

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

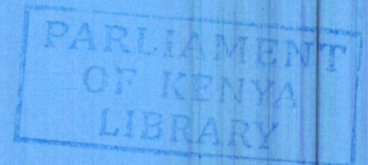
OF

THE AUDITOR-GENERAL

ON

**BUSIA WATER AND SEWERAGE SERVICES
COMPANY LIMITED**

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



Busia Water and Sewerage Services Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2022



BUSIA WATER
& SEWERAGE SERVICES CO LTD



BUSIA WATER AND SEWERAGE SERVICES COMPANY LTD

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)**

Busia Water and Sewerage Services Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2022

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I. KEY ENTITY INFORMATION

Background information

Busia Water and Sewerage Services Company (BUWASSCO) was incorporated on April 14, 2014 under the Companies Act Cap.486. At county level, the company is represented by the Executive Committee Member in Charge of Finance and ICT and the County Executive Committee Member in charge of Water Environment, Irrigation and Natural Resources, who are the members of the Board which is responsible for the general policy and strategic direction of the company. The company operates through seven (7) schemes namely; Mundika, Nambale, Matayos, Malakisi, Amukura, Amagoro and Bujumba/Burinda.

Principal Activities

The principal activity of BUWASSCO is to:

- i). Provide water and sanitation services to the residents of Busia County
- ii). Ensure that county assets for water service provision entrusted to the company are maintained and are in good working condition.

Vision, Mission and Core Values

Vision

A leading, sustainable and reliable provider of quality, affordable water and sewerage services in East Africa

Mission

To provide safe, reliable affordable water and sewerage services in a sustainable manner to the residents of Busia County

Core Values

- Professionalism
- Accountability
- Customer Focus
- Equity
- Integrity

Directors

The Directors who served the Busia Water and Sewerage services company limited during the year/period were as follows:

1. Dr. George Kwedho -Chairman - Appointed on 1stDecember, 2018
2. Dr. Isaac Alukwe -CEC.DWINER Appointed on 1stDecember, 2018
3. Phaustine Barasa -CEC. Finance &ICT -Appointed on 1stDecember, 2018
4. Francis Omondi -Chair, Finance Committee Appointed on 1stDecember, 2018
5. Darya Susan -Member Appointed on 1stDecember, 2018
6. Joseph Esembe - Member Appointed on 1stDecember, 2018
7. CPA Fredrick Toloyi -Member Appointed on 1stDecember, 2018
8. Mr. Erick Ojiambo -Managing Director Appointed on 6thJuly, 2020.

Registered Office

P.O. Box 392-50400
Dept. of Water, Irrigation, Environment &Nat. Resource compound
Equity Bank-Posta-Forest Road
Busia, KENYA

Corporate Headquarters

County Government of Busia,
Dept. of Water, Irrigation, Environment and Natural Resource
compound, P.O Box 392-50400,
Busia, Kenya.

Corporate Contacts

Telephone: (254)
796523854 E-mail:
info@buwasco.co.ke
Website:
www.buwasco.co.ke

Corporate Bankers

Cooperative Bank of
Kenya, P.O. Box 595-
50400,
Busia Kenya.

Equity Bank,
P.O Box 553-50400,
Busia Kenya,




Kenya Commercial Bank
P.O Box 27-50400
Busia Kenya



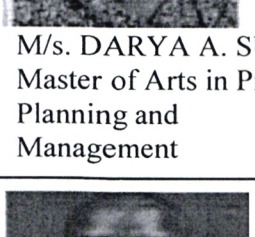
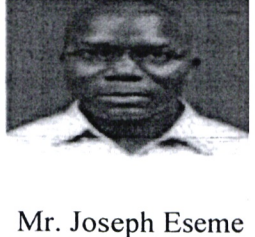
Independent Auditors


Auditor General

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




II. THE BOARD OF DIRECTORS



Ref	Directors	Details
1.	 <p>Dr. George Kwedho, Ph.D. Doctor of Philosophy in Environmental Planning</p>	<p>Male 62 years, Kenyan Citizen He is an Engineer with vast experience in the Water Sector Managing Consultant, Fepan Global Agencies Co. Ltd</p>
2.	 <p>Dr. Hon. Isaac Alukwe, PhD CECM, Department of Water, Irrigation, Environment & Natural Resources as well as Climate Change Coordination.</p>	<p>Male, Kenyan Citizen with vast knowledge in Engineering He has more than 20 years of professional experience working in Water Policy and Governance, Water Resources Management, Water Quality and Treatment Technologies, Climate Change and Adaption Strategies as well as WASH.</p>
3.	 <p>Hon. Phaustine Barasa She has a Master's Degree in Educational Administration and Planning.</p>	<p>Female, 55 Years, Kenyan Citizen with vast knowledge in Financial Management and Education Planning. CECM, Department of Finance & Economic Planning, County Government of Busia</p>

4.	 <p>Adv. Francis Omondi</p>	<p>Male 47 years, Kenya Citizen He has a lot of experience in both private and public sector Bachelor's Degree in Law Advocate of the High Court</p>
5.	 <p>M/s. DARYA A. SUSAN Master of Arts in Project Planning and Management</p>	<p>She is a Human Resource Expert She is also a Senior Administrator, University of Nairobi She has vast experience in public sector Human Resource Management</p>
6.	 <p>Mr. Joseph Eseme Bachelor's Degree in Early Childhood Education.</p>	<p>Male 55 years, Kenyan Citizen He is a teacher with vast experience in public administration Head Teacher, Rwatama Primary School</p>
7.	 <p>CPA Fredrick Toloyi Musungu Bachelors of Commerce - Accounting MBA Finance</p>	<p>Head of Finance Lake Victoria North Water Works Development Representative of the CEO Lake Victoria North Water Works Development Agency. He has over twenty (20) years proven experience in accounting, finance, governance, risk management and strategic planning; both in the public and private sector.</p>

8.	 <p>Mr. Erick Ojiambo Nakitari Managing Director Masters of Science in Water Engineering</p>	<p>Male 55 years Holds a Master's of Science in Water Engineering He has vast experience of over 20 years in the Water Sector having served in both Public, Water Sector Based NGO's and the Private Sector both locally and internationally. Bachelor's Degree in Civil and Structural Engineering</p>
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III. MANAGEMENT TEAM

Ref	Management	Details
1.	 <p>Mr. Erick Ojiambo Nakitari Managing Director Masters of Science in Water Engineering</p>	<p>Male 55 years Holds a Master's of Science in Water Engineering He has vast experience of over 20 years in the Water Sector having served in both Public, Water Sector Based NGO's and the Private Sector both locally and internationally. Bachelor's Degree in Civil and Structural Engineering</p>
2.	 <p>Mr. Collins Oduori Nyota Ag Technical Manager</p>	<p>He has a Bachelor's degree in Soil, Water, and Environmental Engineering from Jomo Kenyatta University of Science and Technology He is currently undertaking a Master's of Science Degree in water resource engineering at Masinde Muliro University of science and technology</p>
3.	 <p>Ms. Sarah Patrick Akasiba Human Resources Officer</p>	<p>Female, Kenyan Citizen She has a Bachelor of Science in Human Resource Management She holds Certified Human Resource Professional (CHRP) 1 She is a member of IHRM</p>

