

REPUBLIC OF KENYA

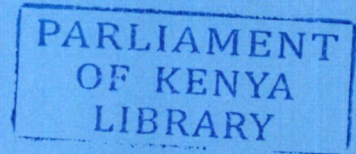


*Enhancing Accountability*

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**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**

**GITHUNGURI WATER AND  
SANITATION COMPANY LIMITED**

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





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***GITHUNGURI WATER AND SANITATION  
COMPANY LIMITED***

**ANNUAL REPORTS AND FINANCIAL  
STATEMENTS**

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

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

GITHUNGURI WATER AND SANITATION COMPANY LTD  
Annual Report and Financial Statements for the year ended June 30, 2022

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GITHUNGURI WATER AND SANITATION COMPANY LTD  
Annual Report and Financial Statements for the year ended June 30, 2022

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## I. Key Entity Information

### Background information

Githunguri Water & Sanitation Company Limited was incorporated under the Companies Act (Cap. 486) on 24<sup>th</sup> April 2007 and was appointed by Athi Water Services Board (a state corporation) as an agent for the provision of efficient and effective water and sanitation services within Githunguri district & Lower Lari. The company currently operate in Githunguri Sub County and Part of Lari Sub County. After the new constitution the company become an agent of County Government of Kiambu. The Company is currently 100% owned by County Government of Kiambu. The Bboard of Directors are responsible for the general policy and strategic direction of the Company

### Principal Activities

The principle activities for which the Company was established are: -

- To supply Githunguri sub county & Lower Lari together with the neighborhood and its environs, with quality, affordable & sufficient water and to carry on business of water and to manage the assets belonging to Athi Water Works Agency by ensuring they are not subject to any resolution of the Company or that of the Council
- To exercise overall control over the sources and supply of water and in particular, to conserve, redistribute and to augment those water resources, including sinking boreholes, to make, build and construct, lay down and maintain reservoirs, waterworks, cisterns, culverts, filter-beds, main and other pipe and appliances, to execute and do all works and things necessary or convenient for obtaining, storing, selling, delivering, measuring and distributing water, or otherwise for the purposes of the Company.
- To provide and distribute a constant supply of potable water for commercial, industrial and domestic purposes.

### Vision

To be the market leader in the provision of reliable, quality, sufficient and affordable water services in the region.

### Mission

To ensure provision of efficient, effective, good quality water services in our area of jurisdiction and beyond.

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**Directors**

We have two categories of Directors who served the entity during the period.

*a. The Directors who served the entity during the period and up to February 2022 as the care taker board for the proposed merger were as follows:*

- |                                  |   |
|----------------------------------|---|
| 1. Prof. Bernard K Njoroge       | Board Chairman(Caretaker Board)-exited February 2022                                |
| 2. Jennifer Kanini Musyoki       | Board Member and Chief Officer Water County Government of Kiambu Representative     |
| 3. James Gitau Muriuki           | Board Member and Chairman, Finance & Administration Committee- exited February 2022 |
| 4. Eng. Andrew G Muigai          | Board Member and Chairman, Technical Committee - exited February 2022               |
| 5. Samuel Gatama Njuguna         | Board Member-exited February 2022   |
| 6. Emmah Waithira Nganga         | Board Member and Chairperson, Human Resource Committee-exited February 2022         |
| 7. Prof. Stephen Gichuki Njuguna | Board Member-exited February 2022   |
| 8. Bishop Solomon Wairiri Waweru | Board Member –exited February 2022  |
| 9. Dominic Gachanja              | Chairman, Audit, Risk Management Committee-exited February 2022                     |
| 10. Ndungu Wa Munywe             | Board Member-exited February 2022   |
| 11. Dr. Martin Njogu             | Board Member-exited February 2022   |
| 12. Josephine Wacheke Muritu     | Company Secretary   |

**All the above directors exited on February 2022 when the new Directors for Githunguri Water and Sanitation Company Limited were appointed.**

*b. The Directors who served the entity during the period and from February 2022 as Githunguri Water and Sanitation Company Board of Directors were as follows:*

- |                                  |   |
|----------------------------------|---|
| 1. Bishop Solomon Wairiri Waweru | Board Chairman                                      |
| 2. James Gichanga Mburu          | Board Member and Chairman of Risk & Audit Committee |
| 3. Jennifer Kanini Musyoki       | Board Member and Chief Officer Water                |
| 4. William Kimani                | Board Member and Chief Officer Finance              |
| 5. Charles Gikonyo               | Board Member and Chief Officer Administration       |

*c. The Alternate Directors who served the entity during the period and from February 2022 as Githunguri Water and Sanitation Company Board of Alternate Directors were as follows:*

- |                       |  |
|-----------------------|--|
| 1. Joseph Njuguna     | Alternate Board Member and Director Water          |
| 2. Henry Mburu Waweru | Alternate Board Member and Director Revenue        |
| 3. Stephen Kiiru.     | Alternate Board Member and Director Administration |
| 4. Peter Gichuki      | Alternate Board Member and Director Administration |

**Corporate Secretary**

Josephine Wacheke Muritu  
P.O. Box 2344-00900  
Kiambu.

**Registered Office**

Githunguri Water & Sanitation Company Ltd  
Githunguri Town within Githunguri Police Station  
P.O. Box 823 - 00216,  
Githunguri

**Corporate Headquarters**

Githunguri Water & Sanitation Company Ltd  
Githunguri Town within Githunguri Police Station  
P.O. Box 823 - 00216, Githunguri

**Corporate Contacts**

Telephone: (254) 700484034/731554433  
E-mail: githunguriwater@yahoo.com  
info@githunguriwater.co.ke  
Website: githunguriwater.co.ke

**Corporate Bankers**

Kenya Commercial Bank-Githunguri  
P.O. Box 1 00216  
Githunguri

Equity Bank Ltd-Githunguri  
P.O Box 11 00216  
Githunguri

Kiambu Unity Finance –Kagwe  
P.O Box 268-00900  
Kiambu

GDC Sacco Ltd-Githunguri  
P.O Box 896- 00216  
Githunguri

Safaricom Limited  
P.O Box 66827 – 00800, Nairobi

GITHUNGURI WATER AND SANITATION COMPANY LTD  
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**Independent Auditors**


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

**Principal Legal Advisers**


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


**GITHUNGURI WATER AND SANITATION COMPANY LTD**  
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	<ol style="list-style-type: none"> <li>1. Name: Dr. Martin Njogu Mbugua</li> <li>2. Position: Director</li> <li>3. DoB :</li> <li>4. Qualification: Doctor of Philosophy - Chemistry</li> <li>5. Work Experience: Lecturer and researcher, Department of Chemistry/UoN</li> </ol>
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	<ol style="list-style-type: none"> <li>1. Name: Josphine W. Muritu</li> <li>2. Position: Company Secretary</li> <li>3. DoB:</li> <li>4. Qualification: LLB (UoN)</li> <li>5. Work Experience: Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki &amp; Company Advocates, Counsel Musyimi &amp; Company Advocates</li> </ol>
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The following are details of the board of directors of Githunguri Water and Sanitation Company limited who served in the company from February 2022.

