

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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**GATAMATHI WATER AND SANITATION
COMPANY LIMITED**

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





GATAMATHI WATER AND SANITATION LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

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

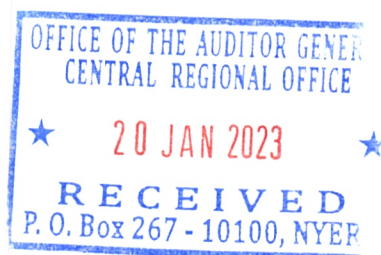


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DEFINATION OT TERMS

- | | | |
|--------------|---|-------------------------------------|
| 1. A.W.W.D.A | - | Athi Water Works Development Agency |
| 2. K.P.I | - | Key Performance Indicators |
| 3. T.W.W.D.A | - | Tana Water Works Development Agency |
| 4. WASPA | - | Water Services Provision Agency |
| 5. WASREB | - | Water Services Regulatory Board |
| 6. WRA | - | Water Resource Authority |
| 7. W.S.T.F | - | Water Sector Trust Fund |

I. KEY COMPANY INFORMATION

Background information

Gatamathi Water and Sanitation Limited was incorporated as a limited Company by Guarantee on 23rd March, 2006 through The Water Act 2002. The Company currently has seven members of Board of directors. Five of the members are elected annually during an Annual General Meeting while two are representatives of the Murang'a County Government. The Board is elected from stakeholders drawn from Company's area of operation.

The company provides water and sanitation services as per conditions set in the licence from Water Services Regulatory Board (WASREB). The area contracted are in Mathioya Sub-County, Rwathia ward in Kangema Sub-County and Gathuki-ini location in Gatari ward of Kiharu Sub-County.

The supply area covers 314 Km² with a population of 144,000 people. The Company manages Gatango and Mathioya schemes.

Total active connections are 9,336 with an actual served population of 86,400. There are 4,665 dormant connections.

GATANGO WATER SUPPLY

The scheme was started in 1968 and became operational in 1972. The source of water is North Mathioya River 3.5 km inside the forest. The level of service was by communal water points (**CWP**). There were 72 in number such CWP's in the whole scheme. The scheme covered Kiru and Kamacharia Wards in Mathioya Sub-County, and some parts of Gatari ward in Kiharu Sub-County.

At commissioning, the area covered through communal water points was 85.47 km². The Design period was from 1972-1982. Later, the residents opted for individual connections.

By the time the company took over the management of the scheme in May 2006, water was not reaching Kamacharia, Kanjama and Kagumo-ini.

Over the years through rehabilitation and extension of service lines, services have been extended to some parts of Gatari Ward. The coverage area has been extended to 180KM².

Currently, there are 3,908 active connections serving a population of 34,400.

The scheme has a potential to serve the whole of Gatari ward if the proposed funding by Athi Water Works Development Agency are realized through extension of water mainlines and service lines.

MATHIOYA WATER SUPPLY

The scheme was started as a self-help project in the late 1970's. The source of water is Hembe River, a tributary of Githugi River of North Mathioya River. The Government later took over and engaged Bish & Partners Ilaco Consulting Engineers who came up with a design report. The scheme was commissioned in 1984.

The service level was by individual connections.

The area covered was Njumbi and Gitugi locations in Mathioya Sub-County as well as Rwathia location in Kangema Sub-County. Currently, the total area covered is 134KM² with a population served of 52,000. The total number of active connections is 5,428.

MEASURES TO IMPROVE SERVICE DELIVERY

i) Gatango Water Supply

Athi Water Works Development Agency has funded construction of a new intake and laying of water mainline up to Kairo Tank which is a distance of 8.9 km. A new water pipeline for Gaturi ward covering a distance of 21.6 Km has been laid. Services have been extended from Gakurwe tank to Kiambuigi tank a distance of 10km. Rehabilitation of water main lines and distribution lines is being done from Gakurwe to Gakuyu for a distance of 11km. Further rehabilitation of, Kairo-Kiria-ini-Kamacharia and Kairo-Kiambuthia-Kagumo-ini line is ongoing. For the above projects, Athi Water Works Development Agency provides pipes and fittings while the Company funds labour for pipe laying.

ii) Mathioya Water Supply

This requires funding for gravity water mainline to serve people at Kiamuturi, Kagongo, Ruiru and Mioro in Mathioya Sub-County as well as Wanjerere, Nyagatugu and Tuthu in Kangema Sub- County in order to eliminate uneconomical pumping costs. The existing gravity mainlines also requires rehabilitation and improvement of treatment works.

Principal Activities

The principal activities of the company are to manage water facilities so to provide clean, safe, affordable and portable water as well as sanitation services in the contracted areas.

Directors

The Directors who served the Company during the year were as follows: -

- | | | |
|-----------------------------|---|--|
| 1. Mr. Washington M. Mwangi | - | Chairman Left on 13 th May 2022 |
| 2. Ms Serah W. Gichuku | - | Member Left on 13 th May 2022 |
| 3. Ms. Magdaline M. Kiriko | - | Member |
| 4. Mr Samuel N. Kinyanjui | - | Member |
| 5. Mr George M. Kamau | - | Member |

The following directors joined the company on 13th May 2022

- | | | |
|-------------------------|---|----------|
| 1. Mr. Hezron M. Maina | - | Chairman |
| 2. Ms. Joyce K. Wachira | - | Member |
| 3. Ms. Joyce W. Wachira | - | Member |

The following director joined the company on 6th June 2022

- | | | |
|-----------------------|---|---------|
| 1. Ms. Lucy N. Kionga | - | Member. |
|-----------------------|---|---------|

Corporate Secretary

FCS Richard K. Gikuhi, MBA, MKIM, HSC
Company Secretary
P.O. Box 1271-10100

Nyeri

Registered Office

Gatamathi Water and Sanitation Limited
Nyakianga next to DO's Office – Mathioya
Off Kangema Othaya Road
P.O. Box 93 -10204

Kiria-ini.

Corporate Headquarters

Gatamathi Water and sanitation Limited
Nyakianga next to DO's Office – Mathioya
Off Kangema Othaya Road
P.O. Box 93 -10204

Kiria-ini.

Corporate Contacts

Telephone: (254) 020-2032602
E-mail: gatamathiwsp@gmail.com
Website: gatamathiwsp.co.ke

Corporate bankers

1. Equity Bank Ltd
Kiria-ini branch
P.O BOX 217-10204
Kiria-ini.
2. Family bank Ltd
Kiria-ini branch
P.O BOX 82-10204
Kiria-ini.
3. Kenya Commercial Bank Ltd
Kiria-ini branch
P.O BOX 42-10204
Kiria-ini.