4.	 <p>Mr. Frankline Mukaka Internal Auditor</p>	<p>He is a Certified Public Accountant CPA (K) He holds a Bachelor of Commerce Degree, Marketing Option He has vast experience in the water sector having worked as an Internal Auditor for Kakamega Busia Water Supply</p>
5.	 <p>Mr. Nelson Rodger Miller Bunyasi in Charge Finance</p>	<p>He holds Bachelor of Commerce Accounting Option. He has also served in different public institutions hence has vast experience in the public sector.</p>

IV. CHAIRMAN'S STATEMENT



Busia Water and Sewerage Services Company Limited is an entity of the County Government of Busia County charged with the mandate of providing water and sewerage services to the residents of Busia. The company draws its mandate from **the water Act 2016** as a service provider regulated by the water services Regulatory Board (WASREB) and anchored in the **Busia County Water and Sanitation Act 2015**. The company delivers its mandate on behalf of the County Government of Busia in the devolved function of water services provision.

As board of directors, we have devoted our efforts and resources in transforming the Company into greater heights of performance and sustainability as well as conformance to corporate governance regulations. The Board has established Corporate Governance structures for the company including Board and Committee Charters, Development of company policies and procedure manuals as well strategic and business plans. The Board has recruited the management team and therefore the company is now run professionally. The team is comprised of the Managing Director, Commercial and Finance manager, technical manager, Human resource manager and Internal Auditor. This has seen to it that the company is aligned to the **WASREB** regulations and guidelines on the management of water service providers.

The major setbacks in efficient service delivery are attributed to high Operation and Maintenance (O & M) Cost, Personnel expenditure and high non-revenue water. The high electricity cost has always resulted into power disconnections resulting into water supply interruptions. The Board is partnering with other stakeholders on minimising O & M costs through solarisation of pumping systems so as to ensure continuous water supply. The Board is supporting the company working on increasing revenue through expansion of its water and sewerage coverage, reduction of non-revenue water and improved collection efficiency. We as the board have confidence that the company is set to breakeven and thrive in the foreseeable future.

.....
Dr. George Kwedho, Ph.D.
Chairman

V. REPORT OF THE MANAGING DIRECTOR



Busia Water and Sewerage Services Company Limited (BUWASSCO) was incorporated on April 18, 2014 under the companies Act (Cap 486). Its mandate is to supply water and provide sewerage services to residents of Busia County through a service provision agreement with Water Services Regulatory Board (WASREB). Water and sanitation services in Busia were previously provided by Lake Victoria North Water Services Board since 2012 through **Kakamega – Busia Water Supply (KBWS)**, a cross county water services provider. Water provision being a devolved function, Kakamega and Busia counties resolved to de-cluster from KBWS effective July 1, 2016 with each county forming its own water company. The company has diversified its services across the county and now has seven schemes within the county namely, Mundika, Nambale, Malakisi, Amukura, Amagoro, Matayos, and Bujumba/Burinda, these schemes are mainly served by water pumped from our treatment works in Mundika and Malakisi. According to **Impact No. 13 WASREB Report 2019/20, BUWASSCO** water provision services reached **311,648** people out of a population of 893,681 in Busia County. Through the support of the Board, the company has established Corporate Governance structures including having a management team of professionals, comprising of the Managing Director, Commercial and Finance manager, technical manager, Human resource manager and Internal Auditor. The management is now working on increasing water production capacity through Rehabilitation/Revival of stalled boreholes within its area of jurisdiction and reduction of Non-Revenue Water so as to increase revenue for sustainability of the company. The company is also addressing the high operation and maintenance costs through Solarisations of pumping stations so as to reduce on the electricity bills. The management is confident that the company is headed in the right direction of self sustainability.

A handwritten signature in black ink, appearing to be 'Erick Ojiambo Nakitari'. The signature is written in a cursive style with a long horizontal stroke extending to the right.

.....
Mr. Erick Ojiambo Nakitari.

Managing Director

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

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

Busia Water and Sewerage Services Company Limited has four major themes anchored in its strategy plan 2020/21-2024/25 and objectives within the current Strategic Plan for the FY 2021- FY 2022. These strategic pillars/ themes/ issues are as follows:

theme 1: Water sanitation and sewerage infrastructure development

theme 2: Operational efficiency and customer service

theme 3: Financial sustainability

theme 4: institutional capacity strengthening.

Busia Water and Sewerage Services Company Limited develops its annual work plans based on the above 4 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *company* achieved its performance targets set for the FY 2021/22 period for its 4 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
theme/ issue 1: water sanitation and sewerage infrastructure development	Increase water supply coverage from 35% to 60% by year 2025	<ul style="list-style-type: none"> • 10 km extension • No of installed new meters • No of rehabilitated existing infrastructure • 792 connections 	<ul style="list-style-type: none"> • Procure and install 100km pipeline extension 2' and below to unserved areas • Increase functional meters • Increase sewer connection 	Line extension 2021/2022 up to 15km line done. 110 new metered. Water coverage at 47%wasreb impact report 14. New water connection – 276 Rehabilitation of two control panel at Mundika. Installation of 2.no flood lights Mundika treatment plant. Repair of Matayos rising main ferrous 12 inch. Prison borehole rehabilitation.
	Increase sewerage coverage from 14% to 30%	<ul style="list-style-type: none"> • 17 km • Compliance to regulatory requirement on handling and disposal of wastewater 	<ul style="list-style-type: none"> • Expand sewerage network cover to a major town. 	New sewer connections- 48No. New Malaba town sewer system 27.9km in place.

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	Adhere to WHO guidelines and KEBS standards on water and waste water	Effective water and waste water treatment • Compliance to regulatory requirement on handling disposal of waste water	•	•Enhanced water and sewerage surveillance tests monthly and send samples to Kakamega for analysis.
theme 2: operational efficiency and customer service	Reduce non - revenue water from 70% to less than 20%	• Percentage of non revenue water deduction	• Pressure management • Active leak detection	Reduction of NRW to 49%. Undertook leak detection exercise with help of WASPA team.
	To ensure 100% safety and optimal utilization of company resources	• Strengthen internal controls • Ensure effective asset protection	• Increase our metering ration to 100% • Develop and implement a risk management framework	Improved metering ratio from 67% to 70%. Wrote proposal and secured 400 water meters from KMT. Established an NRW task team in place. Developed disaster management plan and water safety plan.
	Ensure 100% automation and integration of all business processes by 2023	• Verification of assets • Ensure all systems are integrated	• Stock taking of company assets	• The company carried its asset verification exercise successfully
	To increase customer satisfaction level from 73% to 99% by June 2025	• No of customer satisfaction survey (66) • % Of complaints resolved • % Of hour supply	• Develop and implement customer service charter • Develop and implement customer relationship management system	A customer service charter developed and in place. Customer relationship management system in place with a new billing system. (E.R.P)

