</p> <p>Bachelor of Agribusiness Management; MBA</p> <p>He has extensive experience in Finance and Auditing having served in various capacities at CPF, Safaricom, Kitui Town Administrator and currently Chief Officer Water Department</p> <p>Represents Ministry of Water and Irrigation</p>
7		<p>Born in 1978</p> <p>Bcom; MBA-Marketing</p> <p>He has extensive experience in marketing, Research and analysis having served in various capacities at BAT Kenya, LOreal East Africa Limited, Farmer’s Choice Limited and currently Chief Officer Economic Planning and Budgeting</p> <p>Represents Chief Officer County Treasury</p>



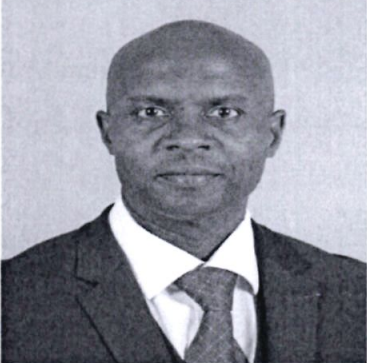
Nathan Kasamba Vungo

Patrick Masila Munuve




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8.	 <p>CPA June Mawia Munyao</p>	<p>Born in 1975 Acting Managing Director (Appointed in March 2023) MBA(Strategic Management), Bcom CPA(K) Secretary to the Board</p>
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4. Key Management Team

Manager’s passport-size photo and name and key profession/academic qualifications	Responsibility
 <p>CPA June Mawia Munyao</p>	<p>Acting Managing Director (Appointed in March 2023) MBA (Strategic Management), Bcom CPA(K)</p>
 <p>Martin Muthoka Wambua</p>	<p>Operations Manager Diploma in Project Management</p>
 <p>CPA Clement Muinde</p>	<p>Internal Audit Manager BBA, MBA - Finance, CPA (K), IIA</p>

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 <p>CPA Victor Muimi</p>	<p>Commercial Manager B. Com (Accounting) and CPA(K)</p>
 <p>CHRP Urbanus Mutisya</p>	<p>Human Resource and Administration Manager BA Public Administration HND – HRM</p>
 <p>Francis Muendo Mutunga</p>	<p>Head of Supply Chain Management BBA - Purchasing and Supply, KISM</p>

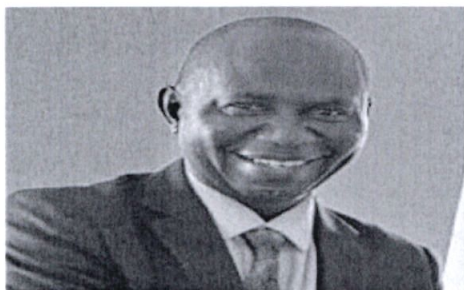
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CPA John Mwangangi

Company Accountant
Bcom-Finance, CPAK

5. Chairman's Statement



On behalf of the Board of Directors of Kitui Water and Sanitation Company Ltd, I have the pleasure to present the financial results and annual statements for the Year ended 30th June 2024 as follows: -

Review of Operations

The Company operated under turbulent economic conditions. Due to financial constraints brought about by the fluctuating economic trends, the Company employed austerity measures cutting across all her operations. As a result, the Company was able to meet its administrative costs and partly operational expenses which were subsidized by County Government of Kitui to the tune of Kshs 98,086,506.00. Additionally, the Company received a grant of Kshs 36,310,090.75 from Water Sector Trust Fund (WSTF). During the year, Kshs 42,119,864 were utilized for Kalundu Public Sanitation Facility, Kabati Public Sanitation Facility, Ilimukuyu Earth dam and Kalundu and Township Household projects.

To support the company's operations, the Board has developed a draft strategic plan for the period 2024-2029 whose Key Result Areas (KRA's) are (i) Non-Revenue Water Management, (ii) Institutional Capacity Strengthening, (iii) Water and Sewerage Infrastructure Development and Maintenance, (iv) Operational Efficiency and Customer Service (v) Financial Sustainability and (vi) Regulatory Compliance and Corporate Governance.

Conclusion

On behalf of the Board of Directors, I hereby extend my deepest appreciation to the County Government of Kitui, our esteemed Stakeholders, Management and the Staff for the continued support and significant contribution towards driving the growth of the company. I wish to assure the stakeholders that the Board of Directors has implemented appropriate strategies as outlined in the strategic plan to boost and sustain improved performance geared towards self-sustainability. We anticipate better performance in the coming years.

John Muthui

Chairman

6. Report Of the Managing Director



1.0 INTRODUCTION

Kitui Water and Sanitation Company is a company limited by guarantee and was incorporated on 10th April 2006 by the then defunct Kitui Municipal Council. It is currently wholly owned by the County Government of Kitui in line with the Water Services Regulatory Board (WASREB) Corporate Governance Guidelines 2018, section 3.3.1 (5). The Company has the core mandate of providing water and sanitation services to Kitui Municipality, its environs and part of Machakos County where the main water source Masinga dam (*producing 90% of the water supplied by KITWASCO*) is located.

The Company's services cover a total area of approximately 733Km² (*servicing a total population of 232,420 which represents 54% of the total population within the service area*) and serves the following seven (7) sub counties with piped water: Masinga (*Machakos County*) and Kitui West, Kitui Rural, Kitui Central, Kitui South, Kitui East and parts of Mwingi West (*Kitui County*). I am delighted to present my report on the performance of the company for the financial year 2023-2024.

2.0 PERFORMANCE REPORT

2.1 Water Production

During the year the company produced 2,650,931 cubic meters of water being an average production of 7,263 cubic meters daily against design capacity of 18, 000 Cubic meters daily. With the current production the company continues to ration its customers. It's my hope that the production will improve with the rehabilitation of Masinga – Kitui Water pipeline under the Last Mile Connectivity Programme funding by African Development bank through Tanathi and Athi water works Development Agencies. The County Government of Kitui has also made a promise to support in the procurement of more effective pumps to enhance on the production.

2.2 Sewerage coverage

The sewer demand in Kitui town is very high and sewerage system is only 5% operational

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particularly in the pro-poor areas of Kitui town. The contractor who was to undertaking the Last Mile Connectivity Programme funded by African Development Bank has since been terminated. This programme was targeting 2,500 households and 40km distribution lines in Kitui town. We expect to connect more customers in the coming years which will improve revenues in the near future once the last mile connectivity sewer project is completed

2.3 Financial performance

The Company has been operating under a subsidized water tariff. An application for tariff review was submitted to WASREB for the tariff and the process was successfully undertaken. KITWASCO is currently operating on a new tariff which became effect on 16th June 2024 with July 2024 been the first month of implementation. During the year, the Company received an amount totalling to Kshs 98,086,506.00 as subsidy from County Government of Kitui. Additionally, the Company received a grant of Kshs 36,310,090.75 from Water Sector Trust Fund (WSTF). During the year, Kshs 42,119,864 were utilized for Kalundu Public Sanitation Facility, Kabati Public Sanitation Facility, Ilimukuyu Earth dam and Kalundu and Township Household projects.

The company sales turnover was Kshs 279,881,288.00 against Kshs. 233,543,124 reported in the previous year which is a 20% increase. The total expenses incurred in the year were Kshs. 312,677,312.00 compared to Kshs. 276,342,920.00 reported in the previous year.