	<ol style="list-style-type: none"> <li>1. Name: Bishop Solomon Waweru</li> <li>2. Position: Director</li> <li>3. DoA ;2018</li> <li>4. Qualification: Retired Public Officer</li> <li>5. Work Experience: Bishop of A Church- Representative of NGOs</li> </ol>
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	<ol style="list-style-type: none"> <li>1. Name: Jennifer Kanini Musyoki</li> <li>2. Position: Director</li> <li>3. Date of Birth: 29/07/1984</li> <li>4. Date of Appointment : 29th July 2020</li> <li>5. Qualification: MBA (Strategic Management); BSc Civil Engineering</li> <li>6: Work Experience: Previously worked as a Water &amp; Sanitation Engineer in planning and design of urban and rural water and sanitation infrastructure; formulating national and county government water and sanitation policies, strategies and plans; conducting out technical assessments, socio-economic studies and surveys with H.P. Gauff Ingenieure, GIZ International Water Stewardship programme and Authentic Living Int. Co. Ltd. Currently working as the Chief Officer in the Department of Water, Environment, Energy and Natural Resources.</li> </ol>
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1. **Name** Charles Wahogo Muiru
2. **Position** Ag Managing Director
3. **Qualification.** Holds B.E.D Accounting and Economics (U.O.N) and CPA IV
4. **Work Experience.** Over 15 Years working in water companies

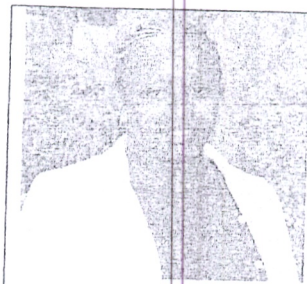


- 1.**Name:** Josphine W. Muritu
- 2.**Position:** Company Secretary
- 3: **DoB:**
- 4.**Qualification:** LLB (UoN)
- 5.**Work Experience:** Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki & Company Advocates, Counsel Musyimi & Company Advocates
6. **Membership**

**III. Management Team**

	<p><b>Charles Wahogo Muiro - Ag Managing Director</b>                  Holds B.E.D Accounting &amp; Economics (U.O.N) and CPA IV                  He is responsible of monitoring and assessing management’s performance                  Ensuring that the company complies with the legal and governance framework of the company                  Ensuring institutional transformation in accordance with corporate strategy</p>
	<p><b>James Muiruri Njoroge – Technical Manager</b>                  Holds B.sc Enviromental Health, Diploma Water Engineering and Msc.Enviromental Engineering(ongoing)                  He is responsible of Technical department overseeing sufficient production, Nrw team, preparation of proposals for funding and also oversees operations &amp; maintenance</p>
	<p><b>Stephen Thenya Mwangi- Human Resource &amp; Administration Manager</b>                  Holds Higher Diploma in Human Resource Management                  Master of Science- HRM                  Full member-IHRM                  He is responsible for Human resource functions &amp; logistic issues</p>
	<p><b>CPA Alex Muragu Waruhiu -Accountant</b>                  Holds CPA(K) and Registered with ICPAK                  Preparation of reports &amp; Financial statements                  Preparation of payroll.                  Oversees revenue collection.</p>

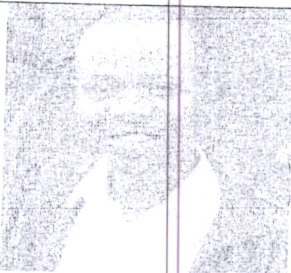
GITHUNGURI WATER AND SANITATION COMPANY LTD  
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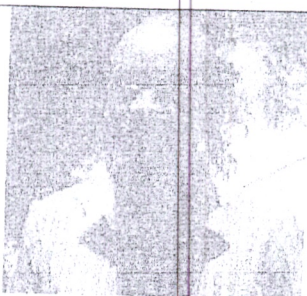
Cecilia Wanjiru Gakuha- Procurement Officer  
Holds BBM (Purchasing & supplies)  
In charge of procurement processes



Peris Wambui- Billing officer  
Holds diploma in Hrm  
Handles the billing processes & customer care



Gabriel Kariuki- Githunguri Scheme manager  
Holds Diploma In Water Engineering  
Assist the Technical manager in overseeing scheme technical issues



Hillary Mwani- Komothai Scheme manager  
Holds Diploma In Water Engineering  
Assist the Technical manager in overseeing scheme technical issues



1.Name: Josphine W. Muritu  
2.Position: Company Secretary  
• 3: DoB:  
4.Qualification: LLB (UoN)  
5.Work Experience: Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki & Company Advocates, Counsel Musyimi & Company Advocates  
6. Membership

#### IV. Chairman's Statement

I am delighted to present to you the financial report for the year ended 30th June 2022. As a company we put in a lot of effort to fulfill our mandate which is to provide water and sanitation services in Githunguri and Lower Lari sub-counties of Kiambu County.

During the year ended 30th June 2022 the company focused on key objectives as stated in the strategic plan which include; Reduction of NRW, increased coverage, financial sustainability, operational sustainability and customer satisfaction.

During this period the company registered some positive growth in customer base, operational stability, and good governance among others although with some short coming here and there.

During the financial year the company made a deficit of Kshs. 13,254,859 compared to a deficit of Kshs 9,659,011 during the previous financial year. The increase in loss was occasioned by increased operational cost.