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	Increase sewerage coverage from 4% to 10% by year 2025	• Increase the number of active sewer connection to 747		Increased active sewer connections to 795. Malaba sewerage project almost complete. Will serve over 2,000 new connections. Operationalized the Decentralised Treatment Facility in port Victoria with 217 pour flash toilets.
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Financial sustainability	Improve O&M cost coverage from 62% to 150 %	• Increase the number of active sewer connection from 747 to 2000	• Increase the number of active waters connection from 85% to 100%	Number of active sewer connections increased to 795. Number of active water connections increased to 6,778. O&M coverage at 79%, WASREB impact report 14.
	To improve collection efficiency from 71% to 95% by 2025	• SMS billing • Diversify collection modes	• Improve meter reading and capture	SMS billing in place. Smart metering with smartphone introduced. A new billing system (ERP) in place. Collection efficiency at 84%, impact report 14.
	Reduce accounts receivable from Ksh 66 million to not more than Ksh 58 million by 2025.75% bad debt	• Formulation of debt management policy	• Review and implement financial and audit policies	
	Increase billing (Actual meter reading) from 60% to 100% increase billing efficiency (actual meter reading) from 60% to 100%)	• Metering efficiency	• Improve meter reading • Installation of new meters Replacement of faulty meters • Procure a meter service bench	Improved meter reading from manual to smart reading, this ensures 100%-meter reading. Enhanced metering by 110 new meters and 400No. grant of cold-water meters. Meter service bench yet to be procured.

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	Strengthen financial management systems	<ul style="list-style-type: none"> Financial management system integration 	<ul style="list-style-type: none"> Improve utilization of quick book 	<ul style="list-style-type: none"> Quick book software fully utilized and operational
	Achieve 100% organizational alignment	<ul style="list-style-type: none"> Implement the desired organization structure 		
	Improve employee's satisfaction level from 40% to 90%	<ul style="list-style-type: none"> Improve employee capacity and competencies 	<ul style="list-style-type: none"> Staff gender representation 	<ul style="list-style-type: none"> Capacity building and

	Institutional strengthening	<ul style="list-style-type: none"> Implement institutional policies and procedures 	<ul style="list-style-type: none"> Develop a board charter 	<ul style="list-style-type: none"> Developed and approved by the board
	Develop risk management framework	<ul style="list-style-type: none"> Develop risk strategy 	<ul style="list-style-type: none"> Develop risk management policies 	<ul style="list-style-type: none"> Risk strategy has been developed and embedded in our strategy plan
	Embed good corporate governance in BUWASSCO	<ul style="list-style-type: none"> Develop board structures and instruments 	<ul style="list-style-type: none"> Board structure and charter development 	<ul style="list-style-type: none"> Board charter developed and operational
	Improve BUWASSCO's branding/corporate image	<ul style="list-style-type: none"> Identify and implement appropriate branding 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Availed branded sewer staff uniforms. Enhanced social media awareness through Facebook, WhatsApp and website in place. Place are underway to rollout company branded calendars and flyers.

VII. CORPORATE GOVERNANCE STATEMENT

The company recognizes the importance of corporate governance in creating balance between economic and social goals and between individual and communal goals while encouraging efficient use of resources, accountability in use of power and stewardship and as far as possible to align the interests of individuals, corporation and the society. Good corporate governance is intended to ensure that the powers of the corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and increasing customer satisfaction and other stakeholders in the context of corporate mission.

The company Board of Directors was appointed by the Governor of Busia County, to perform the following functions; Ensure proper and efficient exercise of the powers and performance of the functions of the company. Advise the management generally on the exercise of the powers and the performance of the company. Approve the estimates of the revenue and expenditure of the company.

To ensure there was no compromise on principles of corporate governance, Board of Directors underwent training on the same as well as the Code of Conduct. During the financial year just ended ~~three Full Board meetings were held as well as three Board~~ Committee meetings. The remuneration of the Board was discussed and determined during the first Full Board meeting.

Terms of service for Board of the company is three years with retention of a third of directors for continuity. The composition of the board of directors is a follow;

- Professional bodies, Women organizations, business and manufacturing communities.
- The Executive Committee Member in charge of Water, Environment, Irrigation and Natural Resources.
- The Executive Committee Member in charge of Finance and Economic Planning.
- Regular meetings of the Board are held quarterly. Special meetings may be called by the chairman.
- The company's director shall act in good faith, with due care and in the best interest of the company and its shareholders.
- Each director is expected to attend board meetings and applicable committee meetings. Directors are expected to ensure that other commitments do not interfere in the discharge of their duties.

Board Committee

- The Board is supported by three (3) Committees namely: Technical Committee, Finance and Establishment and Audit and Governance Committee all of which are required to report to the Board a summary of the actions taken at committee level.
- Technical Committee:
 - i. M/s. Susan Darya (Chairperson)
 - ii. Mr. Joseph Esemé
 - iii. Hon, Dr. Isaac Alukwe, Ph.D.
 - iv. Mr. Francis Omondi
- Finance and Establishment Committee:
 - i. Mr. Francis Omondi (Chairperson)
 - ii. Hon. Dr. Isaac Alukwe, PhD
 - iii. Hon. Phaustine Barasa
 - iv. C.P.A Fredrick Toloyi Musungu
- Audit Committee:
 - i. Mr. Joseph Esemé (Chairperson)
 - ii. M/s. Darya Susan
 - iii. Hon, Dr. Isaac Alukwe, PhD
 - iv. Hon. Phaustine Barasa

Board Remuneration

- By resolution of the Board each director shall receive a net of Ksh.14,000 as sitting allowance and Ksh. 2,000 lunch and travelling allowances, if lunch is not served during the meeting. The Chairman receives a monthly allowance of Kshs. 35,000 subjects to 30% tax. As compensation the Board shall be allocated an amount not more than 5% of the total revenue of the company.

Audit and Governance Committee

- The company has an Audit and Governance Committee composed of four directors. Its membership comprises of Mr. Joseph Esemé (Chairperson), Hon. Dr. Isaac Alukwe, PhD, Hon, Phaustine Barasa and M/s Susan Darya. The Audit and Governance Committee is expected through the provision of checks and balance to bring positive results in supervising and supporting the management of the company. It is responsible for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices in the company.

The Technical Committee

- The Company has a Technical Committee whose membership comprises of M/s Susan Darya (Chair Lady), Hon. Dr. Isaac Alukwe, PhD, Mr. Joseph Esemé and Mr. Francis Omondi. Its responsibilities include, overseeing the development of water infrastructure and ensuring standards set by regulator are adhered to. This committee also oversees the planning, coordinating and execution of development and rehabilitation projects to ensure that expansion of reticulation systems are improved
-

Finance and Administration Committee

- This committee deals with strategic, financial, employment and administrative issues. It meets at least four times in a year with a probability of having an adhoc meeting when need arises. Its membership comprises of Mr. Francis Omondi (Chairperson), Hon. Dr. Isaac Alukwe, PhD, Hon, Phaustine Barasa and C.P.C. Fredrick Toloyi Musungu. Its responsibilities include, reviewing of Annual Accounts, Reviewing of Development Proposals, Provision of Performance Contracts and Recurrent Budgets, opening and closing of bank accounts, recommendation of Boards Strategic Plan, Procurement Plan and all Staff Matters.