The company made a deficit of Kshs. 32,796,024 during the year which is a decrease compared to a deficit of Kshs. 42,799,796 in the previous year. The deficit resulted from disruption of operations due to prolonged power disconnection, breakdown of intake motor, high lift pumps and non-payment of the full subsidy support by the County Government of Kitui as budgeted

Energy costs continue to be a threat to sustainability and took Kshs 114,057,237 which is approximately 41% of total revenues of Kshs 279,881,288.00

2.4 Non-Revenue Water Reduction

The NRW moving average stood at 46% in the 2023/2024 financial year. This was an improvement of 3% from the 2022/2023 NRW which was 49%. While recognizing that the management of NRW requires serious investment, several measures have been put in place to help in reducing NRW.

Among the measures undertaken is the establishment of a robust Non-Revenue Water management team dubbed “Linda maji” with enhanced budgets for implementation of NRW reduction programs.

The use of technology including the use of mobile metre reading and GIS mapping have not been left

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behind. The creation of District Management Areas (DMAS) to enhance accountability within KITWASCO service area is currently underway. The management will continue to invest in emerging technologies, enhance capacity building through training and bench marking with a view to alleviate the effects of high levels of NRW.

3.0 CHALLENGES

- a) High level of Non-Revenue Water (NRW) currently at a moving average of 46% in the 2023/2024 FY. This far below the WASREB benchmark of 25%.
- b) High costs of water production most specifically electricity bills for the main production plant at Masinga Dam approximated at Kshs. 12.5 Million per month.
- c) Inadequate water supply resulting to serious water rationing which is evidenced by the current served area only at 54% and the hours of supply at fourteen per day;
- d) Overdependence on Masinga Dam the main source (*producing 90% of the supplied volume*) of water. A break down at Masinga adversely affects water supply within the Company's service area.
- e) Underutilized sewer system resulting to poor sewerage services within Kitui County headquarters and its environs due to the non-completion of the last mile connectivity project.
- f) Non efficient pumps at Masinga Production plant which is the main source of water for the Company. As a result, the treatment plant is underutilized with a current daily production of 11,000M³ while the treatment works capacity is 18,000M³ per day.
- g) Dilapidated raw water floating intake at Masinga Production plant.
- h) Old dilapidated pipeline and infrastructure that is prone to burst and leakages leading to water losses
- i) Declining capacity of water resources; climate change and destruction of wetlands continue to be a major challenge.

CONCLUSION

On behalf of the entire Management, I extend my sincere appreciation to all staff, customers, development partners, County Government of Kitui and other stakeholders for their support. It is my hope that the same enabling environment shall continue to prevail as we soldier on towards self-sustainability.



June Mawia Munyao
Managing Director

(Statement Of Performance Against Predetermined Objectives for FY 2023/2024)

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

KITWASCO has five strategic pillars and objectives within its Strategic Plan for the FY 2017/2018-2021/2022. These strategic pillars are as follows:

Pillar 1: Water and sewerage infrastructure development.

Pillar 2: Operational efficiency and customer service

Pillar 3: Financial sustainability

Pillar 4: Institutional Capacity Strengthening

Pillar 5: Corporate Governance

KITWASCO develops its annual work plans based on the above five pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. KITWASCO achieved its performance targets set for the FY 2023/2024 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	a) Increased water supply. b) Increased Sanitation.	-Increased Production -Water Distribution -Rehabilitation of pipelines -Increased sewer connections.	New pump Line extension Rehabilitation of existing line Connecting of households.	- Billing from Ksh 10.3M to 10.5M per month. -New Distribution line 15KM of assorted sizes Rehabilitated/Upgrading 5.3KM
Pillar 2:	a) Reduce NRW b) Operation efficiency c) Customer satisfaction.	-Reduce water leakage -Meter reading efficiency -Improving field operations	-Line patrols -Automation -Purchase of more M/cycles -Platform to receive complains.	-Reduced NRW from 49% to 46%. -Automation of meter reading. -Increased patrols and surveillance operations

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		-Quick response to customer complains.		-undertaken several Customer Outreach & Education forums
Pillar 3:	<ul style="list-style-type: none"> a) O & M Coverage b) Increase billing. c) Reduce debt levels d) Robust financial management system 	<ul style="list-style-type: none"> -Grow sales from 8M to 42M per month. -Push for cost reduction measures. -New water tariff. -Increase collection efficiency. -Formulation of debt policy -Acquire ERP. 	<ul style="list-style-type: none"> -Automation of billing activities. -Adherence to PPOA procedures. -Engagement of collection agents. 	<ul style="list-style-type: none"> -Increased revenue from 10.3M to 10.5M. -O & M coverage at 54% -Upgraded ERPNext software.
Pillar 4:	<ul style="list-style-type: none"> a) Staff alignment b) Strengthen human capital. c) Employee satisfaction level. d) Company image. 	<ul style="list-style-type: none"> -New organization structure. -Staff rationalization. -New human resource manual -Performance management policy -Staff trainings -Organizational culture change 	<ul style="list-style-type: none"> -Developing organizational structure. -Staff placement in New scheme of service. -Organizing regular staff trainings. 	-All staff on performance management
Pillar 5:	<ul style="list-style-type: none"> a) BOD trainings b) Improving stakeholder's relations 	<ul style="list-style-type: none"> -Strengthening BOD capacity. -Developing instruments of good corporate governance -Developing risk mgt strategy. 	<ul style="list-style-type: none"> -Organizing for trainings. -Holding BOD meetings as per guidelines -Holding AGM regularly 	-BOD meeting done as per guidelines

7. Corporate Governance Statement

The corporate governance structure ensures that we act with high standards of corporate behaviour and in the best interest of our stakeholders. The Board of Directors has the authority to perform the functions and determine the policies that control the entities activities.

The structure of the Board is as per the corporate governance guidelines issued by the Water Services Regulatory Board.

- The Board of Directors comprises 7 members nominated by respective stakeholder institutions.
- The Managing Director sits in the board as a full-time director and as a secretary.
- The Directors have a broad range of qualifications, skills and experience.
- The Board has four committees namely; Technical committee, Finance and Procurement, Human Resource and General Purpose committee, and Audit Committee.
- Any issue(s) outside the scope of the above committees may be handled by specially constituted adhoc committee made by a resolution of the Board of Directors including its membership.
- The Board in consultation with the management develops strategic direction for annual and long-term period.
- The board also prepares for the Annual General Meeting and determines the agendas in which the annual audited accounts are presented.

At its regular meetings, the Board considerations include;

- Technical and financial progress quarterly reports.
- Audit reviews and quarterly reports.

To effectively carryout governance responsibilities, the Board has established four board committees with specific delegated mandates. The membership is summarized as follows;

1. Technical committee

The composition of the committee is as follows;

- Gustus Mutio-Chair upto 3rd August 2023
- Dr Grace Mutia-Member
- Stanley Mang'eli-Member
- James Munuve- Chair from November 2023
- Albanus Muthama- Member
- Damaris Mwanzia-Member

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- Nathan K Vungo-Member

The committee secretary is the Technical Manager. Each member of the committee has a general familiarity with the technical aspects of the water and sanitation industry necessary to undertake the committee's responsibilities to oversee the company's technical activities. The functions and responsibilities of the committee are as follows;

- Advises the Board in monitoring and reviewing any project(s) development and major asset acquisition.
- Review and make recommendations to the Board of Directors on matters relating to the infrastructure assets of the company including master plans, capital plans etc.

2. Audit committee

The composition of the Audit Committee is as follows;

- Gustus Mutio – Member up to 3rd August 2023
- Queen Masila – Member
- Patrick Munuve – Member
- Albanus Muthama-Chair from November 2023
- Damaris Mwanzia-Member
- Annah Vundi-Member

The Committee Secretary is the Internal Audit Manager. Each member of the committee has a general familiarity with the duties and responsibilities of all members of the committee.