Due to the ongoing road constructions most of our pipelines were greatly affected especially in areas served under Komothai water system, Matimbei & Githiga. This occasioned high NRW & loss of revenue in these areas where we have discontinued supply.

##### **Way forward**

The challenges at hand call for great improvement of existing systems and construction of new ones and I believe that with the assistance of our stakeholders this problem would be addressed.


Water is now a Constitutional Right and this may pose a challenge in our endeavour to serve the underserved in line with Sustainable Development Goals.

We are generally striving in the following key areas in order to attain sustainable operations;

- Enhanced revenue collection from water sale
- Reduced non- revenue water hence increased water sale and reduce cost of operations.
- Enhanced staff productivity
- Improve water coverage and reliability
- Implement on-going /upcoming projects

I would take this opportunity to record my gratitude to my fellow board members for their support and valuable contribution to the company. I would also like to thank the management and the staff of the company for their commitment, strength and dedication towards the company. To our development partners I express my heartfelt gratitude for your continued support.

Last but not the least I would also thank our stake holders for their support and loyalty and assure them of our determination to continually improve the quality of our services

Bishop. Solomon Wairiri Waweru,  Chairman of the Board

**V. Report of the Managing Director**

I am delighted to present to you the financial report for the year ended 30th June 2022. As a company we put in a lot of effort to fulfill our mandate which is to provide water and sanitation services in Githunguri and Lower Lari sub-counties of Kiambu County.

**Financial Performance**

During the year ended 30th June 2022 the company's revenue increased from Kshs 60,704,334 to Kshs 69,953,644. This was as a result of grant income received from wstf which was utilised to pay Nairobi water & Electricity. The expenditure increased from Kshs 70,363,791 to Kshs 83,208,502. The increase in cost was due to reliance on Bulk water from Nairobi water, increase in electricity cost and high cost in maintenance of water system. The net effect is that the company made a deficit of Kshs 9,659,011 compared to deficit of Kshs 13,254,859 made in the previous financial period and we assure our stakeholders that we shall ensure the projects operate efficiently to minimise the costs while we maximize on revenue collections.

The company revenue collection for the period increased from Kshs. 44,074,566 to Kshs. 48,314,701

**Challenges faced during the financial year were:**

- The company relies partially on pumping systems and outsourced waters from Nairobi Water
- The Water infrastructure is dilapidated due to age and as a result, supply in some areas is unreliable
- Very high cost of producing water mainly due to bulk water purchases from Nairobi Water.
- Limited financial resources to fund rehabilitation and expansion of water services infrastructure.
- Debt collection remained a challenge. The main challenges being faced in debt collection are: Tracing of debtors some of whom have died or are no longer residents of the area, obsolete entities like community water projects that no longer exists despite having owed Giwasco.
- Non-Revenue Water remains a challenge mainly attributed to destruction of pipes due to road works construction across the area of jurisdiction, rampant illegal connections, dilapidated water infrastructures & old consumer meters which are due for replacement.
- Expired tariff and license. We are working closely with WASREB for review of the same.

The challenges at hand call for great improvement of existing systems and construction of new ones and I believe that with the assistance of our stakeholders this problem would be addressed.

Water is now a Constitutional Right and this may pose a challenge in our endeavour to serve the underserved in line with Sustainable Development Goals.

Charles Wahogo Muiro

  
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**Ag. Managing Director**

GITHUNGURI WATER AND SANITATION COMPANY LTD  
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**VII. Corporate Governance Statement**

	MEETING	DATES	AGENDAS	MEMBERS IN ATTENDANCE
<b>1</b>	<b>FULL BOARD</b>			
	9 <sup>th</sup> Special	16 <sup>th</sup> September 2021		<ol style="list-style-type: none"> <li>1. Prof. Bernard Njoroge</li> <li>2. Emma Nganga</li> <li>3. Prof. Stephen Njuguna</li> <li>4. Samuel Gatama</li> <li>5. James Muriuki</li> <li>6. Eng. Andrew Muigai</li> <li>7. Dominic Gachanja</li> <li>8. Ndungu Wa Munywe</li> <li>9. Bishop Solomon Waweru</li> <li>10. Jennifer Musyoki</li> <li>11. David Kuria</li> </ol>
	10 <sup>th</sup> Special	29 <sup>th</sup> SEPTEMBER 2021	<ol style="list-style-type: none"> <li>1) Adoption of the 2020/21 Financial Report for purposes of submission to the Auditor General</li> </ol>	<ol style="list-style-type: none"> <li>1. Prof. Bernard Njoroge</li> <li>2. Prof. Stephen Njuguna</li> <li>3. Samuel Gatama</li> <li>4. James Muriuki</li> <li>5. Eng. Andrew Muigai</li> <li>6. Dominic Gachanja</li> <li>7. Bishop Solomon Waweru</li> <li>8. Jennifer Musyoki</li> <li>9. David Kuria</li> </ol>
	11 <sup>th</sup> Full Board	3 <sup>rd</sup> , 4 <sup>th</sup> and 10 <sup>th</sup> November 2021	<ol style="list-style-type: none"> <li>1) CECM General Remarks – An update on the merger process</li> <li>2) Presentation of the updated paper of the Finance &amp; ICT Committee Report.</li> <li>3) Presentation of the Risk &amp; Audit Committee Report.</li> <li>4) Presentation of the update paper of Human Resource &amp; Administration Committee Report.</li> <li>5) Presentation of the updated paper</li> </ol>	<ol style="list-style-type: none"> <li>1. Prof. Bernard Njoroge</li> <li>2. Emma Nganga</li> <li>3. Prof. Stephen Njuguna</li> <li>4. Samuel Gatama</li> <li>5. James Muriuki</li> <li>6. Eng. Andrew Muigai</li> <li>7. Dominic Gachanja</li> <li>8. Ndungu Wa Munywe</li> <li>9. Bishop Solomon Waweru</li> <li>10. Jennifer Musyoki</li> <li>11. David Kuria</li> <li>12. Martin Njogu</li> </ol>