Board Meetings

The table below summarises the attendance of directors to the meetings held in the year ended 30th June 2020:

	Directors	Number of Meetings attended
1	Dr. George Kwedho, Ph.D.	7/14
2	Hon, Dr. Isaac Alukwe, Ph.D.	10/14
3	Hon. Phaustine Barasa	7/14
4	Mr. Joseph Esemé	10/14
5	Ms. Darya Susan	9/14
6	Mr. Francis Omondi	12/14
7	CPA Fredrick Toloyi	3/14

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The company has experienced financial challenges, resulting to a revenue decrease from Kshs. 58.5M in the previous financial year to a sum of Kshs 54.7M in this current year. The budgeted revenue for this particular year was Kshs.180.9M. The management is taking deliberate measures to recover accounts receivables of Ksh 104.5M. Busia County government through the department of environment water and natural resources gave the company grants by settling electricity bills worthy Kshs.15M during the year. The company acknowledges receipt of Ksh 13M being a grant received from Water Sector Trust Fund during the year.

Busia Water and Sewerage Services Company incurred a total recurrent expenditure of Kshs.85M. Staff remuneration expense account for Kshs. 40M of the total expenditure. At the end of this financial year the company registered an operating loss of Kshs.1.3M.

The company has through the challenges, been able to comply with income tax act-statutory deductions which have been remitted up to date, these are; PAYE and National Hospital Insurance Fund. Local Authority Pension Trust Fund, staff welfare deductions and National Social Security Fund were not remitted during the entire financial year due to low income collected.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Busia Water and Sewerage Company Limited exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering water and sewerage related services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

The Company has ensured that it works closely with the Water Department in the County Government of Busia to ensure that there is always a fall back in case its revenues cannot support its operations on a daily and month to month basis. The County Government of Busia has always reciprocated by paying the Company's electricity bills, procurement and delivery of water treatment chemicals, handing over boreholes and water infrastructure after development.

ii) Environmental performance

The Company has ensured that natural bamboo forests around its abstraction points are not destroyed to prevent soil erosion and even affect the natural water filtration process before abstraction. This has been possible because the Company is part and parcel of what the County Department of Water, Irrigation, Environment and Natural Resources undertakes on a month to-month basis. The Company also seek to participate and contribute to a cleaner environment as per The National Environment Act of 2019 and ensure strict adherence to affluent discharge standards as prescribed by WASREB. This has increased the Company's involvement in community welfare which includes clean up exercises especially in towns within its areas of jurisdiction and by so doing reduces impact on the environmental pollution. The company also actively gets involved in tree planting in its various Stations. The company also contributes to the society by giving donations especially during public national holidays.

iii) Employee welfare

The success of the company is based on its people. The Company seek to recruit, retain, reward and develop the best talent in the company. It recognises the need to inculcate among our employees the culture of being sensitive to safety, security, society and the environment. This ensures that employees act with integrity and responsibility with the people they deal with and the environment they interact with. It trains employees to value each other, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity. Further, it continually seeks to improve its employees through structured programs for personal and professional development.

Regarding Occupational Health and Safety, The Company aim to ensure a safe and healthy working environment for all our employees and customers. The Company aims to comply with all relevant legislation, regulations and best practice guidelines recommended by national health and safety authorities. It also liaises with staff regarding policies and practices so that it can continue to maintain a healthy, safe and enjoyable work environment.

iv) Market place practices

The Company has always fostered healthy completion among its stakeholders including customers and Suppliers before engagement in any business transaction. These transactions have always been anchored on the Company's memorandum and articles of association to prevent deviations from the Company's main objective of providing affordable water and sewerage Services.

a) Responsible competition practice.

Busia Water and Sewerage Company ensures that there is strict adherence to the Public Procurement and Assets Disposals Act of 2015 and The Competitions Act of 2012 in all its business transactions.

b) Responsible Supply chain and supplier relations

The Company has always ensured that its suppliers are paid as quickly as possible to prevent lack of service delivery when goods and services are required urgently. The Company has also ensured that it enhances its transport section as a stop gap measure whenever its suppliers cannot deliver goods at its procurement stores.

c) Responsible marketing and advertisement

Being a government entity, the Company only utilized public Barraza's and clinics to advertise its services to the public. However further efforts are being developed to ensure that branded tents, seats and chairs are used as a marketing strategy during these events.

d) Product stewardship

The Company has ensured that it produces the best quality and tested portable water within the Busia County. This has always been complemented by offering conventional sewerage and other related services such as water boozers and exhauster services.

Corporate Social Responsibility / Community Engagements

BUWASSCO exists to transform lives by providing affordable clean safe water to households and commercial entities. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant services, and improving operational excellence. The company participated in donation of clean and safe domestic consumption water to the residents of Busia County particularly in Budalang'i and Port Victoria during the Covid 19 pandemic.

The Company has also ensured that public sanitation toilets are constructed in various bus parks within the county starting with the Busia Town Bus Park. The Company has also initiated the process of constructing a decentralized treatment facility at Port Victoria to reduce the amount of waste disposal in Lake Victoria which is the main source of drinking water for a lot of families within that town.

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which shows the true state of affairs of Busia Water and Sewerage Services Company Limited. **Principal activities**

The principal activities of the entity are;

Provide water and sanitation services in an effective, efficient and economical manner and shall report to County Government of Busia in accordance with the provisions in the Act. Comply with all the provisions of the Laws of Kenya relating to the performance of its obligations, including those relating to occupational health and safety of employees.

In addition, the company shall operate a quality monitoring and assurance system in accordance with the international standards. Ensure that assets entrusted to the company are maintained and are in good working condition. To develop programs for advancement of skills and competencies of employees of the company Establish mechanisms for promoting customer relations;

Results

The results of the company for the year ended are set out from page 1 to page 52.

Dividend

The company does not pay dividends rather uses the surplus to enhance its principal activity

Directors

The members of the Board of Directors who served during the year are shown on page vii-viii

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditors who were appointed in office are continuing for the next financial year. By Order of the Board


.....
Board Secretary

Busia (K)Date:.....

13/3/2023

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, *require* the Directors to prepare financial statements in respect of that entity, 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 entity 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 entity. The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2022.

This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the entity;
- 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 Public Finance Management Act, 2012 and the State Corporations Act. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2022 and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

Busia Water and Sewerage Services Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2022

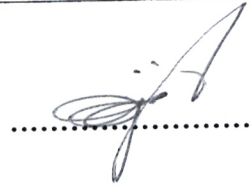
The Directors are of the opinion that the Busia Water and Sewerage Services Company financial statements give a true and fair view of the state of Company transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date. The Directors further confirm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

Busia Water and sewerage services company financial statements were approved by the Board on 13 | 03 | 2023 and signed on its behalf by:

.....



.....

Dr. George Kwedho, Ph.D.
Chairperson of the Board.

Mr. Ojiambo Erick Nakitari
Managing Director

REPUBLIC OF KENYA



Enhancing Accountability

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

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

REPORT OF THE AUDITOR-GENERAL ON BUSIA WATER AND SEWERAGE SERVICES 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 Busia Water and Sewerage Services Company Limited set out on pages 2 to 50 which comprise of the statement of

Report of the Auditor-General on Busia Water and Sewerage Services Company Limited for the year ended 30 June, 2022

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 Busia Water and Sewerage Services Company Limited as at 30 June, 2022, and of 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.