The functions and responsibilities of the Audit committee are to provide oversight and advice in the following areas:

- Internal control systems.
- Governance structures
- Risk management
- Financial statements
- Compliance requirements
- External and Internal audit including approval of annual work plans
- Review of entity's performance

The committee meets quarterly and presents its reports to the full Board of Directors meeting.

3. Finance & Corporate services Committee

The composition of the Committee is as follows;

- Dr Grace Mutia-Chair up to 3rd August 2023

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- Queen Moli- Member
- Patrick Munuve-Member
- Nathan K Vungo-Member
- Annah Vundi- Chair from November 2023
- James Munuve-Member

The Committee Secretary is the Human Resource and Administration Manager. Each member of the committee has a general familiarity with the duties and responsibilities of all members of the committee.

The functions and responsibilities of the committee are as follows:

- Review and approve budget estimates
- Review procurement system, procedures and structures to ensure compliance with all laws and regulations
- Approve and oversee the operationalization of procurement plans
- Monitor on quarterly basis the financial performance of the company
- Continually review the company’s structure, co-functions and optimum establishment
- Examine policy and procedures on employment and staff promotion
- Review the Collective bargaining agreement (CBA) and make recommendations
- Review the company’s Human resource policies and recommend to the Board any amendments for approval.

The committee meets quarterly and presents its reports to the full Board of Directors meeting

Committee and Full Board meetings attendance

The attendance of the various directors is as tabulated below;

	Director	Full Board	Board Committee	Special Board
1	Harrison Nyumu	2	0	0
2	Grace Mutia	2	2	0
3	Stanley Mangeli	2	2	0
4	Gustus Mutio	2	2	0
5	Queen Masila	2	2	0
6	Nathan Vungo	4	5	0
7	Patrick Munuve	4	5	0
8	John Muthui	2	1	0

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9	Annah Vundi	2	1	4
10	Damaris Mwanzia	2	1	3
11	Albanus Muthama	2	1	4
12	James Munuve	2	1	4

8. Management Discussion and Analysis

During the year under review the company operational performance remained fairly moderate with a slight drop in revenues amid tough economic times. In general, the resiliency of our operations was evident throughout the financial year.

The company received financial support from the County Government of Kitui through payment of electricity bills for Masinga treatment works to a tune of Kshs 98,086,506.00. Additionally, the Company received a grant of Kshs 36,310,090.75 from Water Sector Trust Fund (WSTF). During the year, Kshs 42,119,864 were utilized for Kalundu Public Sanitation Facility, Kabati Public Sanitation Facility, Ilimukuyu Earth dam and Kalundu and Township Household projects.

Water sector trust fund through the EU-Climate Proof fed Infrastructure Program for arid areas is financing the Ilimukuyu water project, which is ongoing. Upon completion the project will serve the residents of Endau market one of the areas adversely affected by drought.

The Last Mile Connectivity Project funded by The World bank through Athi and Tanathi water works development agencies is ongoing. Upon completion the project will reduce frequent burst and increase water supply in Kitui town and other areas. This also reduces the level of non-revenue water which has been a major challenge for company. This is expected to double the billing per month thus improving the liquidity level for the organization.

The same contractor is expected to connect most of building in town to our sewer mainline. The revenue for sewer is likely to increase thus growing the profitability of the organization while improving the level of sanitation in Kitui town.

In the year under review, our own source revenue dropped to 138,928,718 from ksh 157,999,406 in the previous year.

In the area of compliance to statutory obligation, we managed to clear part of our taxes and other payroll deductions. However, we have made arrangements to settle all other outstanding regulatory levies. Our major risk remains the high cost of energy i.e. pumping water from Masinga to Kitui town and its environments. Our monthly electricity bill on average is Ksh12,000,000. This cost used to be paid in full by the County Government of Kitui as subsidy which has been partially reduced with the company having to pay part of the bill. The other risk is the high Non-revenue water (water loss). We have managed to sustain a reduction of the levels of Non-Revenue Water from 49% in 2022/2023 to 46% in 2023/2024 financial year. We acknowledge the importance of reducing NRW. As such avenues have been identified and mitigating measures budgeted for in the coming financial year. We have therefore among others: Established a Non-Revenue Water management unit, budget allocation for NRW reduction programs enhanced, disciplinary actions taken on errant employees, constant raids and arrests, enhanced trainings, inspection and Surveillance and the introduction of mobile meter reading.

Kitui Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

The management will continue to invest on emerging technologies and materials with a view to alleviating the effects of high levels of NRW.

9. Environmental And Sustainability Reporting

KITWASCO exists to transform lives. This is our purpose, the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on three pillars: putting the Citizen first, delivering water and sewer services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

i) Sustainability strategy and profile

Kitui water and Sanitation Company has managed to ensure that the people of Kitui are getting water seven days per week with minimal water rationing. With the support of the County Governor Hon. Julius Malombe, we have managed to extend our water supply system to a large population. We have also been handed over many boreholes powered by solar from County Government of Kitui.

ii) Environmental performance

We are in the process of developing our Environmental policy but this does not mean we are not doing anything. We have ensured that all our wastes are well managed and disposed in the best way possible. With some of the best sewer pods in the country, we have ensured all the waste from connected customer is well disposed.

iii) Employee welfare

The company organizes for benchmarking trips in other water service providers to learn and acquaint with the best practices. A performance management tool for appraising all the staff on annual basis is in place and the best employees are awarded. The company is in the process of procuring the service of consultant to formulate our policy on health and safety at workplace.

iv) Market place practices

a) Responsible competition practice.

Our operations are guided by the best procedures and policies. Our policies and manuals are frequently reviewed to accommodate the emerging issues. The procurement department is guided by Public Procurement and Asset Disposal Act 2015 and regulations 2020.

b) Responsible Supply chain and supplier relations

We normally ensure that our service providers are paid in time and thus the supply of goods and services are not interrupted.

c) Responsible marketing and advertisement

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

The entity is in the process of formalizing responsible marketing and advertisement policy.

d) *Product stewardship*

The Company is committed to provide sustainable, safe and adequate water services to her customers in a cost effective manner and effectively manage the resultant waste water in compliance with the water regulator's set guidelines and standards.

v) *Corporate Social Responsibility / Community Engagements*

Water is life. We ensure that the charitable organizations in our area of operation occasionally get free water. The company also deliver free water on request to all burial ceremonies in Kitui County.

10. Report Of the Directors

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

i) Principal activities

The principal activities of the Company are;

- ✓ To provide and distribute constant supply of water for commercial, industrial and domestic purpose within its area of jurisdiction within Kitui County and its environs.
- ✓ To be responsible for provision and maintenance of water and sewerage services within Kitui County and its environs.

ii) Results

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

iii) Directors

The members of the Board of Directors who served during the year are shown on page vii and viii in accordance with Regulation of the Kitui Water and Sanitation Ltd Articles of Association.

iv) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Company for the year/period ended June 30, 2024, or in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



.....
June Mawia Munyao
Secretary to the Board

Date: 30/09/2024

11. Statement Of Directors' Responsibilities

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

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

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

Kitui Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Statement of Directors' Responsibilities (Continued)

The Directors are of the opinion that KITWASCO's financial statements give a true and fair view of the state of KITWASCO's transactions during the financial year ended June 30, 2024, and of KITWASCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the KITWASCO, which have been relied upon in the preparation of the KITWASCO 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 KITWASCO will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the Board on 30/09/ 2024 and signed on its behalf by:

Signature.....