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			<p>Technical Committee Report.</p> <p>6) Presentation of the Ad Hoc Committee Report.</p> <p>7) Confirmation of the Minutes of 9<sup>th</sup> Full Board Meeting held on 9<sup>th</sup> December, 2020</p>	
	Retreat	6 <sup>th</sup> to 10 <sup>th</sup> December 2021	<p>1) Finance Committee report</p> <p>2) Human resource committee</p> <p>3) Resolution of the Board workshop on the following issues:</p> <ul style="list-style-type: none"> <li>• Adoption of the merger Road map</li> <li>• Guide on the transition plan</li> </ul>	<p>1. Prof. Bernard Njoroge</p> <p>2. Emma Nganga</p> <p>3. Prof. Stephen Njuguna</p> <p>4. Samuel Gatama</p> <p>5. James Muriuki</p> <p>6. Eng. Andrew Muigai</p> <p>7. Dominic Gachanja</p> <p>8. Ndungu Wa Munywe</p> <p>9. Bishop Solomon Waweru</p> <p>10. Jennifer Musyoki</p> <p>11. David Kuria</p> <p>12. Martin Njogu</p>
	11 <sup>th</sup>	10 <sup>th</sup> and 22 <sup>nd</sup> February 2022	<p>8) Presentation of the Technical Committee Report</p> <p>9) Presentation of the Human Resource &amp; Administration Committee Report</p> <p>10) Presentation of the Finance &amp; ICT Committee Report</p> <p>11) Presentation of the Risk &amp; Audit Committee Report</p> <p>12) Confirmation of the Minutes of 10<sup>th</sup> Full Board Meeting</p> <p>13) Confirmation of the Minutes of 8<sup>th</sup> Special Board Meeting</p>	<p>1. Prof. Bernard Njoroge</p> <p>2. Emma Nganga</p> <p>3. Samuel Gatama</p> <p>4. James Muriuki</p> <p>5. Eng. Andrew Muigai</p> <p>6. Dominic Gachanja</p> <p>7. Ndungu Wa Munywe</p> <p>8. Bishop Solomon Waweru</p> <p>9. Jennifer Musyoki</p> <p>10. David Kuria</p>

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		INDEPENDENT COMPANY BOARD		
<b>2</b>	<b>FINANCE</b>			
	10 <sup>th</sup>	6 <sup>th</sup> , 7 <sup>th</sup> & 9 <sup>th</sup> September 2021	<ol style="list-style-type: none"> <li>1. Consider, adopt and recommend to the Board the Committee Annual work plan</li> <li>2. Consider, adopt and recommend to the Board the 2021/22 Financial report</li> <li>3. Consider, adopt and recommend to the Board the procurement plan performance for the 2021/22 financial year</li> <li>4. Consider, adopt and recommend to the Board the proposed implementation of the salary harmonisation framework by the Regions</li> <li>5. Confirmation of the 8<sup>th</sup> Financial Committee meeting</li> <li>6. Confirmation of the 9<sup>th</sup> Financial Committee meeting</li> </ol>	<ol style="list-style-type: none"> <li>1. James Muriuki</li> <li>2. Bishop Solomon Waweru</li> <li>3. Samuel Gatama</li> <li>4. Eng. Andrew Muigai</li> </ol>
	5 <sup>th</sup> Special	30 <sup>th</sup> November, 1 <sup>st</sup> December 2021	<ol style="list-style-type: none"> <li>1) Consider and recommend to the Board the Kiambu Region CBA for adoption and approval of its immediate implementation.</li> <li>2) Consider and recommend to the Board the Kiambu Region's financial capability to implement the</li> </ol>	<ol style="list-style-type: none"> <li>1. James Muriuki</li> <li>2. Bishop Solomon Waweru</li> <li>3. Samuel Gatama</li> <li>4. Eng. Andrew Muigai</li> </ol>

**GITHUNGURI WATER AND SANITATION COMPANY LTD**  
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			<p>harmonised salary framework.</p> <p>3) Consider and recommend to the Board the Karuri's Region's financial capability to implement the harmonised salary framework.</p> <p>4) Consider and recommend to the Board Kikuyu's Region solarisation proposal.</p>	
	<b>11TH</b>	<p>26<sup>th</sup> January, 2022</p> <p>9<sup>th</sup> February, 2022</p>	a)	<p>1. James Muriuki</p> <p>2. Bishop Solomon Waweru</p> <p>3. Samuel Gatama</p> <p>4. Eng. Andrew Muigai</p>
			<b>INDEPENDENT COMPANY BOARD COMMITTEE</b>	
<b>3</b>	<b>HUMAN RESOURCE</b>			
	<b>9th</b>	<p>13<sup>th</sup> July, 2021</p> <p>2<sup>nd</sup> &amp; 3<sup>rd</sup> September 2021</p>	<p>1. To consider and approve the recruitment of new staff members</p> <p>2. To discuss and adopt the senior management profile and make recommendation to the Board</p> <p>3. Consider, adopt and recommend to the Board the status to secondment staff</p> <p>4. Consider and adopt the status report of transferred staff members</p> <p>5. Consider, adopt and recommend to the Board the report of</p>	<p>1. Emma Nganga</p> <p>2. Dominic Gachanja</p> <p>3. Ndungu Wa Munywe</p>

GITHUNGURI WATER AND SANITATION COMPANY LTD  
Annual Report and Financial Statements for the year ended June 30, 2022

			<p>the Human Resource committee Mombasa retreat</p> <p>6. Confirmation of the 7<sup>th</sup> Human Resource &amp; Administration committee minutes.</p> <p>7. Confirmation of the 8<sup>th</sup> Human Resource &amp; Administration committee minutes.</p>	
	<b>5<sup>th</sup> Special</b>	<b>21<sup>st</sup> October 2021</b>	<p>1. To discuss proposed Kiambu Water &amp; sewerage Company collective bargaining agreement (CBA)</p>	<p>1. Emma Nganga</p> <p>2. Bishop Solomon Waweru</p> <p>3. Dominic Gachanja</p>
	<b>6<sup>th</sup> Special</b>	<b>29<sup>th</sup> &amp; 30<sup>th</sup> November 2021</b>	<p>1) To discuss Contract proposed Kiambu County Water Collective Bargaining Agreement (CBA).</p> <p>2) To discuss the status of Seconded and integrated staff Members within the Regions.</p> <p>3) To discuss the FY 2021/22 Region's performance.</p> <p>4) To discuss the performance of the Caretaker Manager, Ruiru.</p> <p>5) To discuss allowances payable to the Head quarter's team seconded from the County Government.</p> <p>6) To discuss the payment of the hospital Bill, Ruiru Region.</p>	<p>1. Emma Nganga</p> <p>2. Bishop Solomon Waweru</p> <p>3. Dominic Gachanja</p> <p>4. Ndungu Wa Muniye</p> <p>5. Jennifer Musyoki</p>
	<b>10<sup>th</sup></b>	<b>18<sup>th</sup> January 2022</b>	<p>1) Consider and recommend to the</p>	<p>1. Emma Nganga</p> <p>2. Dominic Gachanja</p>