Basis for Qualified Opinion

1. Unsupported Share Capital

The statement of financial position reflects a balance of Kshs.100,000 in respect of ordinary share capital of the Company which, as disclosed in Note 19 to the financial statements, consists of 5,000 ordinary shares of Kshs.20 par value each. However, a register of shareholders was not provided for audit verification.

In the circumstances, the accuracy of the ordinary share capital balance of Kshs.100,000 could not be confirmed.

2. Unsupported Trade and Other Receivables

The statement of financial position reflects a balance of Kshs.104,509,981 in respect of trade and other receivables as disclosed in Note 17 to the financial statements. The amount is net of a provision for doubtful debts of Kshs.5,494,642. However, an ageing analysis was not provided to confirm how long the debts have remained outstanding. Further, an approved debt management policy was not provided to ascertain the terms under which debts are granted.

In the circumstances, the accuracy, completeness and authenticity of the trade and other receivables balance of Kshs.104,509,981 could not be confirmed.

3. Trade and Other Payables

The statement of financial position reflects a balance of Kshs.114,019,531 in respect of trade and other payables which, as disclosed in Note 23 to the financial statements, includes Kshs.23,059,812 relating to creditors inherited from the defunct Kakamega-Busia Water Company. However, supporting documents like ledgers, local purchase/service orders, invoices, goods received notes, and contract agreements were not provided for audit review to support the balance.

Further, and as indicated in the previous year's report, the Company's trade and other payables balance has been on an increasing trend. During the year under review, the balance increased by Kshs.16,680,696 from Kshs.97,338,835 reported in the previous year to the Kshs.114,019,531 as at 30 June, 2022. No explanation was provided for the failure to pay the creditors.

In the circumstances, the accuracy, completeness and authenticity of the trade and other payables balance of Kshs.114,019,531 could not be confirmed.

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

Emphasis of Matter

Non-Revenue Water (NRW)

The statement of profit or loss and other comprehensive income, as disclosed in Note 6 to the financial statements, indicates that during the year under review, the Company produced 870,412 cubic meters of water out of which only 451,203 cubic meters valued at Kshs.34,345,003 were billed while 419,209 cubic meters or 48% of water valued at Kshs.31,909,660 were not billed and therefore constituted non-revenue water. The loss of 48% of the water is above the 25% loss allowed by the Water Services Regulatory Board (WASREB). No explanation was provided for the 23% excess loss through unaccounted for water.

In the circumstances, the Company is not able to achieve its objective of providing sufficient water to the residents of the County.

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

Budget Performance

The statement of comparison of budget and actual amounts reflects a revenue budget and actual on comparable basis amounts of Kshs.180,918,586 and Kshs.84,178,595 respectively, resulting to under-funding of Kshs.96,739,991 or 53% of the budget.

Similarly, the statement reflects actual expenditure of Kshs.85,347,859 against approved budget of Kshs.180,918,586 resulting to under-performance of Kshs.95,570,727 or 53% of the budget.

The under-funding and under-performance affected planned activities and may have negatively affected on service delivery to the public.

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. Operation of Bank Accounts without County Treasury Approval

Note 18 to the financial statements indicates that during the year under review, the Company operated six (6) bank accounts. However, no evidence was provided to confirm that approval of the County Treasury was obtained to open and operate the accounts. This is contrary to Section 119(1) of the Public Finance Management Act, 2012 which provides that the County Treasury is responsible for authorizing the opening, operating and closing of bank accounts.

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

2. Late Submission of Financial Statements

The financial statements of Busia Water and Sewerage Services Company Limited for the year ended 30 June, 2022 were submitted to the Auditor-General on 21 October, 2022. This is contrary to Section 164(4)(a) of the Public Finance Management Act, 2012 and Section 47(1) of the Public Audit Act, 2015, which provide that financial statements of public entities shall be submitted to the Auditor-General for audit within three (3) months after the end of the financial year to which the accounts relate, in this case 30 September, 2022.

In the circumstances, Management was in breach of the law

3. Failure to Maintain an Updated Fixed Assets Register

The statement of financial position, and as disclosed in Note 15 to the financial statements, reflects a balance of Kshs.3,305,954 in respect of property, plant and equipment. However, the Company did not maintain an updated assets register showing details relating to: nature or type of asset, date of acquisition, cost, supplier, unique identification number, current value, current location, user, accumulated depreciation and net book values.

This is contrary to Section 149(2)(o) of the Public Finance Management Act, 2012 which states that the Accounting Officer shall in respect of the entity concerned, ensure that the respective County Government entity has adequate systems and processes in place to plan for, procure, account for, maintain, store and dispose of assets, including an asset register that is current, accurate and available to the relevant County Treasury or the Auditor-General.

In the circumstances, 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 matter described in the Basis for Conclusion on Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of a Risk Management Policy

Examination of records revealed that the Company operated without a risk management policy contrary to the provisions of Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer should ensure that there is a risk management policy that includes prevention mechanisms and systems.

In the circumstances, detection and prevention of possible risks that might have adverse impact on the Company's operations may not be detected.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the 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 Management.

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

I communicate with 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

19 April, 2023

XIII. STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022.

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenues			
Revenue	6	54,729,599	58,524,319
Cost of sales	8	(20,066,628)	(22,076,670)
Gross profit		34,662,971	36,447,649
Other Income			
Grants from the Government (County & WSTF)	7	29,448,996	17,624,600
In kind donation from Water Sector Trust Fund		-	1,205,008
Total Revenues		64,111,967	55,277,257
Operating Expenses			
Administration Costs	9	(56,349,034)	(47,772,580)
Maintenance Costs	10	(7,042,981)	(10,221,790)
Finance Costs	12	(94,217)	(102,976)
Depreciation Charge	11	(2,010,894)	(540,504)
Total Operating Expenses		(65,497,126)	(58,637,850)
Profit/(Loss) Before Taxation		(1,385,159)	(3,360,593)
Income Tax Expense/(Credit)		-	-
Profit/(Loss) After Taxation		(1,385,159)	(3,360,593)

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	3,305,954	3,528,783
Total Non-Current Assets		3,305,954	3,528,783
Current Assets			
Inventories	16	337,695	464,300
Trade and other receivables	17	104,509,981	85,829,784
Staff debtors		-	37,700
Bank and cash balances	18	2,916,615	5,914,141
Total current assets		107,764,291	92,245,925
Total Assets		111,070,245	95,774,708
Equity And Liabilities			
Capital and Reserves			
Ordinary share capital	19	100,000	100,000
Retained earnings		(3,049,286)	(1,664,127)
Capital and Reserves		(2,949,286)	(1,564,127)
Current Liabilities			

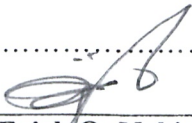
(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

Trade and other payables	23	114,019,531	97,338,835
Total Current Liabilities		114,019,531	95,774,708
Total Equity and Liabilities		111,070,245	95,774,708

The financial statements were approved by the Board on 13/03/2023 2023 and signed on its behalf by:

.....