Independent Auditors






Auditor General

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

Principal legal Advisers

1. The Attorney General
State law office
Harambee Avenue
P.O. Box 40112
City square 00200
Nairobi, Kenya
2. Triple N W & Co. Advocates
Hazina Towers 9th Floor
Monrovia Street, Wing B Room 901
P.O. Box 28074-00100
Nairobi, Kenya

II. THE BOARD OF DIRECTORS

NAME	POSITION	EXPERIENCE AND POSITION IN THE SOCIETY
 Washington M. Mwangi	Chairman up to 13 th May, 2022	Born 1961, "O" Level, Former Vice Chairman Murang'a County Council. Prominent farmer and businessman
 Serah W. Gichuku	Board Member Up to 13 th May, 2022	Born 1969, Rwathia Girls Advanced Level CPA I
 Charles M. Muriuki	Managing Director	Education –Higher National Diploma- Water Engineering. Executive Master of Business Administration degree Area of responsibility – Implementation of the company's board policies in line with Licence terms from WASREB. Work experience – 15years' work experience at Gatamathi Water and sanitation company
 Magdalene M. Kiriko	Board Member	Born 1958, "O" Level, Service Corp, Chairperson BoG-Gikoe Sec School, Chairperson- Gikoe Primary. Businesswoman.
 Mr. Samuel Kinyanjui	Board Member	Bachelor of Arts Economics (University of Nairobi) Holder of Association of Chartered Certified Accountants (ACCA) MSc. Finance (University of Nairobi) ongoing Experience in Public Finance Mgt, Accounting, Auditing and Strategic Planning CEC Finance on the Board

 George M. Kamau	Board Member	CECM- Water, Irrigation & Infrastructure Murang'a County Government MBA, B.COM-Accounting, CPA(K), Management Consultant- Strategy and Finance.
 Hezron Muchiri Maina	Chairman from 13 th May, 2022	CPA Section 4 Experience: 12yrs in Co-operative Movement in employment and 5 years in elected Post. Current, Chairman of Amica Savings & Credit Sacco.
 Joyce K. Wachira	Board Member	Born 1981, Diploma, Kenya Registered Community Health Nursing -Diploma in KRCHN (Embu Medical Campus) -Certificate in Leadership and Management in Health University of Washington -National Trainer of Trainees in Community case Management of Children under 5 years
 Joyce Wanjiku Wachira	Board Member	Born 1993 Bachelors Degree in Science Education. Mathematics & Chemistry teacher- Gakurwe Girls High School. Masters in Pure Mathematics JKUAT (Ongoing)
 Lucy Nduta Kionga	Board Member	Education- Bachelor of science in Biotechnology -Certificate environmental Impact Assessment/ Audit - Registered NEMA EIA/ EA Associate expert -Member Environment Institute of Kenya
FCS.Richard K. Gikuhi ,MBA,MKIM,HSC.	Company Secretary	

BOARD COMMITTEES

NAME OF THE COMMITTEE	MEMBERS UP TO 13 TH MAY 2022
Finance, Technical and Administration Committee	1. Mr Magdaline M. Kiriko - Chairperson 2. Mr. Antony Maina - Member 3. Ms Serah W. Gichuku - Member
Audit, Risk and Governance Committee	1. Ms Serah W. Gichuku - Chairperson 2. Mr Samuel Kinyanjui - Member 3. Ms Magdaline M. Kiriko - Member

NAME OF THE COMMITTEE	MEMBERS FROM 6 TH JUNE 2022
Finance, Technical and Administration Committee	1. Ms Magdaline M. Kiriko – Chairperson 2. Ms Joyce Wanjiku Wachira - Member 3. Mr. George M. Kamau - Member
Audit, Risk and Governance Committee	1. Ms Joyce Karungari. Wachira - Chairperson 2. Mr Samuel N. Kinyanjui - Member 3. Ms Lucy Nduta Kionga - Member

III. MANAGEMENT TEAM

 <p>Charles Maina Muriuki</p>	<p>Managing Director</p>	<p>Education –Higher National Diploma- Water Engineering. Executive Master of Business Administration degree</p> <p>Area of responsibility – Implementation of the company’s board policies in line with License conditions from WASREB.</p> <p>Work experience – 16 years’ work experience at Gatamathi Water and sanitation company.</p>
 <p>Agnes Waruguru Kaburu</p>	<p>Technical Services Manager</p>	<p>Education – Diploma in Water Technology-KEWI. Diploma Public Relations –KIM</p> <p>Area of responsibility - Operation and Maintenance, Capital works rehabilitation and ensuring good quality water is availed all the time</p> <p>Work experience – 16 years’ work experience at Gatamathi Water and sanitation company</p>
 <p>Joseph Ngugi Wanyoike</p>	<p>Commercial Services Manager</p>	<p>Education – Bachelor of Commerce -Management Science. Area of responsibility – Running of company’s commercial department in the following fields: Accounts, Information Communication Technology, Meter reading, billing and Pro-Poor sections.</p> <p>Work experience – 15 years’ work experience at Gatamathi Water and sanitation company</p>
 <p>Stanley W. Ngunjiri</p>	<p>Internal Auditor</p>	<p>Education – B.COM - Accounting, CPA(K). Area of responsibility. Objectively assess the company’s risk and the efficacy of its risk management efforts. Ensure that relevant laws and statutes are complied with. Continuous evaluation and improvement of internal controls.</p>
<p>FCS.Richard K. Gikuhi ,MBA,MKIM,HSC.</p>		<p>Company Secretary</p>

IV. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I have the pleasure to present to you the Annual Report and Financial Statements for the year ended 30th June 2022. The report outlines the Financial and operational performance of the Company for the period. Overall, the Company continued to show improvement in service provision to our customers in our expanding coverage area which now totals 345KM².

Operating environment

During the year, we recorded a slight increase in revenues even as the cost of operations remained high. As you are aware, there was a general increase in the cost of inputs across all sectors in the Country.

The demand for our services remained high and we have strategies in place to ensure that all our customers have quality and affordable water for use.

We continued to engage the stakeholders to ensure that their concerns are addressed and guide the Company's strategic direction.

As a board, we ensure that we operate in a socially responsible manner which include focusing on operational efficiency, resources conservation and responding to our customers' needs.

Expansion plan

During the year, the Company continued expansion of services to reach people in the lower zones of our supply areas. This was as laid out in our five-year Strategic plan covering the period 2017-2022.

Financial performance

The turnover for the period was Kshs **60Million** which was an improvement from Kshs **55.7Million** realised for the year 2020/2021. The generated income was used to fund operations and extension of services to unserved customers.

Future plans

The Company has developed a Strategic plan covering the years 2022-2027. The plan main's focus is to improve operation efficiency and increase service coverage to our customers. This will be realised from internally generated funds and support from our development partners.

Conclusion

As the Chairman, I wish to affirm the Board commitment to steer the Company in achieving our mandate. I take the opportunity to thank our development partners without whose support we could not have achieved this much.

Lastly, I wish to thank the Board Members, the management and entire staff for the dedication they have shown in service provision to our customers. It is my hope that the

Company will continue improving services to our customers. We hope that the support that you have accorded us throughout will continue.

Thank you and God bless us all.



Hezron M. Maina

CHAIRMAN OF THE BOARD

V. REPORT OF THE MANAGING DIRECTOR

I take this opportunity to report to you the Company's performance for the period ended 30th June 2022.