**GITHUNGURI WATER AND SANITATION COMPANY LTD**  
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			<p>Board the filling of vacant position in Karuri and Githunguri Region.</p> <p>2) Paper on James Muiruri deployment</p> <p>3) Paper on Translation of Terms of Employment for the ICT Director.</p> <p>4) Consider and recommend the approval of acting allowance for the Headquarter staff member seconded by the County Government</p> <p>5) Confirmation of minutes of the 6<sup>th</sup> Special Human Resource Committee meeting</p>	<p>3. Bishop Waweru</p> <p>Solomon</p>
<b>7<sup>th</sup> Special</b>	<b>8<sup>th</sup> February, 2022</b>	<p>1) To discuss Contract proposed Headquarters' Staff members allowances</p> <p>2) To discuss Resumption of office of the Managing Director, Kiambu Region</p> <p>3) Confirm minutes of the 10<sup>th</sup> Human Resource Committee Meeting</p> <p>4) Gatundu Region field visit</p> <p>5) Githunguri Region field visit</p>	<p>1. Emma Nganga</p> <p>2. Bishop Solomon Waweru</p> <p>3. Dominic Gachanja</p> <p>4. Ndungu Wa Munywe</p> <p>5. Jennifer Musyoki</p> <p>6. James Muriuki</p> <p>7. Samuel Gatama</p>	

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

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5.	<b>RISK AND AUDIT</b>			
	7 <sup>th</sup>	1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> , & 16 <sup>th</sup> December 2021  6 <sup>th</sup> January, 2022	<p>5) Confirmation of minutes of the 6<sup>th</sup> Risk &amp; Audit Committee Meeting held on 10<sup>th</sup> May 2021</p> <p>6) Discussion of the Internal Audit Work plan FY2021/2022</p> <p>7) Discuss, adopt and recommend to the board the Risk Policy</p> <p>8) Discuss, adopt and recommend to the board the Risk Frame Work</p> <p>9) Consider, adopt and recommend to the Board the internal audit report for</p> <p style="margin-left: 20px;">i. Karuri Region</p> <p style="margin-left: 20px;">ii. Kikuyu Region</p> <p style="margin-left: 20px;">iii. Limuru Region</p> <p style="margin-left: 20px;">iv. Githunguri Region</p> <p style="margin-left: 20px;">v. Gatundu Region</p> <p style="margin-left: 20px;">vi. Ruiru Region follow up audit</p> <p style="margin-left: 20px;">vii. Tariff &amp; License summarized.</p> <p>10) Discus the exit of the Company Secretary from the Risk and Audit committee</p>	<p>1. Dominic Gachanja</p> <p>2. Emma Nganga</p> <p>3. Prof. Stephen Njuguna</p> <p>4. Ndungu Wa Munywe</p> <p>5. Jennifer Musyoki</p>

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The following is the board calendar for Githunguri Water

MONTH	FULL BOARD ON FINANCE,	FULL BOARD ON HUMAN RESOURCE, ICT & ADMINISTRATION	FULL BOARD ON RISK & AUDIT	FULL BOARD ON TECHNICAL	AUDIT COMMITTEE
MARCH, 2022		15-17 <sup>TH</sup> March, 2022 – Board Induction			
MARCH 2022		1 <sup>st</sup> April, 2022 – (Friday). Inaugural board meeting to Select the chair, form board committees and approve board charter and work plan			
APRIL 2022	<p>– Receive, consider and adopt the 3<sup>rd</sup> Quarter Financial Report</p> <p>Receive, consider and adopt the 3<sup>rd</sup> quarter procurement performance report</p> <p>Consider and approve the 2022/23 Budget</p> <p>Consider and approve the 2022/23 Procurement plan</p>	<p>– Receive and Consider the half year staff performance and 3<sup>rd</sup> quarter departmental report</p> <p>Consider the Service Provision Agreement Consider the status of implementation of the various policies</p>			<p>– Thursday Consider and recommend to the board;</p> <ul style="list-style-type: none"> <li>• The half year internal audit report.</li> <li>• Consider and adopt the Last Minutes of the Audit Committee and matters arising and give further directives</li> <li>• Consider the Management letter and response for the 2021 fy</li> <li>• Consider Work plan for 2022/23.</li> </ul>

**GITHUNGURI WATER AND SANITATION COMPANY LTD**  
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MONTH	FULL BOARD ON FINANCE,	FULL BOARD ON HUMAN RESOURCE, ICT & ADMINISTRATION	FULL BOARD ON RISK & AUDIT	FULL BOARD ON TECHNICAL	AUDIT COMMITTEE
MAY 2022			– Thursday Consider and Adopt and give further directives in respect to the Audit Committee report	- Thursday Consider and recommend to board the; • Technical Performance Report for the 3 <sup>rd</sup> quarter. Consider the status of licenses and implementation of Service Provision Agreement	
JUNE 2022			Consider, adopt and given further guidance on the Audit Committee report		- Thursday Consider the status of implementation of the risk management framework Consider the status of implementation of Board's resolution.

## VIII. Management Discussion and Analysis

### **The company's operational and financial performance**

During the financial year the company made a deficit of Kshs. 13,254,859 compared to a deficit of Kshs. 9,659,011 during the previous financial year. The increase in loss was occasioned by continued reliance on Bulk water supply from Nairobi water, high cost of power and increase in maintenance of water systems. Billing reduced from Ksh.57, 920,350 to Ksh.55, 486,200 this was attributed by disconnection account by the ongoing road constructions. Revenue collection increased from Ksh.44, 074,566 to Kshs. 48,314,701, NRW increased from 65% to 71% attributable to high number of illegal connections. There was steady supply of water at 16hrs per day.