Mr. Erick O. Nakitari
Managing Director


Mr. Nelson R.M Bunyasi
Head of Finance

Dr. George Kwedho (PhD)
Chairman of the Board

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

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

	Ordinary share capital (Ksh)	Retained earnings (Ksh)	Grants (Ksh)	Total (Ksh)
At July 1, 2020	100,000	1,696,466		1,796,466
Profit for the year	-	(3,360,593)		(3,360,593)
At June 30, 2021	100,000	(1,664,127)		(1,564,127)
At July 1, 2021	100,000	(1,664,127)		(1,564,127)
Profit for the year	-	(1,385,159)		(1,385,159)
At June 30, 2022	100,000	(3,049,286)		(2,949,286)

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

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

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows from Operating Activities			
Cash generated from/ (used in) operations	24	(1,209,460)	9,285,326
Net cash generated from/ (used in) operating activities		(1,209,460)	9,285,326
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(1,788,066)	(3,371,185)
Net cash generated from/ (used in) investing activities		(1,788,066)	(3,371,185)
Cash flows from financing activities			
In kind Donation from County Government		-	-
Financing through Customer Deposit Account			-
Net cash generated from/ (used in) financing activities		-	-
Increase/(decrease) in cash and cash equivalents		(2,997,526)	2,347,264
Cash and cash equivalents at beginning of year	24	5,914,141	3,566,877
Cash and cash equivalents at end of the year	18	2,916,615	5,914,141

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

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

	Original budget	adjustments	Final budget	Actual on comparable basis	Performance difference	% Of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	81,306,060	-	81,306,060	54,729,599	(26,576,461)	67.3
Grants	99,612,526	-	99,612,526	29,448,996	(70,163,530)	29.6
Total Revenue	180,918,586	-	180,918,586	84,178,595	(96,739,991)	46.5
Expenses		-			0	
Staff Costs	48,519,509	-	48,519,509	40,492,061	8,027,448	83.5
General Board Expenses	5,945,946	-	5,945,946	1,195,400	4,750,546	20.1
General Administration Expenses	12,935,700	-	12,935,700	14,661,573	(1,725,873)	113.3
Operational expenses	42,757,712		42,757,712	20,066,628	22,691,084	46.9
Maintenance	30,380,993	-	30,380,993	7,042,981	23,338,012	23.2
Finance costs	143,500	-	143,500	94,217	49,283	65.7
Total Recurrent Expenditure	140,539,860	-	140,539,860	83,559,793	56,980,067	59.5
Capital Expenditure	40,378,726	-	40,378,726	1,788,066	38,590,660	4.4
Total Expenditure	180,918,586	-	180,918,586	85,347,859	95,570,727	47.2

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Busia water and Sewerage Services Company Ltd is established by and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the Busia County Government and is domiciled in Kenya. The Company's principal activity is supply of Water and Sanitation Services.

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

2. Statement of Compliance and Basis of Preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (Issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

(indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

Title	Description	Effective Date
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

iii. Early adoption of standards

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Freehold Land		
Leasehold Land		
Buildings and civil works	25	
Infrastructure works	12.5	
Plant and machinery	12.5	
Motor vehicles, including motor cycles	4	
Computers and related equipment	3	
Office equipment, furniture and fittings	12.5	

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

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

g) Investment property

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Trade and other receivables

Trade and other receivables are recognized 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 and when the necessary approval to write off is granted.

n) Taxation

i) Current income tax

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

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

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

o) Deferred tax

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

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

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

p) Borrowing costs

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) Cash and cash equivalents

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

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2022. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 900 per employee per month.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

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

x) Service concession arrangements

The Company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Company recognizes that asset when, and only when, it

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

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

z) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

c) Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Provision for bad & doubtful debts.

6. Operating Revenue

	2021-2022	2020-2021-1
	Kshs	Kshs
Water sales	34,345,003	34,245,385
Sewerage Services	19,747,146	17,827,934
Billing for other services-Exhauster services	637,450	6,451,000
Total	54,729,599	58,524,319

7. Grants Income

	2021-2022	2020-2021
	Kshs	Kshs
Recurrent/operational grants from other agencies-WSTF Conditional Liquidity Support Grant	13,930,796	-
Donations from County Governments-Busia County	15,518,200	17,624,600

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

In Kind contribution/donations from other agencies-WSTF chemicals	-	1,205,008
Total	29,448,996	18,829,608

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Cost of sales

	2021-2022	2020-2021
	Kshs	Kshs
Opening stock chemicals	134,590	774,300
Add purchases: Chemicals	3,849,567	2,005,008
Less: Closing stock Chemicals	-	(134,590)
Water levies- WARMA	1,066,084	738,482
-WASREB	2,189,184	2,340,973
Electricity	12,827,203	16,352,497
Total	20,066,628	22,076,670

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Administration Expenses

Staff cost

Description	2021-2022 (Kshs)	2020-2021 (Kshs)
Basic Salaries for Employees	24,952,973	20,349,072
Casual Wages	199,450	-
Employer contribution-Lap trust	2,337,901	1,867,138
Provision for Gratuity	565,410	-
Leave and Passage	210,966	261,640
Acting Allowances	66,066	102,900
Airtime Allowances	713,000	470,000
Commuter Allowances	1,983,000	1,502,000
House Allowance	6,636,000	5,436,000
Special Duty Allowances	166,466	206,619
Medical Allowances	392,600	501,000
Seconded Staff Stipend	325,070	54,780
Staff Uniform and Protective Clothing	-	17,400
N.S.S.F Employer contribution	911,600	952,560
Salary Refunds	876,859	225,103
Performance rewards	154,700	-
Total	40,492,061	31,946,212
The average number of employees at the end of the year:		
Permanent employees – Management	-	-
Permanent employees	47	35
Temporary and contracted employees	41	40
Seconded staff	2	2
Total	91	77

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

General and Operations Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Office Running Expenses		
Auditor's Remuneration	400,000	400,000
Telephone, Postage and Telegram	477,791	40,643
Travel & Accommodation	1,582,984	1,674,725
Training, Workshops and seminars	1,442,870	70,185
Membership to professional bodies/ WASPA	0	24,000
Advertising & Promotions	164,944	532,800
Insurance of Motor Vehicles	261,692	597,155
Newspapers Periodicals and Library Expenses	0	120
Hospitality	595,260	657,575
Office Stationery - Opening Stock - 46,410	0	-
- Purchases - 1,201,783	0	-
- Closing Stock - (337,695)	910,498	1,132,486
Printing and Photocopying	20,400	44,386
Consultancy & professional fees	121,900	78,000
Security Services	1,915,500	1,443,891
General Office Expenses/Miscellaneous	433,165	186,512
ICT Expenses	598,937	852,003
Maintenance of Office Buildings, Repair & Renovations	53,940	524,156
Administrative Licenses & Levies	0	137,250
Provision for Doubtful Debts	5,494,642	4,419,097
Staff uniform & protective gear	23,350	-
Team building	63,700	-
Legal fees	100,000	-
Sub Total	14,661,573	12,814,984