John Muthui
Chairperson of the Board

Signature.....

June Mawia Munyao
Managing Director

REPUBLIC OF KENYA



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HEADQUARTERS
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NAIROBI

Enhancing Accountability

REPORT OF THE AUDITOR - GENERAL ON KITUI WATER AND SANITATION COMPANY FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

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

as at 30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

Long Outstanding Trade and Receivables

The statement of financial position reflects trade and receivable balance of Kshs.227,262,517 as disclosed in Note 18 to the financial statements. Included in the balance are trade receivables amounting to Kshs.170,604,807 which have been outstanding for more than 120 days. The company did not indicate any measures put in place to recover the long outstanding receivables.

In the circumstances, the accuracy and recoverability of trade and receivable balance of Kshs.170,604,807 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.339,847,646 and Kshs.279,881,288 respectively, resulting to under-funding of Kshs.59,966,358 or approximately 18% of the budget.

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

2. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.145,404,293 as disclosed in Note 25 to the financial statements. Included in the balance are trade and other payables totalling Kshs.90,208,434 that have been outstanding for more than three (3) years. Management has not demonstrated efforts put in place to settle the liabilities.

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

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

1. Unresolved Prior Year Matters

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

2. Material Uncertainty Relating to Going Concern

The statement of profit or loss and other comprehensive income reflects loss before taxation of Kshs.32,796,024 (Deficit of Kshs.42,799,796 for 2022/2023), indicating a marginal decrease of Kshs.10,003,772 during the period under review.

Further, the trade and other payables balance of Kshs.145,404,293 increased by Kshs.22,578,669 from the previous year's balance of Kshs.122,825,624, which may be an indication of the Company's inability to settle its current obligations as and when they fall due. Management has in the annual report highlighted that the deficit resulted from disruption of operations due to prolonged power disconnection, breakdown of intake motor, non-efficient pumps, high energy costs, inadequate water supply and non-payments of full subsidy support by the County Government of Kitui as budgeted.

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

Other Information

Management is responsible for the other information set out on pages iii to xxix which comprise of Key Entity Information, The Board of Directors, Key Management Team,

Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities, The other information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance With the Approved Staff Establishment

Review of personnel records revealed that the Company had an approved staff establishment of ninety (90) employees while the actual number in position was one hundred and fifteen (115), resulting to an over establishment by twenty (25) officers. As previously reported the reviewed staff establishment has not been approved by the Board contrary to Paragraph 5.7 of the Company's human resource and administration policy manual which stipulates that, appointments to the Company shall be made to fill authorized vacancies within the approved staff establishment. Management has not given any explanation or authorization to support the over establishment.

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

2. Non-Compliance with Affirmative Action on Gender Equality

During the year under review, the total number of employees of the Company was one hundred and fifteen (115) out of which eighty-four (84) or approximately 73% of the total number were male while thirty-one (31) or approximately 27% are female This is contrary

to Part B.22(2) of Public Service Commission Human Resource Policies and Procedure Manual, 2016 which states that the Government will endeavour to have a gender balanced Civil Service by ensuring that not more than 2 /3 of positions in its establishment are filled by either gender.

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

3. Delay in Construction of Ilimukuyu Dam and Water Supply Project Phase II

The company entered into a contract agreement with a firm on 8 December, 2023 for the proposed construction of Ilimukuyu Dam and Water Supply Project Phase II at a contract sum of Kshs.86,165,830. The contract commenced on 19 December, 2023 for a period of six (6) months running to 18 June, 2024. However, the contract was extended for 37 days resulting in a new completion date of 25 July, 2024. Review of supporting documents and progress report dated November, 2024 revealed that the contractor had been paid Kshs.67,348,288 or approximately 78% of the contract sum and the project was 69% complete.

Management explained that the reasons for the extension was additional works, ground conditions for the foundation works for the dam which were substantially more adverse than anticipated and the delay in provision of the locations for the water kiosks and latrines. However, even after the contract extension the contractor failed to complete the project within the agreed completion timeline. No explanation was provided for the delay in project implementation.

In the circumstances value for money realized from the investment of Kshs.67,348,288 could not be confirmed.

4. Excessive Non-Revenue Water

Review of the Company records revealed that water production was 2,650,931 cubic meters (M³) during the year under review, out of which 1,419,782 M³ was billed to customers. The balance of 1,231,149 M³ or approximately 46% of total production represents Non-Revenue Water (NRW). This contravenes Water services Regulatory guidelines which requires water service providers to ensure that commercial losses in respect of water produced do not exceed 25% of total production.

In the circumstances, Management was in breach of law.

5. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the Company was one hundred and fifteen (115) out of which one hundred and seven (107) or approximately 93% of the total number were members of the dominant ethnic community in the County. This is contrary to Section 65(e) of the County Government Act, 2012 which requires that in selecting candidates for appointment, the county public service board shall consider

the need to ensure at least thirty percent of the vacant posts at the entry level are filled by the candidates who are not from the dominant ethnic community in the county.

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

6. High Expenditure on Electricity

The statement of profit or loss and other comprehensive income reflects general and operations expenses totalling Kshs.216,743,704 which as disclosed in Note 10 to the financial statements includes Kshs.102,898,992 and Kshs.11,158,245 in respect to electricity expenses for Masinga and boreholes respectively all totalling Kshs.114,057,237. The total expenditure on electricity represents approximately 53% of the total operating expenses and approximately 90% of the operating revenue of Kshs.126,996,968. This means that only 10% of the operating revenue was available for other programs.

In the circumstances, the effectiveness and efficiency of the operations realized from the high electricity bills could not be confirmed.

7. Failure to Refund Customer Deposits

The statement of financial position reflects refundable customer deposits balance of Kshs.30,381,287 as disclosed in Note 26 to the financial statements. However, the bank deposits account reflects a balance of Kshs.9,515,939 resulting in to a variance of Kshs.20,865,348. As previously reported, the difference of Kshs.20,865,348 represents the amount borrowed by Management to finance various activities including Endau Ilimukuyu water project, security for a bank guarantee and internal borrowings of Kshs.12,054,776, Kshs.3,175,298 and Kshs.5,622,698 respectively. This is contrary to Section 68 (1) and (2) of the Public Finance Management Act, 2012 which stipulates that an accounting officer for a national government entity, shall be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used in a way that is lawful and authorized, effective, efficient, economical and transparent and in the performance of a function under subsection. An accounting officer shall ensure that all contracts entered into by the entity are lawful and are complied with. Although, the Board approvals were sought for the borrowings, the amount borrowed totalling Kshs.20,865,348 inclusive of cumulative bank charges of Kshs.12,584 had not been refunded as at 30 June, 2024.