INTRODUCTION:

One of the main objectives in the water provision sub-sector is to offer water and sanitation services to the people which are adequate and available all the time. However, we have not been able to do so due to the dilapidated infrastructure we inherited. The WSP management has been using the little water our conveyance system can be able to deliver to the customers. In that regard, we have been able to ration the little commodity to upper parts of our supply areas like Kairo, Kiria-ini, Gacharageini, Kihoya, Rwathia, Karunge, Ngutu, and Gitugi.

However, services are improving as we replace the old distributions lines with new pipelines across the supply area through the last mile connectivity programme. Currently, about 40% of contracted supply area has no services. By the end of the programme in the next year, most areas will be served with water.

SPECIFIC GOALS are as follows:-

They are meant to aim the following:

- i) Supply of portable water
- ii) Revival of old connections
- iii) increase of new connections
- iv) Expansion of pipe network to un served areas and improvement of hygiene and sanitation practices

Current Challenges

- i) The Company is faced with low revenue collection due to post Covid-19 pandemic effect.
- ii) High Non-Revenue Water of about 58%
- iii) High operational cost due to old system e.g. Asbestos Cement pipes in Gatango Water supply
- iv) Infrastructure damage during road construction.
- v) Lack of office space.
- vi) Large accumulated customer bills due to non payment by some of our customers.
- vii) In ability to settle creditors on time. This is due to funds flow constraint from non-paying customers.

Ways of meeting the goals and overcoming the challenges

The augmentation and expansion of Gatango Water Supply to Gaturi, Mugeka and Gathukiini will greatly improve our service delivery. As a result of improvement of Kiriaini-Iruri line, Iruri residents are now being served. Currently, various water projects are underway and we expect them to be completed in the next financial year

Thank you all.



C.M. Muriuki
MANAGING DIRECTOR

VI. STATEMENT OF THE PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY2021/2022

STRATEGIC	OBJECTIVE	KPI	ACTIVITIES	ACHIEVEMENTS
Growth and expansion	To increase Company's customer base.	Coverage	-Extension of mainline from Iruri to Thuita.	-Laid 5km 4' mainline from Iruri to Thuita.
			Expansion of Kiriaini Town reticulation system	Clustered the Kiriaini town area service lines and expanded mainline from 4" to 6" pipes
			-Extension of services from Kamacharia to Kairi.	Installed 72 km of various size pipes.
			Laying of small diameter distribution pipes to serve underserved area with water	Laid 45 km of various size pipes in the supply area
		Metering ratio	Meter installation	Installed 511 consumer/individual meters. The company's metering ratio stands at 60%.
		Revenue collection efficiency	Procurement of motor cycle	1 No. procured.
Review of human resource management		Staff Productivity	Training as per training needs assessment	-Field officers, meter readers, customer care, GIS officers attended various training.
Adopt and integrate technologies into company's processes		Non-Revenue Water	Taking customer meters coordinates for both supplies	-GIS Mapping of 1524 KM of main and distribution lines done.

VII. CORPORATE GOVERNANCE STATEMENT

The Company is incorporated as a limited company by guarantee. It has seven members of board of directors who represent various stakes as explained below: -

- i. Two (2) members nominated by the County Government of Murang'a one of who shall be the County Executive Committee Member in charge of water affairs and County Executive Committee Member in charge of Finance.
- ii. One member from the business and manufacturing community nominated by their bodies.
 - a) Farmers organizations
 - b) Chamber of Commerce & Industry
- iii. One local professional nominated by their professional bodies.
 - a) Education Institutions
 - b) Professional bodies
- iv. One representative from resident organizations
 - a) Youth & People with disabilities
 - b) Water Resource Users Association
 - c) Health Institutions
- v. One member from a women organization – Maendeleo Ya Wanawake Organisation – Mathioya
- vi. One member representing all religious organizations

BOARD OPERATIONS

The Board is composed Board of seven (7) members who are elected during annual general meeting. To be eligible for election as a Board member, one has to meet the qualification criteria as set out in Water services regulatory board guidelines. When Board positions once vacant, they are advertised in the National Newspapers, the candidates apply, and are vetted by the Board selection committee. The qualifying candidates are then presented by the Board selection Committee to the Annual General Meeting for election. Thereafter, Board members are inducted through training on their roles and responsibilities. The role of the Board is policy formulation and oversight. The term limit of a Board member is a maximum of two terms of three years each. Retirement is by rotation

In order to enhance corporate governance, the Board has constituted the following committees:

- 1) Audit, Risk and Governance committee
- 2) Finance, Technical and Administration committee

The board sits to formulate its calendar and programmes for the year.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

2.0 PAST PERFORMANCE

Over the years, the Company has achieved steady growth as evidenced in improvement in the standard service provision indicators which are universal in the sector.

During the financial year 2021/2022, the Company operated under a challenging environment. This was mainly in: -

- 1) Water flow disruption occasioned by road repairs and upgrading by various Government Agencies. This affected flow in Kagumo-ini from Kanjama in Kiru Ward.
- 2) The current Tarrif in place only covers 84% of the Company's operational costs leaving no funds for investments.
- 3) During the second half of the year, heavy rains affected operations. This was by destruction of the infrastructure and landslides.
- 4) Throughout the year, the Company operated under the adverse effects of the post Covid -19 pandemic which affected resources allocation and customer ability to settle their bills.

2.1 ACHIEVEMENTS FOR THE PERIOD WERE

- a) Billing increased to Kshs. 60,058,980.00 in the year compared with Kshs 55,758,860.00 billed in F/Y 2020/2021.
- b) Installed 511 No. customer meters
- c) Capacity builds 59 No members of staff.
- d) Connected 669 new previously unserved customers.
- e) Mapping if 1,524KM main and distribution lines within the supply area.
- f) Continued with licence application process up to the point where we qualified for the current interim one which will be in place for two years.
- g) Replaced 72KM of various sizes diameter HDPE pipes supplied by Athi Water Works Agency
- h) Laying of 45 km various small pipes in the supply area.
- i) Acquired a new portable generator.
- j) Successfully held the 7th Annual General Meeting during the year.

2.2 WHAT WAS NOT ACHIEVED

- i) Meter installation target was not achieved. Only 511 No customer meters were installed against a target of 2000No. This is because the Company did not have funds from internal sources to procure more meters and pressure reduction valves. Though proposals were made to both Athi and Tana Water Works for metering subsidy, none was offered during the year.
- ii) The anticipated connection of large numbers of customers downstream in Kamune and Gaturi zones was limited by lack of small diameters pipes for last mile connectivity.
- iii) It had been planned that a new cost recovery tariff would be in place during the year but this was not the case. However, the process of tariff application is at an advanced stage.
- iv) The company anticipated to acquire 5 no. motor cycles through asset financing however due to constraints of resources only one motorbike was procured.

3.0 KEY STRATEGIC AREAS

For improved services provision and sustainability, the Company will continue concentrating on four strategic areas which have been identified as the drivers towards achieving the desired standards of the key performance indicators. The strategic areas are: -

- i) Growth which will be funded by internally generated funds and partnering with external entities. Proposal will be made for funding to Murang'a County Government, the National Government, Athi and Tana Water Works Development Agencies. The funding is meant for rehabilitation of old infrastructure, increase in metering ratio, inadequate office space and amenities, address non-revenue water challenge and increase in coverage. The Company is also planning to seek fund from Water Service Trust Fund in form of a loan for Non-Revenue Water reduction, pressure management and services extension.
- ii) Review of human resource management: – Human capital is the driving force for any meaningful success. The Company will continue engaging the employees in a positive manner. The human resources and policy manual will be reviewed to take on board current trends in the market.