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Board Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Board Allowances	924,000	2,267,464
Chairman's Honoraria	175,000	420,000
Other Board Expenses	96,400	323,920
Sub Total	1,195,400	3,011,384
Grant Administrative Total	56,349,034	47,772,580

10. Maintenance Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Maintenance of Water Supply	2,792,779	6,828,257
Maintenance of Pumps and Equipment's	1,275,223	691,650
Maintenance of motor vehicles	1,215,002	1,252,183
M/Vehicles fuel expenses	1,759,977	1,354,000
Water Quality Tests and Reagents	-	95,700
Total Maintenance Expenses	7,042,981	10,221,790

11. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant, and equipment	2,010,894	540,504
Total Depreciation and Amortization	2,010,894	540,504

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Finance costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Bank charges	94,217	102,976
Total	94,217	102,976

13. Earnings Per Share

There are no earnings per share

14. Dividend Per Share

There are no dividends per share

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Property, Plant and Equipment

2021	Water supply Infrastructure	Water Meters	furniture & Fittings	Office equipment	Computers & related equipment	Motor vehicles, including, motor cycles	Pumps & Pump Equipment	Total
COST OR VALUATION								
At July 1, 2020	294,344	5,477,000	895,096	618,959	1,051,300	2,646,967	682,075	11,665,741
Additions	358,160	1,405,500	-	-	379,320	415,484	812,721	3,371,185
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2021	652,504	6,882,500	895,096	618,959	1,430,620	3,062,451	1,494,796	15,036,926
DEPRECIATION								
At July 1, 2020	87,844	5,477,000	895,096	420,298	1,051,300	2,646,967	389,134	10,967,639
Charge for the year	28,653	112,440	-	49,517	126,440	103,871	119,584	540,504
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2021	116,497	5,589,440	895,096	469,815	1,177,740	2,750,838	508,718	11,508,143
NET BOOK VALUE At June 30, 2021	536,007	1,293,060	-	149,144	252,880	311,613	986,078	3,528,783
NET BOOK VALUE At June 30, 2020	206,500	292,941	-	198,661	-	-	-	698,102

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2022	Water supply Infrastructure	Water Meters	furniture & fittings	Office equipment	Computers & related equipment	Motor vehicles, including, motor cycles	Pumps & Pump Equipment	Total
Cost Or Valuation								
At July 1, 2021	652,504	6,882,500	0	618,959	1,430,620	3,062,451	1,494,796	14,141,830
Additions	274,128	428,769	275,500	25,000	58,500	519,169	207,000	1,788,066
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2022	926,632	7,311,269	275,500	643,959	1,489,120	3,581,620	1,701,796	15,929,896
Depreciation								
At July 1, 2021	116,497	5,589,440	-	469,815	1,177,740	2,750,838	508,718	10,613,048
Charge For the Year	74,131	584,902	22,040	51,517	311,380	830,782	136,144	2,010,894
Impairment Loss	-	-	-	-	-	-	-	-
Eliminated On Disposal	-	-	-	-	-	-	-	-
At June 30, 2022	190,628	6,174,342	22,040	521,332	1,489,120	3,581,620	644,862	12,623,942

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

Net Book Value at June 30, 2022	736,004	1,136,927	253,460	122,627		0	0	1,056,934	3,305,954
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
Chemicals	-	134,590
Pipes and Fittings	-	283,300
Stationeries and General Accessories	337,695	46,410
Less: Impairment of stocks	-	-
Total	337,695	464,300

17.a) Trade and Other Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Water Supply Receivables - Mundika Scheme	54,856,426	48,958,710
- Nambale Scheme	6,376,265	6,014,449
- Matayos Scheme	7,883,081	9,256,603
- Malaba Kocholia	14,779,943	13,907,509
- Sewer Only Connections	26,108,908	12,111,610
Gross trade and other Receivables	110,004,623	90,248,881
Staff receivables		37,300
Provision for bad and doubtful receivable	(5,494,642)	(4,419,097)
Net trade and other Receivables	104,509,981	85,829,784

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2021-2022	2020-2021
	Kshs	Kshs
At the beginning of the year	-	-
Additional provisions during the year	5,494,642	4,419,097
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	5,494,642	4,419,097

18. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	2,845,021	3,354,143
Cash in hand	-	-
Mobile money account	71,594	67,477
	2,916,615	3,421,620

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

		2021-2022	2020-2021
Financial institution	Account number	Kshs	Kshs
a) Current account			
Equity Bank Revenue Account	0780279267508	110,385	193,069
Equity Bank Expenditure Account	0780279267525	44,612	243,472
Cooperative Bank Revenue Account	01141237264000	83,792	1,339,052
b) Cooperative Bank Expenditure Account	01141237264001	15,939	1,578,550
Sub- total		254,728	3,354,143
On - call deposits			
c) Cooperative Bank Customer Deposits	1141237264002	432,482	351,210
KCB - Customers Deposits	126612002	2,157,811	2,141,311
Sub- total		2,590,293	2,492,521
Revenue Collection Agents			
d) M-pesa Pay Bill No	689872	71,594	67,477
cash in hand			
Sub- total		71,594	67,477
Grand total		2,916,615	5,914,141

19. Ordinary Share Capital

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20.Revaluation Reserve

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

21.Fair Value Adjustment Reserve

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

22. Retained Earnings

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Pan Africa Chemicals	1,155,918	2,066,392
Ajie Investment	382,000	
Brinet Ventures	106,800	
Memory Soft international	40,600	
Bulls Security Services	2,257,759	2,756,000
Agra Motor Garage	66,800	39,080
Conerstone Security Services	0	376,768
Davis and Shirliff	0	2,942
Migori Auto Spare	31,400	31,400
Dominion Dishes	0	9,600
Double Shasha	0	9,600
Graneat Motors Services	0	41,760
Meliako Contractors	0	99,000
Kibo Africa Limited	65,484	215,484
Laser Insurance Brokers	805,413	436,830
Sulis East Africa Ltd	0	41,000
Malcoms Agencies	408,042	309,021
Kel Chemicals Limited	1,260,520	1,260,520
Py-rex East Africa Limited	95,700	95,700
Lionel General Stationaries Offices	390,805	390,805
Aquatreat	95,290	95,290
Boderline Contractors	249,000	142,500
Omondi Plumbers and General Contractors	198,950	198,950
Palulu Fabrication and General Engineer	0	15,000
Spellion Kenya Limited	0	55,620
Stepvits Enterprises Limited	-	71,960
Tonner Solutions	88,640	188,640
Redseal Solutions Ltd	236,280	758,640

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

Jolof Enterprises	110,000	110,000
Joflo	-	75,200
Mulembe International Hotel	56,300	56,300
Farmview Hotel	395,210	435,210
Charlink General Supplies	441,600	441,600
CIC Group	232,278	232,278
Coast Industrial and Safety Supplies Ltd	231,536	24,882
Aidatek Enterprises Ltd	119,990	119,990
Butaya Ventures	110,745	110,745
Kifaru Auto works	13,000	53,000
Kenya Power and Lighting Company	6,582,459	4,582,459
Pride kings	1,124,828	
320 Technologies	136,880	
ATS Trravel	16,400	
Bondo Pride	145,595	
KSB Pumps	154,280	
Mt Kenya Furniture	222,000	
Superworld	431,850	
The Breeze	72,650	
Juma Mulika	0	
Dovic Ventures Limited	215,300	
Sub Total	18,748,302	15,950,166
CREDITORS FROM THE JOINT KAKAMEGA BUSIA		
Auditor General	541,333	541,333