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

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

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

Conclusion

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

Basis for Conclusion

Lack of an Approved Information Technology Security Policy

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages xi to xii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 38 has been properly prepared in accordance with the Companies Act, 2015.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 December, 2024

Kitui Water Company and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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

	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenue			
Operating Revenue	6	126,996,968	147,093,978
Grants Income	7	140,952,570	75,543,719
Other Income	8	11,931,750	10,905,428
Total Revenue		279,881,288	233,543,124
Expenses			
Staff Costs	9	72,992,165	73,683,116
General and Operations expenses	10	216,743,704	186,162,807
Board Expenses	11	5,116,009	2,950,573
Maintenance Expenses	12	16,152,427	11,051,929
Depreciation and Amortization expenses	13	1,604,559	2,205,523
Finance Costs	14	68,448	288,972
Total Expenses		312,677,312	276,342,920
Profit/(Loss) Before Taxation		(32,796,024)	(42,799,796)
Income Tax Expense/(Credit)		-	-
Profit/(Loss) After Taxation		(32,796,024)	(42,799,796)

Kitui Water Company and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

14. Statement Of Financial Position As at 30 June 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	15	25,591,594	23,982,313
Intangible assets	16	1,159,712	1,382,932
Total non-current assets		26,751,306	25,365,245
Current assets			
Inventories	17	3,729,377	3,295,719
Trade and receivable	18	227,262,517	239,499,073
Bank and cash balances	19	23,990,429	27,730,161
Total non-current assets		254,982,323	270,524,953
Total Assets		281,733,629	295,890,199
Equity and liabilities			
Capital and Reserves			
Capital Fund	20	11,845,658	11,845,658
Retained earnings	23	84,964,067	117,760,091
Capital and Reserves		96,809,725	129,605,749
Non-current liabilities			
Borrowings	24	-	1,277,941
Total non-current liabilities		-	1,277,941
Current liabilities			
Trade and other payables	25	145,404,293	122,825,624
Refundable customer deposits	26	30,381,287	29,386,787
Deferred income	27	9,138,324	12,794,098
Total current Liabilities		184,923,904	165,006,509
Total Equity and Liabilities		281,733,629	295,890,199

Kitui Water Company and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

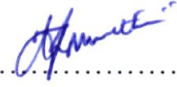
The financial statements were approved by the Board on 30/09/ 2024 and signed on its behalf by:



.....
June Mawia Munyao
Managing Director



.....
John Mwangangi
Head of Finance
ICPAK M/No: 26862



.....
John Muthui
Chairman of the Board

Kitui Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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

	Notes	Capital Fund	Retained earnings	Total
As at July 1, 2022 (Previous FY)		11,845,658	160,559,887	172,405,545
Loss for the year		-	(42,799,796)	(42,799,796)
As at June 30, 2023 (Previous FY)		11,845,658	117,760,091	129,605,749
As at July 1, 2023 (Current FY)		11,845,658	117,760,091	129,605,749
Loss for the year		-	(32,796,024)	(32,796,023)
At June 30, 2024 (Current FY)		11,845,658	84,964,067	96,809,726

Kitui Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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

	Note	2023-2024	2022-2023
		Kshs	Kshs
Cash Flows from Operating Activities			Restated
Receipts			
Operating Receipts		139,956,218	152,939,797
Grants Income		140,952,570	75,543,719
Other Income		10,534,339	10,632,178
Customer Deposits	26	1,008,000	1,334,950
Total Receipts		292,451,127	240,450,644
Payments			
Staff Costs		63,791,340	61,394,316
General And Operation Expenses		207,409,843	164,477,071
Board Expenses		4,486,740	2,950,573
Maintenance Expenses		16,152,427	11,051,929
Finance Costs		68,448	288,972
Refund of Customer Deposits	26	13,500	-
Total Payments		291,922,298	240,162,861
Net Cash From/ (Used In) Operating Activities	28	528,829	287,783
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	15 & 16	(2,990,620)	(3,491,610)
Net Cash From/ (Used In) Investing Activities		(2,990,620)	(3,491,610)
Cash Flows from Financing Activities			
Repayment Of Borrowings-KCB	24	(1,277,941)	(1,707,792)
Net Cash From/(Used In) Financing Activities		(1,277,941)	(1,707,792)
Increase/(Decrease) In Cash and Cash Equivalents		(3,739,732)	(4,911,620)
Cash And Cash Equivalents At Beginning Of Year		27,730,161	32,641,781
Cash And Cash Equivalents At End of the Year	19	23,990,429	27,730,161

Kitui Water and Sanitation Company Limited

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17. Statement Of Comparison of Budget & Actual Amounts for The Year Ended 30 June

2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	A	B	C=a+b	D	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Operating Revenue	190,131,834	(24,534,546)	165,597,288	126,996,968	38,600,320	77%
Grants	124,722,698	34,000,000	158,722,698	140,952,570	17,770,127	89%
Other Income	22,999,300	(7,471,640)	15,527,660	11,931,750	3,595,910	77%
Total Revenue	337,853,832	1,993,814	339,847,646	279,881,288	59,966,358	82%
Expenses						
Staff Costs	75,787,531	(2,180,026)	73,607,505	72,992,165	615,340	99%
Board Expenses	4,335,658	1,570,000	5,905,658	5,116,009	789,649	87%
General and operations Expenses	237,851,275	1,288,314	239,139,589	216,743,704	22,395,885	91%
Maintenance	16,497,888	(317,315)	16,180,573	16,152,427	28,146	100%
Finance costs	375,961	(290,002)	85,959	68,448	17,511	80%
Depreciation and Amortization	3,005,519	(1,267,777)	1,737,742	1,604,559	133,183	92%
Total Recurrent Expenditure	337,853,832	(1,196,806)	336,657,026	312,677,312	23,979,714	93%
Capital Expenditure	-	3,190,620	3,190,620	2,990,620	200,000	94%
Profit or Loss	-	-	-	(32,796,024)	(32,796,024)	-
Total Expenditure	337,853,832	1,993,814	339,847,646	315,667,932	24,179,714	93%

18. Notes To the Financial Statements

1. General Information

Kitui Water and Sanitation Company Ltd is established by and derives its authority and accountability from Company Act. The Company is wholly owned by the Kitui County Government and is domiciled in Kenya. The Company's principal activity is to provide and distribute constant supply of water for commercial, industrial and domestic purpose within the jurisdiction of Kitui County and parts of Machakos County.

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. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act 2015 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the financial statements (continued)

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

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

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

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

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

iii. *Early adoption of standards*

KITWASCO did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Freehold Land	Nil	Nil
Leasehold Land	Nil	Nil
Buildings and civil works	25 years or the unexpired lease period	4%
Plant and machinery	12.5	8%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	12.5	8%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

Notes to the financial statements (continued)

Summary of Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A report on losses and write offs is disclosed on page 1 of this report.

n) Taxation

i) Current income tax

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

o) Deferred tax

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

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

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

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

p) Borrowing costs

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

q) Cash and cash equivalents

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

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2010. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 15% of the basic salary per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors on 2nd June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is

prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under page 1 of these financial statements.