### **Company's compliance with statutory requirements**

The company complied with statutory requirement like payment of NHIF, NSSF, PAYE, and contribution to pension schemes. Nevertheless, we have arrears in other statutory obligations like lease fee, regulatory levy and abstraction levy to WRA and audit fee.

### **Major risks facing the company**

The major risk facing the company is the going concern of the company as a result of the ongoing process of consolidation of water companies in Kiambu County. Increase in deficit is also another risk that the company is facing since it affects its reliance on other partners and also creditors.

### **Material arrears in statutory/financial obligations**

We have the following as the material balances in the year under review are as follow;

1. Lease Fee to AWWDA Kshs 15,541,893
2. Regulatory Levy to Wasreb Kshs 8,683,513
3. Abstraction Levy to WRA Kshs 3,240,630
4. Nairobi water Company Kshs. 141,569,510

## IX. Environmental and Sustainability Reporting.

GIWASCO 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 relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### **i) Sustainability strategy and profile -**

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

- Increase in customer base to over 10,000 (2022).
- Extension of various pipe networks during the year
- Implementation of a cashless revenue collection by use of banking and Mpesa services.
- Enhanced Smart meter reading & in-house billing.
- Growth in revenue collection

In the year 2021/2022, the greatest threat to the sustainability of our service and production were among others:

GITHUNGURI WATER AND SANITATION COMPANY LTD  
Annual Report and Financial Statements for the year ended June 30, 2022

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- Destruction of water distribution pipes due to the ongoing road construction in various areas within the area of jurisdiction. The Region has been engaging the road contractors to compensate damaged pipes.
- Dilapidated distribution network leading to frequent bursts. This issue is being addressed by progressively replacing pipes in hotspot areas.
- Interruption of water supply due to breakdown of boreholes and Frequent Power fluctuations especially in Githunguri town leading to downtime
- High Non-revenue water due to aged supply network and water theft

**ii) Environmental performance**

Being a water service provider, Giwasco has been intensively involved in the conservation of the water catchments in its areas of jurisdiction and its environs. By this we have partnered with several community Water Resource Associations like Kamiti.

**iii) Employee welfare**

The company has developed a HR manual policy that guides on contracting and employee welfare. The company provide a comprehensive medical cover to all its employees renewable after every year and organises medical clinics to its employees. During the period in collaboration with Kenya water institute & Waspa we took some of our staff for trainings.

**iv) Market place practices-**

The organisation should outline its efforts to:

**a) Responsible competition practice.**

Giwasco operates within its area of jurisdiction as guided by the WASREB operating license further the company acknowledges the existence of community based water service providers in its area of jurisdiction and supports them especially during this time of road construction.

Giwasco is fully owned by the County Government of Kiambu, and engages with the county government through the county government's department of Water and environment. Further, the company answers to the County assembly committee of finance in an annual basis

**b) Responsible Supply chain and supplier relations**

Giwasco has developed the Procurement Policy Manual that guides purchasing and disposing at the company. The policy also guides the annual development of the Procurement plan in which the suppliers are pre-qualified to ensure fair completion in its procurement. The company engages with the suppliers having followed all the necessary required procurement procedures and also maintains a good supplier relationship where the supplies are paid within 90 days upon delivery of good and services.

**c) Responsible marketing and advertisement**

Our tariff is developed by WASREB the government body mandated to give guidelines on the same where stakeholders are involved in developing the tariff. Occasionally we do customer clinics to ensure we deliver the best to our customers.

**d) Product stewardship**

Giwasco complies with the KEBS guidelines for standards of drinking water. Further WASREB gives guidelines for water quality testing and reporting which Giwasco adheres to.

X. Corporate Social Responsibility / Community Engagements

The company is involved in the take over and facilitation of failed community projects in an aim to ensure that people within our area of jurisdiction that do not get water services start getting the services.

GIWASCO in collaboration with Athi water works development Agency provided tanks to ensure steady supply of water during the pandemic.

We supplied water tanks in: Githunguri Market, Ikinu area, Kwamaiko, Githiga so as to ensure that we manage the Covid 19 pandemic and also reduce its spread by making sure that the community has running water for hand wash.

#### XI. Report of the Directors

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

##### **i) Principal activities**

The principle activities for which the Company was established are: -

- To supply Water and Sanitation Services to the residents of Githunguri District/Sub county and lower part of Lari District/sub County and to manage the assets belonging to Athi Water Services Board and the assets shall not be subject to any resolution of the Company or that of the County Government of Kiambu
- To exercise overall control over the sources and supply of water and in particular, to conserve, redistribute and to augment those water resources, including sinking boreholes, and to make, build and construct, lay down and maintain reservoirs, waterworks, cisterns, culverts, filter-beds, main and other pipe and appliances, and to execute and do all works and things necessary or convenient for obtaining, storing, selling, delivering, measuring and distributing water, or otherwise for the purposes of the Company
- To provide and distribute a constant supply of potable water for commercial, industrial and domestic purposes.

The company's area of service covers about 244 square kilometers across seven wards, five wards in Githunguri sub-county namely Komothai, Ngewa, Githunguri, Ikinu and Githiga. Two wards in Lari Sub-County namely Kamburu and Nyanduma wards. Within these wards, we have areas currently not served with water but are incorporated in the development plans of both the National and County Governments for consideration for expansion of water services into those areas. We also have about 7 community water projects also offering water services within this area but the community water projects are yet to register with Giwasco.

##### **ii) Results**

The results of the company for the year ended June 30, 2022 are set out on page 1. Below is summary of the profit or loss made during the year.

##### **iii) Dividends**

The company did not declare any dividends for the year ended 30<sup>th</sup> June 2022 due to the financial situation and performance of the Company. The company did not make any surplus and instead the deficit increased. The directors therefore did not declare any divided.

##### **iv) Directors**

The members of the Board of Directors who served during the year are shown on page vii to x. In accordance with the regulation of the Company and as per the company's Articles of Association.

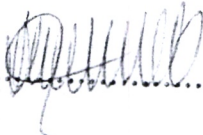
GITHUNGURI WATER AND SANITATION COMPANY LTD  
Annual Report and Financial Statements for the year ended June 30, 2022

v) Auditors

The Office of 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.