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

Beatwam Limited Integrated	183,164	183,164
Aquatreat	-	-
Bedrock Holdings Ltd	219,623	219,623
Betco Engineering	16,667	16,667
CIC Group	7,032	7,032
Coast Industrial and Safety Supplies Ltd	233,317	233,317
Double Shasha	122,250	122,250
Gm Busolo Contractors	26,000	26,000
Golf Hotel	17,400	17,400
Highrise Designers	19,777	19,777
ICEA Lion General Assurance	594,287	594,287
Julika Automobiles	66,478	66,478
Kakamega General Motors	60,112	60,112
Kinetics Engineering Ltd	348,708	348,708
Legal Fee	333,333	333,333
Lake Victoria North Water Works Development Agency	19,397,035	19,397,035
Morisam Construction	31,627	31,627
Nupaxx Services	585,833	585,833
Pamida Engineering	343	343
Pan Africa Chemicals Ltd	-	-
Postal Corporation of Kenya	2,277	2,277
Sahajanand Spares Corner Limited	36,667	36,667
Terranova Autospare	39,410	39,410
Tyretec Autospare	19,333	19,333
Wasreb	-	-
Water and Solar Technologies Limited	15,053	15,053
Wekesa Simiyu Advocates	142,753	142,753

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

	-	-
Sub Total Inherited Creditors	23,059,812	23,059,812
Other Creditors		
Net Salaries	6,493,927	2,101,580
N.H.I.F	-	58,200
N.H.I.F Penalties	-	-
N.S.S.F	3,106,440	1,443,440
NITA	287,523	235,323
Commissioner of Income Taxes	826,423	776,610
Commissioner of Income Taxes - PAYE Penalties	-	-
Laptrust	22,867,871	18,192,069
Co-operative Bank of Kenya	3,427,392	3,427,392
Honoraria Net	-	147,000
Board of Directors Sitting Allowances	1,494,500	1,361,500
BUWASSCO Welfare Association	846,025	706,825
The Standard Group	344,694	795,000
Ukulima Sacco	1,489,061	1,409,861
Wevarsity Sacco Society	153,717	153,717
Auditor General	2,400,000	2,000,000
Prepaid Water	829,320	1,322,430
WASPA	124,000	196,200
WASREB	7,164,770	4,681,733
W.R.M.A	5,115,112	4,243,693
Lake Victoria North Water Works Development Agency	5,013,685	5,013,685

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

Sub Total	61,984,460	48,266,258
Customer Deposits		
Balance B/f	10,062,599	9,711,389
Deposits During the Year	164,358	361,710
Less Refunds	-	(10,500)
Net Customers Deposits	10,226,957	10,062,599
Grant Total	114,019,531	97,338,835

24. Notes to The Statement of Cash Flows

	2021-2022	2020-2021
	Kshs	Kshs
i) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(1,385,159)	(3,360,593)
Depreciation	2,010,894	540,504
Operating profit/(loss) before working capital changes	625,735	(2,820,089)
Customer adjustments during the year	37,701	3,566,876
(Increase)/decrease in inventories	126,605	590,260
(Increase)/decrease in trade and other receivables	(18,680,197)	(8,343,373)
Increase/(decrease) in trade and other payables	16,680,696	16,291,652
Cash generated from/ (used in) operations	(1,209,460)	9,285,326

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

Analysis of cash and cash equivalents		
(b) Cash at bank	2,916,615	5,914,141
Balance at end of the year	2,916,615	5,914,141

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

25. Related Party Disclosures

County Government of Busia

The County Government of Busia is the principal shareholder of Busia Water and Sewerage Company Limited, holding 100% of the company's equity. The Government of Kenya has provided full guarantees to all long-term lenders of the Company, both domestic and external. Related entities to Busia Water and Sewerage Company includes:

- i) The Ministry of Water and Irrigation,
- ii) County Government of Busia,
- iii) Lake Victoria North Water Works Development Agency,
- iv) Water Sector Trust Fund,
- v) Water Sector Regulatory Board,
- vi) Water Resource Management Authority,
- vii) Key management,
- viii) Board of directors,

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Support from Related Parties		
Water Sector Trust Fund –		1,205,008
- Construction of DTF	17,200,000	17,200,000
- Conditional Liquidity Support Grant	13,937,669	
Total	31,137,669	17,405,008
Grants from the Government		
Grants from National Government		-
Grants from County Government	15,518,200	17,624,600
Donations in kind	-	-
Total	15,518,200	17,624,600

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. 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.

(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 customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from Busia County Assembly, Department of Livestock Busia County Government and Busia County Referral Hospital.

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

ii) Liquidity risk management

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

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

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

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

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

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

a) foreign currency risk

The Company has no transactional currency exposures.

(iv) Market risk (Continued)

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The Company manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

c) Interest rate risk

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

i) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

ii) Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iii) Fair value of financial assets and liabilities

a) financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

- i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

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

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

There were no transfers between levels 1, 2 and 3 during the year.

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values. iv) **Capital Risk Management**

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

28. Incorporation

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

29. Events After the Reporting Period

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

30. Currency

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

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

XIX. 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.	Lack of a fixed asset register	The company is in the process of developing an updated asset register. Land and buildings and some of Motor Vehicles are assets of Lake Victoria North Water Works Development Agency (LVNWWDA) hence we could not recognize them in our financial statements as part of our assets. We have attached a list of assets owned by LVNWWDA but under our possession.	Not resolved	December 2023
2.	Unsupported Bank and Cash Balances	We have availed the bank reconciliations of respective bank accounts for audit review	Resolved	
3.	Unsupported Expenditure –	We have availed all the supporting documents to support the office running	Resolved	

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

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)
	Administration costs	expenses indicated above amounting to Kshs 481,000.		
4.	Non- revenue water	Non-revenue water has been a major setback in the company due low metering ratio. Despite this, we have been able to lower the figure from 90% to 68% in the financial year 2020/2020. The figure however increased to 68% from 57% in the previous financial year due to a number of reasons as list below;	Not resolved	2025
5.	Lack of legal instruments	Management Response. The Company has an approved board charter and it is availed for audit review	Resolved	


(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

Guidance Notes:

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

Name ERICK OLLAMBO NAICITAY

Signature 

Managing Director

Date 12/3/2022

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

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

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period / duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Busia-Port Victoria Household Sanitation Project	02HS/LVNWWDA/BUS IA/054	WSTF	1 YEAR	17,214,223.40	YES	NO

Note:

The project funds above are held at Equity Bank account number 0780279449166 in the company's name with a balance of KShs. 318,233.

(Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

Status of Projects completion

(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Decentralized treatment facility	17,214,223.40	16,611,701.60	98%	17,214,223.40	16,611,701.60	WSTF
3							

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.