- iii) Embrace customer-oriented culture: - the strategy will create an environment of a good relationship between customers and the company. To get expectations of the customers, customer satisfaction survey will be conducted.
- iv) Adopt and integrate technology to the company's processes: - the company will embrace the technology to fasten the services to the customers and improve office services in accounting, procurement, customer care, human resource and improved billing.

3.1 Key Performance indicators (KPI) For the Financial year 2021/2022

Universally, there are set parameters that are used to measure the performance of a Water Services utility for effective management. The Company applies these parameters and set continuous improvement for each indicator. The performance in the parameters for the year 2021/2022 was as summarized next below: -

No	Objectives	Status as at 30 th June 2021	Target as at 30 th June 2022	Actual As at 30 th June 2022	Measure
1	Coverage Area	57	65	60	%
2	Water Quality	95	97	95	%
3	Hours of Service	23	23	22	Hours
4	Metering Ratio	59	65	60	%
5	Non-Revenue Water	63	58	58	%
6	Revenue Collection Efficiency	95	95	95	%
7	Staff Productivity	6	6	7	%
8	Personnel cost as %age O&M	49	45	54	%
9	O&M Cost Coverage	97	100	84	%

SECTION B

COMPLIANCE WITH STATUTORY REQUIREMENTS

The Company complies with most of statutory requirements in terms of remitting.

However, to liquidity constrains, the Company is unable to remit levies, fees and employee entitlements on time.

Currently the company is not involved in any litigation.

SECTION C

KEY PROJECTS AND INVESTMENT DECISIONS THE COMPANY IS PLANNING/IMPLEMENTING

To increase on coverage, the Company extended services to parts of Gatari, Kamune, Lower Kamacharia, and Gitugi. This was from internally generated funds.

The Company is also working with Athi Water Works Development Agency who are implementing rehabilitation of Gatango water Supply. This is through funds from the World Bank as part of the Northern Collector Tunnel Projects.

Also, under the same funds from the World Bank, a contractor -MS Wotasan Engineering & Bainridge Contractors were engaged by Athi Water Works Development Agency to lay pipes in areas that had no network. These projects cover Mathioya, parts of Kangema and Kiharu Constituencies.

SECTION D

MAJOR RISKS FACING THE COMPANY

Currently, the Company is operating on a tariff that cannot fully cover the cost of operation and finance minor investments. This has led to increased short-term liabilities. A cost recovery tariff has been applied for from the regulator and is in advanced stages of approval.

SECTION E

MATERIAL ARREARS IN STATUTORY/FINANCIAL OBLIGATIONS

As at close of the period, the Company had accrued Kshs 6,448,668.00 as management fees payable to Tana Water Works Development Agency, WASREB Kshs 8,463,685.00 who is the regulator and Water Management Authority (WRA) Ksh 1,855,880.00. The employees are further owed Kshs 13,880,115.00 as accrued gratuity.

SECTION F

FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

The Company follows corporate governance guidelines from the regulator and other relevant laws. There are no any governance issues or conflict of interest.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The company recognises the critical role of safe guarding the environment for its sustainability. To this end, the following activities were carried out to conserve and improve the environment:

- a) Successes-trees were planted in the catchment area at Mioro and Kihari Treatment Works as follows:
 - giant bamboos trees
 - podo trees
 - pine trees
- b) Efforts to manage biodiversity- The company started tree nurseries at Mioro and Kihari Treatment Works and repaired damaged gabions at newly constructed Gatango intake
- c) Efforts to reduce environmental impact of the organisation's products-The company has developed a draft water safety plan as a guide for implementation of work plan and environmental policy

I. EMPLOYEE WELFARE

Gatamathi subscribes to the doctrine of equal opportunity employer. Recruitment is undertaken on the basis of fair competition and merit, representation of Kenya's diverse communities, adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons living with disabilities and minorities. The company policy is to recruit and retain high-qualified staff, with appropriate academic and professional qualifications and experience, and reward them for their efficient productivity. Vacancies in the company are filled competitively from the labor market and internally where relevant competencies exist.

Skills Inventory - The company develops, updates, analyzes and maintains the skills inventories for all their staff and share with key stakeholders when need be. The analysis establishes the type and level of skills available, existing skills gaps and recommends appropriate interventions like short-term training and seminars.

The company recognizes its corporate responsibility under the Occupational Safety and Health Act of 2007. In fulfilling this responsibility, the company undertakes to observe Occupational safety and Health standards well beyond the minimum statutory requirement.

The company adopts all reasonable and proactive measures to:

- a. Create a safe working environment;
- b. Uphold environmentally friendly practices;

- c. Provide appropriate training and awareness to its employees;
- d. Take responsibility for Occupational Health Safety and Environment of the work place;
- e. Continuously monitor Occupational Health, Safety and Environment through regular inspection and Audits

a) Responsible supply chain and supplier relations

The Company complies with Public Procurement and Asset Disposal Act 2016 and its regulations. Opportunities are given to potential supplies through tendering and quotations that are open to the public. Tenders /quotations are evaluated and feed back is given to the tenderers. Contracts are entered into and the suppliers are paid for goods delivered and services rendered.

b) Responsible marketing and advertisement

When marketing its services to potential and existing customers, the Company endeavour to fulfil the promises as per the service charter in place.

c) Product stewardship

The Company ensures that the customers are aware of their rights for services through regular communications in public Barazas.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The company ensured purchase of goods which are environmentally friendly. This is by use of products that can be recycled or disposed to avoid environmental pollution and ensured the products are good to human health.

CORPORATE SOCIAL RESPONSIBILITY

During the financial year 2021/2022, the company has been able to identify and assist ten vulnerable family to have access to clean and affordable water through paying for the full connection package. The company also continued paying water bills for identified vulnerable families.

To strengthen on Corporate Social Responsibilities issues, a Pro Poor unit was established in the company's structure. The unit's role is to ensure that poor needs are incorporated in the Company's programmes so that they can have access to affordable and sustainable services.

X.REPORT OF THE DIRECTORS

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

Principal activities

The principal activities of the company are to manage water facilities and provide water and sanitation services on behalf of The County Government of Murang'a as mandated by Water Act 2002 and 2016 and the current in Interim licence from Water Services Regulatory Board.

Results

The results of the Company for the year ended June 30, 2022 are set out on page 32 - 49

Dividends

The company does not declare any dividend since it is limited by guarantee and therefore does not have a share capital.

Directors


The members of the Board of Directors who served during the year are shown on page 7 - 9.

Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with the Section 192 of the Public Finance Management (PFM) Act, 2012,

By Order of the Board

Name.....*CHARLES MATNA MURUKI*

Signature.....

Date.....*20/01/2023*

Secretary to the Board.