By Order of the Board

Josphene Wacheke Muritu

Signature.....

Date 2<sup>nd</sup> September 2022

Corporate Secretary/Secretary to the Board

**GITHUNGURI WATER AND SANITATION COMPANY LTD**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**XII. Statement of Directors' Responsibilities**

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

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

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

**Approval of the financial statements**

The company financial statements were approved by the Board on 2<sup>nd</sup> September 2022 and signed on its behalf by:

Bishop. Solomon Waweru Sign 

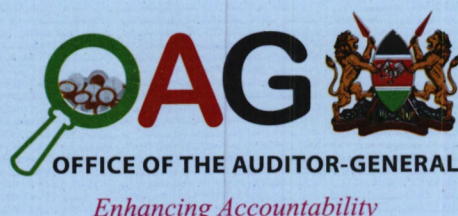
Chairman of the Board

Charles Wahogo. Sign 

Ag. Managing Director

# REPUBLIC OF KENYA

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



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

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

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Githunguri Water and Sanitation Company Limited set out on pages 1 to 50, which comprise the statement of financial

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

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

## **Basis for Qualified Opinion**

### **1.0 Water Sales Revenue**

The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.55,486,200 which, as disclosed in Note 6 to the financial statements, relates to water sales. However, examination of records relating to water sales, provided for audit revealed the following anomalies:

#### **1.1 Excessive Unaccounted for Water**

During the year under review, the Company produced 2,231,134 cubic meters of water which was an increase by 21,083 cubic meters compared to the previous year's production of 2,210,051 cubic meters. However, only 582,412 cubic meters had been billed to customers, resulting to a non-revenue water of 1,648,722 cubic meters or approximately 74% which is 49% points above the acceptable rate of 25% as per the Water Services Regulatory Board (WASREB) guidelines.

The Non-Revenue Water of 74% for the year under review was an increase from the previous year's rate of approximately 69%. Scrutiny of sampled personnel files revealed instances of unattended bursts and leakages in certain zones, illegal connections put up by staff of the Company, reconnection without prior approval as well as failure to disconnect accounts scheduled for disconnection. All these factors among others, contributed to the high degree of unaccounted for water. Internal control measures indicated in the Githunguri Water Financial Management Systems Manual for 2012 require the Management to monitor disconnected consumers and customers for disconnection/reconnection among others on a monthly basis and generate reports on the same. However, no reports and documented strategies on how to remedy the loss were presented for audit.

#### **1.2 Irregular Billings/Connection Fees**

During the financial year under review the fees used for billing customers in respect of the water sales of Kshs.55,486,200 were not listed on the approved tariff structure of

Gazette Notice No.5139 Vol. CXVI-No.87, 25 July, 2014 as part of the fees collectible by the Water Company.

### **1.3 Unapproved Adjustments on Water Sales**

During the financial year under audit, the Company made adjustments amounting to Kshs.214,555 in water billings, thereby reducing the total revenues from water sales and meter rent to Kshs.55,486,200. An interrogation of the billing process revealed instances of non-compliance with internal control measures as documented in the Company's Financial Management Systems Manual. Further, there was no evidence to support the existence of a bills adjustment committee to verify and correct exception reports using either monetary or non-monetary adjustment advice as well as approve corrections made by the Accountant. Further, there was no monthly reports presented to show how Management continually monitors meter readings and adjustments.

In the circumstances, the accuracy of the operating revenue of Kshs.55,486,200 could not be confirmed.

### **2.0 Omission of Water Inventory**

The statement of financial position reflects inventories balance of Kshs.1,563,470. However, although the Company's main item of trade is water, and as disclosed in Note 28 to the financial statements, water was not considered and included as part of inventory at the end of the financial year. The International Financial Reporting Standards also require that in determination of profits, the Company needs to calculate cost of sales which considers the opening and closing stock of the item of trade of the Company, in this case, water.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.1,563,470 could not be confirmed.

### **3.0 Unsupported Travelling and Accommodation Expenses**

The statement of profit or loss and other comprehensive income reflects general and operations expenses balance of Kshs.54,599,951 which, as disclosed in Note 12 to the financial statements. includes expenditure on domestic travel and subsistence of Kshs.2,878,081 whose supporting documents, including details of how the imprests were surrendered, work tickets and documents indicating the reasons for the travel were not provided for audit. Further, the latter amount exceeded approved budget for domestic travel and subsistence of Kshs.2,760,000, resulting in an over expenditure of Kshs.118,081 whose approval was not provided for audit.

In the circumstances, the accuracy, completeness and authenticity ity of the expenditure of Kshs.2,878,081 could not be confirmed. Further, the regularity of the over-expenditure of Kshs.118,081 could not be ascertained.

#### 4.0 Long Outstanding Accounts Payable

The statement of financial position reflects trade and other payables balance of Kshs.176,808,279. According to a schedule on aging analysis provided for audit, the balance includes long outstanding balances totaling to Kshs.170,469,648 as tabulated below:

S/No.	Payee	Amount (Kshs.)
1	Nairobi Water Company	141,569,510
2	Athi Water and Services Board	15,541,893
3	Water Services Regulatory Board	8,683,513
4	Water Resources Management Authority	3,407,892
5	Gratuity	1,266,840
<b>Total</b>		<b>170,469,648</b>

Further inquiry and analysis of the water bills revealed that the Company was purchasing bulk water monthly from Nairobi Water and Sewerage Company Limited amounting to more than Kshs.2,000,000 out of which, it was paying approximately Kshs.500,000 only. This trend of repayment indicated an unsustainable project, hence the huge accumulation of bulk water bills.

In the circumstances, the Company was not able to meet its obligations as and when they fell due.

#### 5.0 Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.20,986,393 which, as disclosed in Note 20 to the financial statements, includes a balance of Kshs.8,580,290 in respect of buildings. Scrutiny of the documents provided for audit revealed that the latter balance includes Kshs.7,604,974, being the net book value of a building donated by the Water Sector Trust Fund. However, the details of the transfer and documentary evidence on land and buildings ownership, including the title deeds were not provided for audit.

In the circumstances, the ownership and existence the donated building valued at Kshs.7,604,974 could not be confirmed.