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

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.

b) Useful lives and residual values

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

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

c) Provisions

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

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

Notes to the financial statements (continued)

6. Operating Revenue

	2023-2024	2022-2023
	Kshs	Kshs
Water Billing sales	120,578,856	140,368,771
Sewer sales	1,282,108	1,730,566
Water Tanker sales	5,136,005	4,994,641
Total	126,996,969	147,093,978

7. Grants Income

	2023-2024	2022-2023
	Kshs	Kshs
Operational Grant from Kitui County Government	98,086,506	67,179,527
Amortized Grant Income	42,119,864	8,364,192
Tanathi Water Works Development Agency	746,200	-
Total	140,952,570	75,543,719

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	Insert Current FY KShs
Water Sector Trust Fund-WSTF	42,119,864	9,138,324	-	36,310,091	42,119,864
Total	42,119,864	9,138,324	-	36,310,091	42,119,864

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Notes to the financial statements (continued)

8. Other Income

	2023-2024	2022-2023
	Kshs	Kshs
Exhauster sales	2,204,500	799,180
Meter rent	4,985,250	5,071,575
New connection fee	1,500,000	3,838,783
Re-connection fee	2,350,500	556,000
Rental Income	-	38,000
Surcharges and penalties	886,500	501,000
Line testing income	5000	100,890
Total	11,931,750	10,905,428

9. Staff Costs

Description	2023-2024	2022-2023
	Kshs	Kshs
Basic pay	39,947,906	39,410,012
House allowance	7,368,000	8,098,000
Acting allowance	-	469,225
Salary arrears	-	846,576
Leave allowance	3,389,696	3,077,867
Disturbance allowance	421,746	769,969
Commuter allowance	2,768,180	3,012,014
Medical allowance	3,299,872	3,566,490
Gratuity	7,104,877	7,363,037
Nssf Employer contribution	1,734,378	695,380
Kitwasco Pension Employer contribution	2,126,300	1,976,923
NWC Pension Employer contribution	414,643	363,046
Casual Wages	-	705,000
Stipend allowance	2,771,249	3,258,500
Entertainment allowance	-	71,078
Top- up Allowance	879,230	-
Affordable Housing levy	766,088	-
Total	72,992,165	73,683,116
The average number of employees during the year	106	121

Notes to the financial statements (continued)

10 General and Operations Expenses

	2023-2024	2022-2023
Description	Kshs	Kshs
Staff Welfare	1,752,695	1,703,448
Legal expenses	908,559	100,000
Office rent	84,000	90,000
Postal expenses	90,810	115,104
Printing and Stationery	525,156	960,327
Transport expenses	136,093	120,850
Telephone expenses	1,163,097	793,464
Membership fee	130,000	105,000
Security expenses	10,213,900	11,209,360
Newspaper expense	20,880	41,100
Insurance expense	328,744	745,266
Electricity Expense –Office	346,177	414,475
Staff training	1,072,764	199,180
Office internet	635,066	498,415
Advertisement	666,296	288,760
Audit fees	232,000	231,996
Abstraction fee-WRA	6,627,327	1,589,413
Fuel and lubricants	11,748,451	9,342,260
Water purchase	219,000	236,500
Wasreb fee	5,072,649	5,796,197
Non-revenue water expenses	423,707	209,971
Chemicals	10,153,351	11,239,448
SMS Billing	1,026,852	829,980
Electricity expenses Masinga	102,898,992	108,117,855
Electricity expenses boreholes	11,158,245	12,518,148
Water meters	564,804	919,200
Generator fuel, lubricants & service	700,966	1,448,606
Exhauster expenses	-	5,000
Bad and doubtful debts	834,251	2,725,318
Staff travel and subsistence	4,052,929	4,580,348
Staff Uniform	234,000	-
Customer outreach and education	304,194	24,955
Debt collection fee	129,970	398,756
Bank charges	350,809	199,916
Project Expenses	41,283,086	8,364,192

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Tariff Review	632,766	-
Asset Tagging	21,120	-
Total	216,743,706	186,162,807

11. Board Expenses

Description	2023-2024	2022-2023
	KShs	KShs
Directors fees-Board Committee	655,690	674,975
Directors fees-Full board	539,980	385,700
Chairman's Honoraria	595,000	840,000
Directors fees-Special	231,420	403,060
Other directors' expenses	2,086,697	646,838
Training BOD	1,007,222	-
Total Board Expenses	5,116,009	2,950,573

12. Maintenance Expenses

Description	2023-2024	2022-2024
	Kshs	Kshs
Water system maintenance	6,994,974	5,172,840
Sewer maintenance expenses	354,250	127,136
Motor vehicle & motor cycle running costs	5,015,502	3,656,496
Repairs and maintenance of PPE	1,996,542	849,946
Office maintenance	983,379	616,611
Software maintenance expense	620,000	600,000
Computer expense	187,780	28,900
Total Maintenance Expenses	16,152,427	11,051,929

13. Depreciation and Amortization Expenses

Description	2023-2024	2022-2023
	KShs	KShs
Plant, property and Equipment	1,381,339	1,913,088
Intangible assets	223,220	292,435
Total Depreciation and Amortization	1,604,559	2,205,523

14. Finance costs

	2023-2024	2022-2023
Description	Kshs	Kshs
Interest expense on loans	68,448	288,972
Total	68,448	288,972

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Notes to the financial statements (continued)

15. Property, Plant and Equipment

2023-2024	Motor Cycles	Buildings & civil works	Plant and machinery	Motor vehicles	Computers & related equipment	Office equipment, furniture & fittings	Bicycles	Total
Cost Or Valuation								
At July 1, 2023	5,294,490	11,279,786	7,170,281	9,599,860	5,235,102	2,256,624	38,636	40,874,778
Additions	-	2,878,780	-	-	111,840	-	-	2,990,620
Transfers	-	-	-	-	-	-	-	(-)
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2024	5,294,490	14,158,566	7,170,281	9,599,860	5,346,942	2,256,624	38,636	43,865,398
Depreciation								
At July 1, 2023	3,466,349	675,450	1,319,211	7,121,364	3,440,610	837,323	32,159	16,892,466
Charge For the Year	226,948	50,993	283,006	512,710	228,316	78,563	803	1,381,339
Impairment Loss	-	-	-	-	-	-	-	
Disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)	
At June 30, 2024	3,693,297	726,443	1,602,217	7,634,075	3,668,926	915,885	32,962	18,273,805
Net Book Value At June 30, 2024	1,601,193	13,432,123	5,568,064	1,965,785	1,678,016	1,340,739	5,674	25,591,594

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Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2022-2023	Motor Cycles	Buildings & civil works	Plant and machinery	Motor vehicles	Computers & related equipment	Office equipment, furniture & fittings	Bicycles	Total
Cost Or Valuation								
At July 1, 2022	5,294,490	10,493,566	4,939,241	9,599,860	5,005,101	2,012,274	38,636	37,383,168
Additions	-	786,220	2,231,040	-	230,000	244,350	-	3,491,610
Transfers	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2023	5,294,490	11,279,786	7,170,281	9,599,860	5,235,102	2,256,624	38,636	40,874,778
Depreciation								
At July 1, 2022	3,116,210	574,194	995,494	6,455,556	3,067,433	739,246	31,243	14,979,376
Charge for the Year	350,139	101,255	323,717	665,808	373,177	98,077	916	1,913,088
Impairment Loss	-	-	-	-	-	-	-	-
Disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2023	3,466,349	675,450	1,319,211	7,121,364	3,440,610	837,323	32,159	16,892,466
Net Book Value At June 30, 2023	1,828,141	10,604,336	5,851,070	2,478,496	1,794,492	1,419,301	6,477	23,982,313

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Notes to the financial statements (continued)

16. Intangible Assets

	<i>2023-2024</i>	<i>2022-2023</i>
	Kshs	Kshs
Cost		
At July 1	4,202,690	4,202,690
Additions	-	-
Disposals	(-)	(-)
At June 30	4,202,690	4,202,690
Amortization		
At July 1	2,819,758	2,527,322
Charge for the year	223,220	292,435
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30	3,042,978	2,819,758
Net book value		
At June 30	1,159,712	1,382,932

17. Inventories

	<i>2023-2024</i>	<i>2022-2023</i>
	Kshs	Kshs
Pipes and fittings	3,039,687	2,523,377
Motor vehicle spare parts	69,558	63,132
Stationery and general stores	91,630	125,398
Chemicals	511,502	559,902
Fuel and lubricants	17,000	23,911
Total	3,729,377	3,295,719

Notes to the financial statements (continued)