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes:

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

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Company's financial statements were approved by the Board on 28th September 2022 and signed on its behalf by:

Signature



Name

HEZRON MUATA MAITA

Chairperson of the Board

Signature



Name

CHARLES MAINA MURIUKI

Managing Director

REPUBLIC OF KENYA

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NAIROBI

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Gatamathi Water and Sanitation Company Limited set out on pages 29 to 50, which comprise the statement of financial

position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Gatamathi Water and Sanitation Company Limited as at 30 June, 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Material Uncertainty in Relation to Going Concern

The statement of financial position reflects current liabilities balance of Kshs.59,827,106 that exceeds the current assets balance of Kshs.32,765,448, resulting in a negative working capital of Kshs.27,061,658 as at 30 June, 2022.

The precarious financial performance and position is an indication of the existence of a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern and to meet its obligations as and when they fall due. The financial statements have therefore been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Murang'a and its creditors. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company Management to reverse the undesirable precarious financial situation have not been disclosed in the notes to the financial statements.

2. Lack of Land Ownership Documents

Note 9 to the financial statements reflects Kshs.18,404,124 in respect of property, plant and equipment as disclosed at Note 9 to the financial statements, out of which, Kshs.230,059 is in respect of land, buildings and fixtures. However, the land ownership documents were not provided for audit review.

In the circumstances, the validity, accuracy and ownership status of the land, buildings and fixtures amount of Kshs.230,059 could not be confirmed.

3. Long Outstanding Trade and Other Payables

Note 14 to the financial statements reflects Kshs.59,827,016 in respect of trade and other payables out of which, Kshs.17,493,234 and Kshs.13,880,115 are in respect of levy fees owed to regulatory bodies and gratuity to staff who were on contracts before being

confirmed to permanent and pensionable terms respectively. However, the aging analysis provided indicated that the total amount payable of Kshs.31,373,349 has been outstanding for more than one year and relates to the period between 2013/2014 to 2021/2022. No explanation was provided for failure to settle the debts as a first charge to the service provider resources in the subsequent years.

In the circumstances, the Company may face suits and litigations to recover the amounts owed and liquidity difficulties were it to be made to meet the outstanding obligations.

4. Trade and Other Receivables

The statement of financial position reflects Kshs.30,237,058 in respect to trade receivables after provisions, which is an increase by Kshs.1,740,217 or 6% from previous year balance of Kshs.28,496,841. The persistent accumulation of trade and other receivables may have negatively affected the Company's cash flows.

Further, the Company made provisions of Kshs.30,553,513 or 50% for doubtful receivables which is an indication that the Company has a poor debt collection mechanism. In addition, there is no policy in place for the provision of bad and doubtful debts and the aged debtor's analysis provided for audit did not indicate the period that the receivables have been outstanding.

In the circumstances, the recoverability of the receivables balance of Kshs.30,237,058 is in doubt.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Issues

The progress on follow-up on Auditor's recommendations section of the financial statements reflects issues raised in the previous year's audit report that remain unresolved as at 30 June, 2022. No satisfactory explanations were provided for not resolving the issues.

In the circumstances, the audit issues remained unresolved.

Other Information

The Board of Directors is responsible for the other information, which comprises the Chairman's Report, Report of the Managing Director, Directors' Report, the statement of Corporate Governance, Management Discussions and Analysis, Environmental Sustainability Reporting and the Report of the Directors' Responsibility. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Exceeding Industrial Benchmark on Personnel Expenses

Note 5 to the financial statements reflects Kshs.36,260,277 in respect of staff costs for the year under review, which is 48% of the total operating expenses of Kshs.75,550,117. However, this is higher than the recommended ratio of 35% prescribed by Section 3.9(10) of the Water Services Regulatory Board (WASREB). Corporate Governance Guidelines, 2018 which states that, when fixing remuneration of the staff the total expenditure for each financial year must not exceed the benchmarks set for the services sector nationally, so that personnel cost as share of operations and maintenance cost shall be contained within the 35%.

In the circumstances, the excess personnel costs may impact negatively on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable levels.

2. Staff Ethnic Diversity

In the year under review, the Company had a total staff of 61 out of which 60 (or 98%) were from one dominant ethnic community. This is contrary to Section 65(e) of the County Governments Act, 2012 which requires the County Governments to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

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

3. Lack of an Updated Assets Register

Review of the assets register revealed that the Management has not tagged the Company's assets. In addition, assets locations and condition have not been disclosed contrary to Regulation 136(1) of Public Finance Management (County Governments) Regulations, 2015 which prescribes that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

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

4. Legal Services Without Approval

Note 4 to the financial statement reflects Kshs.14,664,989 in respect of administration costs for the year under review, out of which Kshs.1,353,291 is in respect of legal fees. However, the criteria used to procure the legal services was not provided. This is contrary to Section 17(1) of Office of the Attorney General Act, 2012 which states that no Ministry or Department shall engage the services of a consultant to render any legal services relating to the functions of the Attorney-General without the approval of the Attorney General.

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

5. Excess Non-Revenue Water

Examination of documents revealed that the Company produced 2,849,400 cubic meters (m³) of water, out of which 1,177,267m³ representing forty-one percent (41%) was billed to customers and generated Kshs.60,040,540. The balance of 1,672,133m³ or fifty-nine percent (59%) of production represents Non Revenue Water (NRW) which is higher than the twenty-five percent (25%) provided for by Water Services Regulatory Board (WASREB) guidelines by twenty-four percent (24%).

In the circumstances, the high NRW is an indicator of inefficiency and ineffectiveness in use of public and water resources, which may negatively impact on the Company's profitability and ability to sustain service delivery.

6. Budgetary Control and Performance

Review of the budget estimates against actuals for the period ended 30 June, 2022 revealed over expenditures of Kshs.12,353,647 in 14 components without approvals contrary to Regulation 53(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that except as provided for in the Act and these regulations, an Accounting Officer of an entity may not authorise payment to be made out of funds earmarked for specific activities other than those activities.

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

7. Expired Billing Tariff

The statement of profit or loss and other comprehensive income reflects Kshs.60,058,980 in respect of water billed to customers. However, it was noted that the existing tariffs were gazetted on 12 March, 2010 vide Kenya Gazette Notice Number 2610 effective for 12 months from the date of notice. At the time of the audit, no rates had been approved or gazetted for use by the Company.

In the circumstances, the Company may have earned lower incomes from the expired tariffs. Further, the Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Un-Serviced Fire Extinguishers

Audit verification revealed that firefighting equipment and facilities were not properly and adequately maintained. The fire extinguishers were not serviced hence could not be relied on to fight fire in case of a fire outbreak.

In the circumstances, the Company is at risk in case of fire outbreak.

2. Lack of Disaster Recovery Plan

During the audit, it was observed that the Company has no approved IT continuity plan and disaster recovery plan and therefore in the event of disaster the Company may lose data and would not recover from the disaster. Further, the Company doesn't have an IT steering and risk management committee contrary to Paragraph 3.6(a) and (d) of Chapter 3 of Code of Governance for State Corporations (Mwongozo) states that the board should establish an ICT policy which is aligned to the objectives of the Organization and ensure that an appropriate Business Continuity Plan (BCP) is in place.

In the circumstances, it could not be ascertained how the Company would achieve its IT strategic objectives as well as recover data lost due to any eventuality.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 March, 2023


XIII. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2022 Kshs	2021 Kshs
REVENUES			
Sales	1	60,058,980	55,758,860
Grants from National Government	2	16,268,930	770,044
Other Income	3	1,771,000	1,608,530
TOTAL REVENUES		<u>78,098,910</u>	<u>58,137,430</u>
OPERATING EXPENSES			
Administration Costs	4	14,664,989	10,002,560
Staff costs	5	36,260,277	30,821,458
Repairs and Maintenance	6	16,613,281	14,386,339
Other Operating Expenses	7	5,196,130	4,207,085
Depreciation of property, plant and equipment	9	2,815,440	2,388,034
TOTAL OPERATING EXPENSES		<u>75,550,117</u>	<u>61,805,476</u>
OPERATING PROFIT/(LOSS)		<u>2,548,793</u>	<u>(3,668,046)</u>
PROFIT/(LOSS) BEFORE TAXATION		<u>2,548,793</u>	<u>(3,668,046)</u>
PROFIT/(LOSS) AFTER TAXATION		<u>2,548,793</u>	<u>(3,668,046)</u>

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	Note	2022 Kshs	2021 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	18,404,124	15,362,958
Total Non-current Assets		<u>18,404,124</u>	<u>15,362,958</u>
Current Assets			
Inventories	10	1,410,343	1,652,481
Trade and other receivables	11	30,237,058	28,496,841
Bank and cash balances	12	1,118,047	1,254,376
Total Current Assets		<u>32,765,448</u>	<u>31,403,698</u>
TOTAL ASSETS		<u>51,169,572</u>	<u>46,766,656</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Retained earnings		(57,129,496)	(59,678,289)
Government Grants		48,472,053	47,472,053
Capital and Reserves		<u>(8,657,443)</u>	<u>(11,206,236)</u>
Current Liabilities			
Trade and other payables	14	59,827,016	57,972,892
Total Current Liabilities		<u>59,827,016</u>	<u>57,972,892</u>
TOTAL EQUITY AND LIABILITIES		<u>51,169,572</u>	<u>46,766,656</u>

The financial statements were approved by the Board on 28th September 2022 and signed on its behalf by:



Name CHARLES M. MURIUKI



Name PRISCILLAH NJERI



Name HEZRON M. MAINA

Managing Director

Head of Account

Chairman of the Board

ICPAK M/NO.

XV.STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30th JUNE 2022

	Government grants	Accumulated Losses	Total
2021			
As at 1st July 2020	47,782,573	(56,010,243)	(8,227,670)
Total comprehensive loss	-	(3,668,046)	(3,668,046)
Additions during the year	689,480	-	689,480
As at June 30th, 2021	48,472,053	(59,678,289)	(11,206,236)
2022			
As at 1st July 2021	48,472,053	(59,678,289)	(11,206,236)
Total comprehensive profit	-	2,548,793	2,548,793
As at June 30th, 2022	48,472,053	(57,129,496)	(8,657,443)

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2022

	Note	2022	2021
		Kshs	Kshs
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	(17)	5,720,278	1,348,761
Interest Paid		-	
Net cash generated from/(used in) operating activities		5,720,278	1,348,761
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(9)	(5,856,606)	(1,136,645)
Net cash generated from/(used in) investing activities		(5,856,606)	(1,136,645)
INCREASED/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(136,328)	212,116
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,254,376	1,042,260
CASH AND CASH EQUIVALENTS AT END OF YEAR	(12)	1,118,048	1,254,376

GATAMATHI WATER AND SANITATION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2022

PARTICULARS	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET	ACTUAL ON COMPARABLE BUDGET	PERFORMANCE DIFFERENCE	% OF UTILISATION
	Kshs	Kshs			Kshs	
Income	72,956,000	-	72,956,000	78,098,910	5,142,910	107%
EXPENSES						
Administration costs	19,366,000	(4,689,460)	13,960,000	14,664,989	(11,551)	100%
Operation and maintenance costs	7,632,000	8,958,260	16,620,000	16,613,281	23,021	100%
Depreciation	1,534,000	1,283,000	2,817,000	2,815,440	(1,560)	100%
Staff costs	34,208,000	(525,000)	33,683,000	36,260,277	2,577,277	108%
Other operation costs	10,227,000	(5,026,800)	5,200,200	5,196,130	(4,070)	100%
TOTAL EXPENSES	72,967,000		72,967,000	75,550,117	2,583,117	108%
PROFIT/ (LOSS) FOR THE YEAR	(11,000)	-	(11,000)	2,548,793	2,559,793	

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared after considering the going concern aspect of the company. In preparing its financial statements the management has noted that the company's ability to remain as a going concern is assured and will continue to offer services for the next year after thorough consideration to areas that may affect profitability. However, there were noted material uncertainties that may affect the company continuing to remain as a going concern as the current liabilities has exceeded the current asset a situation that has resulted in a negative working capital. The company's statement of profit and loss and comprehensive income reflects an accumulated loss of Kshs 57,224,838 as at June 30th 2022. This material uncertainty as well as precarious financial performance and position may hinder effective operations of the company as delays have been noted in meeting its financial obligations as they fall due.

The management after considering all relevant information has put in place mitigating actions that will ensure the company will remain as a going concern. Some of these actions planned and being implemented by the management in order to ensure the company continue to remain as a going concern are that; -

- a) Excess demand of the company's products whereby the company has more water as well as high potential areas that are unserved. Rehabilitation and extension works are ongoing and will eventually lead to growth in connections as well as increase in billings.
- b) The company has a good working relationship with its owners the county Government and other government agencies that have committed support in infrastructure development as well as capacity building to increase in efficiency.
- c) The company has put in place measures to collect huge outstanding debtors. Once collected it will be in a position to settle its outstanding liabilities and do minor investments and expansion works.
- d) The company has been operating on a non-cost recovery tariff. A cost recovery tariff has been applied for and is at an advanced stage of approvals by WASREB.

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment,

marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

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

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

2. Revenue recognition

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

- i) Revenue from the sale of goods and services is recognised in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government are recognised in the year in which the Company actually receives such grants.
- iii) Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Other income comprises of sale of tenders and is recognised as it accrues.

3. In-kind contributions

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company includes such value in the

statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

5. 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 costs of on-going but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance method.

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

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

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

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

6. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

7. Trade and other receivables

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

8. Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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

9. 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 Equity Bank, Family Bank, Kenya commercial bank and M-Pesa account at the end of the financial

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

10. Trade and other payables

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

11. Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200.00 per employee per month. Also employees are under registered pension scheme where the company contributes 15% of the basic pay plus house allowance to the scheme.

12. Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue. Leave days will be carried forward and taken as per the Company's Human Resources and Policy Manual

13. Comparative figures

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

14. Subsequent events

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

15. Public Sector Accounting Standards Board (PSASB) Gazettement

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and the International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the entity has adopted the

pronouncements made by the IPSAS board in preparation of its current year financial statements.