18. Trade and Other Receivables

	2023-2024	2022-2023
	KShs	KShs
Trade receivables	182,428,130	193,873,716
Deferred Tax	10,255,221	10,255,221
VAT recoverable	30,469,204	30,469,204
Water Bowser	8,402,070	8,402,070
Kitui County Govt other receivables	12,304,545	12,304,545
Kenya Commercial Bank other receivables	3,175,298	3,175,298
Postal Corporation of Kenya	3,588,622	3,588,622
Staff Receivables/ Advances	50,781	7,500
Gross trade and other receivables	250,673,871	262,076,176
Provision for bad and doubtful receivable	(23,411,354)	(22,577,103)
Net trade and other receivables	227,262,517	239,499,073

18. (a) Trade Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Gross trade receivables	182,428,130	193,873,716
Provision for doubtful receivables	(23,411,354)	(22,577,103)
Net trade receivables	159,016,776	171,296,613
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	4,929,795	7,118,813
Between 30 and 60 days	1,844,387	4,451,306
Between 61 and 90 days	2,242,029	4,356,537
Between 91 and 120 days	2,807,112	4,119,330
Over 120 days	170,604,807	173,827,729
Total	182,428,130	193,873,716

18. (b) Staff Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Gross staff loans and advances	50,781	7,500
Provision for impairment loss	(-)	(-)
Net staff loans	50,781	7,500

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Notes to the financial statements (continued)

18 (c) VAT recoverable

	<i>2023-2024</i>	<i>2022-2023</i>
	Kshs	Kshs
At beginning of the year	30,469,204	30,469,204
At end of the year	30,469,204	30,469,204

19. Bank and Cash Balances

	<i>2023-2024</i>	<i>2022-2023</i>
	Kshs	Kshs
Cash at bank	23,989,980	27,729,713
Cash in hand	449	448
	23,990,429	27,730,161

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Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

			2023/2024	2022/2023
Financial institution	Branch	Account number	KShs	KShs
a) Current account				
KCB-Customer Deposit	Kitui	1108997538	9,515,939	7,322,619
KCB-Revenue	Kitui	1106008197	185,759	590,427
KCB-Gratuity	Kitui	1110300336	309,570	0.33
KCB-Drought	Kitui	1205316566	560	560
KCB EXPENDITURE	Kitui	1113757604	145,113	1,510,907
KCB-Endau Clts	Kitui	1263502881	847	847
KCB-Endau Earth	Kitui	1261097319	13,472,883	17,199,923
KCB-Kalundu PSF	Kitui	1303370719	65	961,075
KCB-Mutomo Public San	Kitui	1268477567	794	794
Co-op Bank	Kitui	0114130067900	132,118	61,378
Post Bank	Kitui	07441300613	21,391	11,140
KCB-Kabati PSF	Kitui	1313194875	22,213	-
KCB-Conditional Grant	Kitui	1282103876	60	60
KCB-KITWASCO Kalundu & Township Household	Kitui	1319457177	(1,711)	-
Sub- total			23,805,601	27,659,733
b) Others (Specify)				
cash in hand			449	448
Safaricom M pesa pay bill	Kitui	813235	184,376	69,980
Sub- total			184,825	70,428
Grand total			23,990,426	27,730,161

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Notes to the financial statements (continued)

20. Capital Fund

	<i>2023-2024</i>	<i>2022-2023</i>
	Kshs	Kshs
Authorized:		
Capital Fund	11,845,658	11,845,658
Total	11,845,658	11,845,658

Notes to the financial statements (continued)

21. Revaluation Reserve

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

22. Fair Value Adjustment Reserve

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

23. Retained Earnings

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

	2023-2024	2022-2023
Opening Retained Earnings	117,760,091	160,559,887
Surplus/(deficit) for the period	(32,796,024)	(42,799,796)
Net Reserve	84,964,067	117,760,091

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Notes to the financial statements (continued)

24. Borrowings

Description	2023-2024	2022-2023
	KShs	KShs
Balance at beginning of the year	1,277,971	2,985,733
Loan repayment in the year	(1,277,971)	(1,707,792)
Total	-	1,277,941

25. Trade and Other Payables

	2023-2024	2022-2023
	Kshs	Kshs
Trade payables	40,764,704	36,729,152
Accrued expenses	1,349,917	1,400,139
Payroll payable	24,321,548	15,120,723
Withholding VAT (2%)	473,294	329,119
Withholding income tax (5%)	32,575	32,575
Retention Account	2,784,967	5,368,603
Provision for contingencies	8,409,932	8,409,932
Abstraction fee-WARMA	12,194,709	5,567,383
KRA Liability	16,093,954	16,093,954
4% Regulatory fee-WASREB	29,470,541	24,497,892
Lease fee-Tanathi Water Board	6,756,164	6,756,164
Provision for Audit fee-OAG	2,751,988	2,519,988
Total	145,404,293	122,825,624

Aging Analysis for Trade and other Payables

	2023-2024	% of the total	2022-2023	% of the total
Under one year	21,142,003	15%	59,806,710	49%
1-2 years	15,153,298	10%	10,999,670	9%
2-3 years	18,902,558	13%	20,759,194	17%
Over 3 years	90,206,434	62%	31,260,050	25%
Total	145,404,293		122,825,624	

Notes to the financial statements (continued)

26. Refundable Customer Deposits

	2023-2024	2022-2023
	<i>Kshs</i>	<i>Kshs</i>
Opening balance Customer deposits	29,386,787	28,051,837
Additional deposits in the year	1,008,000	1,334,950
Customer refund in the year	(13,500)	-
Total	30,381,287	29,386,787

27. Deferred Income

Description	2023-2024	2022-2023
	KShs	KShs
Water Sector Trust Fund		
Kalundu Public Sanitation	65	545,075
Endau Earth Dam Project	9,153,149	12,247,320
Endau Malalani Clts	847	847
Public Sanitation Facility-Mutomo	794	794
Conditional Liquidity	60	60
Kitwasco-Kabati Psf	(324,450)	-
Kalundu & Township Household Project	(1,711)	-
Gratuity A/c-Upper Thua Wrua Technical Support	309,570	-
Total deferred income	9,138,324	12,794,098

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28. Notes to The Statement of Cash Flows

	2023-2024	2022-2023
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(32,796,024)	(42,799,796)
Depreciation	1,381,339	1,913,088
Amortization	223,220	292,435
Operating profit/(loss) before working capital changes	(31,191,464)	(40,594,273)
(Increase)/decrease in inventories	(433,658)	774,715
(Increase)/decrease in trade and other receivables	12,236,556	4,205,593
Increase/(decrease) in trade and other payables	19,917,394	35,901,747
Net working capital changes	31,720,293	40,882,055
Cash generated from/(used in) operations	528,829	287,782
(b) Analysis of changes in loans		
Balance at beginning of the year	1,277,941	2,985,733
Repayment during the year	(1,277,941)	(1,707,792)
Balance at end of the year	-	1,277,941
(c) Analysis of cash and cash equivalents		
Cash at bank	23,989,980	27,729,713
Cash in hand	449	448
Balance at end of the year	23,990,429	27,730,161

Notes to the financial statements (continued)

Other Disclosures

29. Related Party Disclosures

County Government of Kitui

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

Other related parties include:

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

Transactions with related parties

	2023-2024	2022-2023
	Kshs	Kshs
a) Grants		
Operational Grant from County Government of Kitui	98,086,506	67,179,527
Amortized Grant Income from Water Trust Fund (WSTF)	42,119,864	8,364,192
Tanathi Water Works Development Agency	746,200	-
Total	140,952,570	75,543,719
b) WASREB Regulatory fee	5,072,649	5,796,197
c) WRA Abstraction fee	6,627,327	1,589,413
d) Receivable (From County Government of Kitui -Ilimukuyu Dam)	15,682,174	-

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	2023-2024	2022-2023
	Kshs	Kshs
e) Key management compensation		
Directors' emoluments	5,116,009	840,000
Compensation to the CEO	514,740	2,541,810,
Compensation to key management	9,446,712	9,446,712
Total	15,077,461	12,828,522

30. Financial Risk Management

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

(i) Credit risk

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

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

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

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	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2024				
Trade Receivables	182,428,130	26,353,436	156,075,694	-
Other Receivables	68,245,742	59,843,672	8,402,070	-
Total	250,673,872	86,196,108	164,477,764	-
At 30 June 2023 (previous Year)				
Trade Receivables	193,873,716	43,359,696	150,514,020	-
Other Receivables	68,202,460	59,800,390	8,402,070	-
Total	262,076,176	103,160,086	158,916,090	-

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	
	Kshs	Kshs	Kshs	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June current year				
Trade payables	14,983,469	10,533,546	15,247,688	40,764,703
Total	14,983,469	10,533,546	15,247,688	40,764,703
At 30 June previous year				
Trade payables	18,600,601	3,322,165	14,806,386	36,729,152
Total	18,600,601	3,322,165	14,806,386	36,729,152

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

i) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

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Notes to the financial statements (continued)

iv) Capital Risk Management

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

	2023-2024	2022-2023
	Kshs	Kshs
Revaluation reserve		
Retained earnings	84,964,067	117,760,091
Capital reserve	11,845,658	11,845,658
Total funds	96,809,725	129,605,749
Total borrowings	-	1,277,941
Less: cash and bank balances	(23,990,429)	(27,730,161)
Net debt/ (excess cash and cash equivalents)	(23,990,429)	(26,452,220)
Gearing	-%	5%

31. Incorporation

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

32. Events After the Reporting Period

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

19. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unconfirmed Asset Ownership	The motor cycles were registered and log books issued in the name of the Company	Resolved	-
2	Long Outstanding Trade Receivables	The Company has developed and is implementing strategies to collect the outstanding debts	Not Resolved	Continuous exercise
3	Long Outstanding Trade Payables	The Company has develop measures to improve liquidity of the company including reduction of NRW and enhanced collection of the outstanding debts	Not Resolved	Continuous exercise
4	Budget Control and Performance	The Company has taken measures to improve on financial sustainability and ease reliance on County Government for subsidy.	Not Resolved	Continuous exercise
5	Poor Company Performance	The matter still remains unresolved as it requires huge capital outlay. The Company is engaging the County Government, Tanathi WWDA and other partners finance the	Not Resolved	Continuous exercise

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		activities required to resolve them		
6	Non-adherence to ethnic diversity	The Company will endeavour to adhere to ethnic diversity progressively during future staff recruitments	Not Resolved	Continuous exercise
7	Non-compliance with the Approved Staff Establishment	There is need to review the staff establishment given the growth in the company customer base and the new strategic direction in the draft SP 2024-2029.	Not Resolved	By 30 th June 2025
8	Incomplete project- Ilimukuyu Dam and Water Supply project phase 1	The management to monitor adherence to the schedule of works to ensure project is completed in time and within budget	Not Resolved	By 30 th June 2025
9	Out-Dated Tariff Structure	The company implemented a revised tariff on 17 th June 2024.	Resolved	Resolved
10	Non-Revenue Water	NRW is on a downward trend with the latest reported as at 30 th June 2024 being 46%. The management will implement the NRW reductions activities as per the Draft Strategic Plan 2024-2029	Not Resolved	Continuous exercise
11	Failure to comply with	To be resolved progressively by	Not Resolved	Continuous exercise

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Affirmative Action on Gender Equality	encouraging the female gender to apply for vacant positions		
12	Failure to implement scheme of service	Placements done as per the current Scheme of Service	Resolved	Continuous exercise
13	Irregular Payment of Acting Allowance	The management took the necessary actions to resolve the matter	Resolved	Resolved
14	Customer deposits	Arrangement is in place to pay the borrowing by company at Kshs 100,000 every month. In the year ended 30 th June 2024, Kshs 1,200,000 of the outstanding amount was been paid	Not Resolved	Continuous exercise
15	Masinga Station Site Visit	The Company has installed 2No digital production meters. The Company is gradually addressing the other issues which require huge capital outlay with the County Government of Kitui and other partners	Not Resolved	By 30 th June 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
16	Lack of Updated Strategic Plan	The Company has a final draft SP 2024-2029	Not Resolved	By 30 th June 2025
17	Lack of Information Communication Technology policy	The management has a draft ICT policy and endeavour to ensure the policy is approved before 30 th June 2025	Not Resolved	By 30 th June 2025
18	Accumulated leaves days	The departmental heads have been advised to manage leave days in their departments accordingly	Not Resolved	By 30 th June 2025
19	Lack of Approved Non-Revenue Water Policy	The management will develop Non-Revenue Water Policy	Not Resolved	By 30 th June 2025
20	Lack of Production and Distribution Software for Bulk Meter Readings	The management will procure a production and distribution software for bulk meter readings	Not Resolved	By 30 th June 2025
21	Lack of succession plan for	The matter has been escalated to the Principal-County Government of Kitui	Not Resolved	Continuous exercise

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Board Members			

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report.

Name JUNE M. MUYIAO

Signature [Handwritten Signature]

Managing Director

Date 30/09/2024

Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Do nor	Period/ duration	Donor commi tment	Separ ate dono r repor ting requi red as per the dono r agree ment (Yes/ No)	Consol idated in these financi al statem ents (Yes/N o)
KALUNDU PUBLIC SANITATION FACILITY PROJECT	08S/KITUI/KITUI/44	W S T F	12 MONT HS	84%	YES	YES
KABATI PSF	RUP/CPI/III/S/015/04 9	WS TF	6 MONT HS	100%	YES	YES
KITWASCO KALUNDU HOUSEHOLDS SANITATION	02- P2HS/TAWWDA/KIT UI/KITUI/012	WS TF	6 MONT HS	100%	YES	YES
ILIMUKUYU WATER PROJECT	RUP/CPI/I/W/015/005	WS TF	11 MONT HS	87%	YES	YES

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	PSF KALUNDU	6,199,218.90	4,959,375	100%	6,199,218.90	3,998,300	Donor
2	KABATI PSF	5,985,961	3,498,336	95%	5,985,961	3,520,549	Donor
3	KITWASCO KALUNDU HOUSEHOLDS SANITATION	7,263,415	7,196,210	100%	7,263,415	7,191,500	Donor
4	ILIMUKUYU WATER PROJECT	100,105,243	24,766,735	25%	100,105,243	23,842,377	Donor



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Appendix III- Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

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

Head of Accounts Department - Disbursing Entity:
 Name Sign Date

Head of Accounts Department - Beneficiary Entity:
 Name Sign Date.....

Appendix IV: Reporting of Climate Relevant Expenditures

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



Appendix V: Reporting Disaster Management Expenditure

Date: _____
 Entity _____

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

(Attach forms from each transferring Government entity.)

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water	-	Recurrent	-	-	-	-	-	-	-
Ministry/County Department of water.	-	Development	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
name of Development partner/County department etc.	-	Direct Payment	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
Total			-	-	-	-	-	-	-