16. Financial Risk Management

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

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

(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 company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.	Totals Kshs.
At 30th June 2022				
Trade receivables	28,339,876	30,553,513	1,362,597	60,255,986
Bank balances	1,118,047	-	-	1,118,047

At 30th June 2021

Trade receivables	28,120,838	29,190,916	1,058,099	56,698,592
Bank balances	1,254,376			1,254,376

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

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

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the company 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 Kshs	between 1-3 Month Kshs	Over 5 Month Kshs	Total Kshs
At 30th June 2022				
Trade Payables	779,830	2,605,158	7,400,457	10,785,445
At 30th June 2021				
Trade payable	551,887	3,255,699	4,301,739	8,109,325

17. **Accounting policies**

i) **Early adoption of standards**

The Company did not early-adopt any new or amended standards in the year 2022

NOTES TO THE FINANCIAL STATEMENTS

		2022	2021
		Kshs	Kshs
1	SALES		
	Billing	60,058,980	55,758,860
		<u>60,058,980</u>	<u>55,758,860</u>
2	GRANTS FROM DEVELOPING PARTNERS		
		2022	2021
		Kshs	Kshs
	Current grants received: A.W.W.D.A	1,000,000	-
	: Water Services Trust Fund	14,417,440	
	: County government	851,490	770,040
		<u>16,268,930</u>	<u>770,040</u>
3	OTHER INCOME		
	Butt Fusion hiring	160,000	293 110
	New connections	1, 611,000	1, 315,420
		<u>1,771,000</u>	<u>1,608,530</u>
4	ADMINISTRATION COSTS		
	Directors' emoluments	2,044,346	1,372,370
	Electricity and water	185,147	75,134
	Communication services and supplies	883,943	729,122
	Transportation, travelling and subsistence	3,536,012	1,889,165
	Advertising, printing, stationery and photocopying	739,938	804,127
	Staff training expenses	2,033,220	688,800
	Hospitality supplies and services	184,785	185,570
	Insurance costs	579,388	268,969
	Bank charges and commissions	829,781	1,592,808
	Auditors' remuneration	455,000	350,000
	Legal fees	1,353,291	1,207,631
	AGM Cost	1,627,980	747,550
	Licence and Tariff costs	212,158	91,314
	Total	<u>14,664,989</u>	<u>10,002,560</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022	2021
5. STAFF COSTS	Kshs	Kshs
Salaries and allowances of permanent employees	26,663,836	21,472,849
Wages of temporary employees	3,862,450	3,205,950
Compulsory national health insurance schemes	646,950	551,400
Compulsory national social security schemes	145,400	128,800
Other pension contributions: company contribution	2,571,425	2,161,171
N.S.S.F	63,300	66,600
Standard chartered	<u>144,000</u>	<u>128,200</u>
Total pension	<u>2,778,724</u>	<u>2,355,972</u>
Leave allowance and gratuity	1,846,957	2,732,987
Staff welfare	100,000	200,000
Motivation	<u>215,960</u>	<u>173,500</u>
	<u>36,260,277</u>	<u>30,821,458</u>

The average number of employees at the end of the year was:

Permanent employees – Management	12	11
Permanent employees – Unionisable	44	44
Employees on contract employees	<u>4</u>	<u>4</u>
	<u>60</u>	<u>59</u>

6. REPAIR AND MAINTENANCE - Computer repairs	339,360	825,800
- Fixtures repairs	211,925	266,060
- General repairs	88,340	50,770
- Motor cycle repairs	262,407	196,140
- Motor Vehicle repairs	1,868,481	1,171,499
- Water supply	10,602,880	9,165,355
- Chemicals	392,685	684,465
- Security	146,560	156,000
- Fuel and Oils	<u>2,700,643</u>	<u>1,870,250</u>
TOTAL	<u>16,613,281</u>	<u>14,386,339</u>

7. OTHER OPERATING EXPENSES - provision for bad debts	1,362,597	1,058,099
- WARMA	475,200	475,200
- WASPA	105,000	95,000
- WASREB	3,011,061	2,289,626
- Staff Uniform	22,272	69,160
- KFS Fees	<u>220,000</u>	<u>220,000</u>
TOTAL	<u>5,196,130</u>	<u>4,207,085</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is arrived at after charging/(crediting):

Depreciation of property, plant and equipment	2,815,440	2,388,034
Directors' emoluments - fees	1,755,146	1,214,850
- Other	289,200	157,520

9. PROPERTY, PLANT AND EQUIPMENT

13. PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS & FIXTURES	MOTOR VEHICLES	OFFICE EQUIPMENTS	PLANT & EQUIPMENT	TOTAL
	0.125	0.25	0.125	0.125	
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2020	970,731	7,915,550	5,267,807	45,904,437	60,058,525
Additions	-	-	275,000	861,645	1,136,645
At end of year - June 2021	970,731	7,915,550	5,542,807	46,766,082	61,195,170
Additions	-	288,990	39,000	5,528,616	5,856,606
At end of year - June 2022	970,731	8,204,540	5,581,807	52,294,698	67,051,776
DEPRECIATION					
At 1st July 2020	670,245	6,562,270	3,887,646	32,324,017	43,444,178
Depreciation for the year	37,561	338,320	206,895	1,805,258	2,388,034
At end of year - June 2021	707,806	6,900,590	4,094,541	34,129,275	45,832,212
Depreciation for the year 2022	32,866	325,988	185,908	2,270,678	2,815,440
At end of year - June 2022	740,672	7,226,578	4,280,449	36,399,953	48,647,652
NET BOOK VALUE at 30 June 2022	230,059	977,962	1,301,358	15,894,754	18,404,124
NET BOOK VALUE at 30 June 2021	262,925	1,014,960	1,448,266	12,636,807	15,362,958

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022	2021
	Kshs	Kshs
10. INVENTORIES		
Stationery, pipes and fittings	1,332,543	1,613,581
Chemicals	77,800	38,900
	1,410,343	1,652,481
	1,410,343	1,652,481
11. (a) TRADE AND OTHER RECEIVABLES		
Trade receivables	60,255,986	57,311,754
Provision for doubtful receivables	(30,553,513)	(29,190,916)
Net trade and other receivables	29,702,473	28,120,838
	29,702,473	28,120,838
(b) TRADE RECEIVABLES		
Gross trade receivables	29,702,473	28,120,838
Deposits and Prepayments	534,585	376,003
Total receivables	30,237,058	28,496,841
	30,237,058	28,496,841
12. BANK AND CASH BALANCES		
Equity Bank Current Account	187,747	4,471
Equity Bank Savings Account	176,578	128,978
Family Bank Project Account	35,424	198
Family Bank Current Account	214,364	752,062
Kenya Commercial Bank Account	174,344	106,757
Cash in hand	100,001	10,001
Imprest	11,748	5,779
M-Pesa	202,832	236,130
Family Bank current account	15,010	-
	1,118,047	1,254,376
	1,118,047	1,254,376

The bulk of the cash at bank was held at Equity Bank of Kenya and Family Bank, the Company's main bankers.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. RETAINED EARNINGS

The retained earnings represent amounts available for ploughing back to the company's operation. Undistributed retained earnings are utilised to finance the Company's business activities.

14. TRADE AND OTHER PAYABLES

	2022	2021
	Kshs	Kshs
Trade payables (creditors)	10,668,971	8,109,325
Accrued expenses		
: Levy fees	17,493,234	15,829,344
: Employees salary	2,912,211	2,098,265
: Pension	501,341	1,038,838
: Pension gratuity	603,327	862,749
: Gratuity	13,880,115	17,067,907
: Customer advances	505,958	507,925
: Audit fees accrued	1,399,000	944,000
Customer deposit	9,296,545	8,418,655
Other payables (KRA)	2,245,724	2,256,914
Accrued staff leave	<u>320,590</u>	<u>838,950</u>
	<u>59,827,016</u>	<u>57,972,892</u>

15. RETIREMENT BENEFIT OBLIGATIONS

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month. During the year, employees joined a registered pension scheme where the company contributes 15% of the basic pay plus house allowance.

16. PROVISION FOR LEAVE PAY

	2022	2021
	Kshs	Kshs
Balance at beginning of the year	838,950	-
Leave pay cumulated during the year	-	428,177
Amount unutilised	<u>838,950</u>	<u>428,177</u>
Prior year adjustments – Retained Earnings	-	1,225,519
Leave paid out or utilised during the year	(518,360)	(814,746)
Balance at end of the year	<u>320,590</u>	<u>838,950</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

17. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit/(loss) to Cash generated from/(used in) operations	2022 Kshs	2021 Kshs
Operating profit/(loss)	2,548,793	(3,668,046)
Depreciation	2,815,440	2,388,034
	-----	-----
Operating profit/(loss) before working capital changes	5,364,233	(1,280,012)
(Increase)/decrease in inventories	242,138	175,314
(Increase)/decrease in trade and other receivables	(1,740,217)	295,489
Increase/(decrease) in trade and other payables	2,488,958	1,468,490
Increase/(decrease) in government grants	-	689,480
	-----	-----
Cash generated from/ (used in) operation	5,720,278	1,348,761

18. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2022 Kshs	2021 Kshs
Cash at bank	1,006,298	1,238,596
Cash in hand	111,749	15,779
	-----	-----
Balance at end of the year	1,118,047	1,254,375
	=====	=====

19. RELATED PARTY DISCLOSURES

(a) Government of Kenya

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other related parties include:

- The County Department in charge of Water
- County Government of Murang'a
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Water service provider

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Water sales to Murang'a county government	348,820	1,110,705
Butt Fusion services	160,000	293,110
Total	508,820	1,403,815

20. CAPITAL COMMITMENT

	2022	2021
	Kshs	Kshs
Capital works investments	5,856,606	1,136,645

21. INCORPORATION

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

22. CURRENCY

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

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)
1.0	Excess Non – Revenue Water	<p>To reduce the NRW the company has been undertaking the following</p> <ul style="list-style-type: none"> • Continuous metering from internally generated funds and support from water works Development Agencies • Writing proposals for external funding from ministry through Water Works Development Agencies, the county government and had also applied for a loan facility from world bank/ KFW of which part of the loan will be used in the management of NRW • To curb commercial losses the company has embarked on a customer identification and dormant tracing exercise with an aim to minimize on illegal consumptions • The company has also developed a policy to gradually phase out upvc pipes with hdpe pipes of which in the piloted areas we have reduced the number of frequent bursts thus a reduction in physical losses. • On need to establish the courses of frequent bursts along the reticulating system the company through GIS Section has started mapping exercise of the supply area with particular emphasis on pressure maps that will aid in identifying pressure differences in a particular line. These maps will guide the company in establishing areas that will require installation of pressure release devices thus a reduction in frequent bursts 	On going	June 2027
2.0	Expired	Have applied for a regular cost recovery tariff	On going	In the

	Billing Tariff			course of 2022/2023 F/Y
3.0	Unmetered Customers	<p>The company has resolved to take a gradual approach to metering all its flat rate customers. In order to be 100% metered the management has proposed in its budget a component for funding metering activities from the internally generated funds. To start with the board made a policy and resolved that any new connection installed must be metered as the company works out on clearing the backlog of other unmetered connections. The process is ongoing.</p> <p>The company has also made metering proposals to fund the metering exercise to its partners where proposals have been made to County Government, Tana and Athi Water Works Development Agencies, National Government and also application for a Commercial loan have been made to banks and WSTF</p>	On going	We expect to meter all current and future customers by end of year 2026/2027
4.0	Ethnic staff diversity	<p>The company aim at achieving the thirty percent ethnic diversity and also be compliant with the law. In order for the company to further represent the diversity of the people of Kenya a deliberate program is in place to recruit qualified people from other communities when an opportunity arises as witnessed in the last recruitment of a G.I.S Officer.</p>	Not resolved	By 2026/2027 financial year
5.0	High staff cost	<p>The management acknowledges high wage bill which has yet to meet the minimum requirements as per the set industrial benchmark. This has been a challenge since the company status changed from medium to large utility. As per the licence conditions the company negotiated with WASREB on performance improvement plan for 5 years, the management was to ensure personnel expenditure improves from 54% in 2019 to 45% in 2024. This has been captured as one of the company's strategic objectives where the management has embarked on an expansion mission which will assist in increasing on coverage as well as new connections that will eventually yield</p>	On going	June 2027

		<p>more billing. Also, efforts have been put in place to revive the dormant connections and the company has a raft of measures that will curb on illegal connections and also metering those on flat rate with an aim of increasing the billing base.</p>		
1.0	Un-serviced fire extinguishers	<p>In order to mitigate the company from catastrophic losses arrangements have been made to service the fire-fighting equipment. Further course for all employees has been planned where they will be trained on dealing with fire incidences</p>	On going	June 2023
2.0	Lack of disaster recovery plan	<p>The company in its effort to meet its strategic objectives as well as to safeguard its data due to any eventuality will enrich the IT Policy in place to incorporate a detailed IT continuity plan and disaster recovery plan. The revised policy will then be forwarded to the board for approval and subsequent act as a reference document for the company IT matters.</p> <p>Also, in order to be compliant with ICT Governance Best Practice, the company will formally constitute an IT steering and risk management committee</p>	On going	June 2023

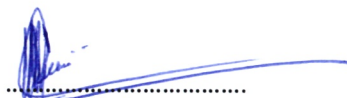
Appendix II: Recording of Transfers from other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Athi Water Works Development Agency	29 th October 2021	Recurrent	500,000	500,000	0	0	0	0	500,000
	31 st January 2022	Recurrent	500,000	500,000	0	0	0	0	500,000
Water Sector Trust Fund	28 th July 2021	Recurrent	6,744,167	6,744,167	0	0	0	0	6,744,167
	24 th December 2021	Recurrent	7,673,273	7,673,273	0	0	0	0	7,673,273
TOTAL			15,417,440	15,417,440	0	0	0	0	15,417,440

C.M Muriuki

MANAGING DIRECTOR

Signature



Date

20/01/2023