#### 6.0 Undisclosed Material Uncertainty in Relation to Going Concern

The statement of profit or loss and other comprehensive income indicates that the operations of the Company for the year resulted in a loss after taxation of Kshs.13,254,859 which was an increase by Kshs.3,595,848 from the loss of Kshs.9,659,011 realized in the year 2020/2021. Further, the statement of financial position reflects current liabilities totalling Kshs.194,987,765 which exceed current assets of Kshs.73,230,909 by Kshs.121,756,856, an indication that the Company was technically insolvent. In addition, the increase in payables for the year of Kshs.17,965,196 surpassed

the increase in receivables of Kshs.4,522,272. The increase may be indicative of the inability by the Company to settle its obligations as and when they arise.

Management has not made specific disclosure in the financial statements in regard to these matters.

These conditions indicate the existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern for the foreseeable future. Management indicated that the Company's future depended on the support from its stakeholders.

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

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Audit Matters**

In the audit report of the previous year, several matters were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management did not resolve the issues or provide any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board reporting templates.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

## **Basis for Conclusion**

### **1.0 General and Operations Expenses**

The statement of profit or loss and other comprehensive income reflects general and operations expenses balance of Kshs.54,599,951 as disclosed in Note 12 to the financial statements. However, the following anomalies were noted:

#### **1.1 Lack of Staff Training Need Assessment**

The balance of Kshs.54,599,951 includes staff training and education amount of Kshs.928,169. However, Management did not conduct a Training Need Assessment to ascertain the nature of training required.

In the circumstances, value for money of the expenditure of Kshs.928,169 could not be confirmed.

#### **1.2 Irregular Payments to Merger Fund**

The balance of Kshs.54,525,073 also includes Kshs.936,344, being a contribution to the merger fund, a fund formed to provide funding for the management and administrative expenses of Kiambu County Water and Sewerage Company which was formed as a merger of all water companies in Kiambu County. Documents provided indicated that Kiambu County Water and Sewerage Company was irregularly formed and that the water companies had since withdrawn from the merger agreement. However, no satisfactory explanation was provided on why the Company was still sending contributions towards the merger fund.

In the circumstances, value for money of the expenditure of Kshs.936,344 could not be confirmed.

### **2.0 Irregular Procurement of Billing System**

During the financial year under review, the Company engaged a supplier for the supply of billing system for a period of two years. Analysis of the procurement documentation revealed that the supplier had been supplying the Company's billing system since the year 2018 and renewal after every two years. However, the following anomalies were identified:

- i. The supplier was engaged by the Company through negotiation of a borrowed contract from Ruiru-Juja Water and Sewerage Company Limited. Ruiru Water had signed a three years' contract with the supplier to be renewed on annual basis until 2020, based on tender number RUJWASCO/T/30/2018/19-20. The Public Procurement and Asset Disposal Act, 2015 only allows borrowing of the list of prequalified suppliers and not tender contracts for goods, works and services. Therefore, the Company acted in contravention of the law in engaging the supplier for the supply of the billing system.

- ii. Evaluation of the procurement process documentations from Ruiru Water revealed several irregularities in awarding the contract to the supplier and therefore the Company may have borrowed a contract which was awarded in contravention of the law.
- iii. The contract did not have specific start and end date.
- iv. The contract was awarded to the supplier by the Company only through a negotiation and hence qualifying for an irregular direct procurement for the service.
- v. Award letter for the tender was not provided for audit.
- vi. There were no tender specifications for the contract, hence not possible to determine the terms the contract was negotiated upon.
- vii. The contract between Ruiru-Juja and the supplier upon which the Company depended on, expired in 2020, but the Company still continues to renew the contract.
- viii. The Company had negotiated for a two years' contract starting in December, 2019 and ending in December, 2021. However, the Company had continued to use the billing system by Wonder Kid irregularly to date without termination nor renewal of the contract.

In the circumstances, the regularity of the procurement of the billing system could not be confirmed.

## **1.0 Staff Costs**

The statement of profit or loss and other comprehensive income reflects staff costs balance of Kshs.23,004,336 as disclosed in Note 11 to the financial statements. The following anomalies were noted:

### **1.1 Irregular Payment of Casual Wages**

The balance of Kshs.23,004,366 includes Kshs.331,263 spent on casual wages paid to temporary employees. However, the recruitment process and the documentation of the said employees, including the departments in which they were deployed and proof that they actually undertook the duties for which they were engaged was not provided for audit. Further, no evidence was provided to show that approval of the Managing Director was sought before the engagement and at payment of the casuals as required by the Company's Human Resource Policy. In addition, the amounts paid could not be independently verified as the authority upon which the daily rates applied was based was not provided for audit, while the daily attendance register showing the number of days the casuals worked was not marked.

In the circumstances, the propriety of the expenditure of Kshs.331,263 could not be confirmed.

## 1.2 Irregularities in the Procurement and Operation of Staff Medical Cover

The staff costs balance of Kshs.23,004,366 includes medical expenses of Kshs.1,563,839. Analysis of the payment schedules and supporting documents revealed that Githunguri Water entered into a contract with a supplier for provision of medical cover for its staff for a period of one (1) year beginning on 1 October, 2020 at a contract price of Kshs.1,563,839. However, scrutiny of the documents provided for audit revealed the following anomalies:

- i. The evaluation process took place on 20 March, 2020 and professional opinion signed by the head of procurement on 21 March, 2020. However, the Managing Director signed the opinion one month later on 21 April, 2020 which was irregular as per the requirements of the law.
- ii. Award decision and notification of award to the winning bidder were done four months after the professional opinion on 09 July, 2020 and 24 July, 2022 respectively.
- iii. Signing of the contract took place more than two months later, on 1 October, 2020, contrary to the Public Procurement and Asset Disposal Act, 2015.
- iv. The particulars of insured staff members' dependents/kin were not provided for audit.
- v. It was not clear what instructions were given to the administrator of the scheme as concerns the eligibility and the identification of the members at medical facilities.
- vi. The service was awarded to a broker dealing for an unidentified underwriter and the specific services to be offered by the underwriter were not detailed.
- vii. The Company did not sign any contract with the underwriter.
- viii. Price schedule, abstract of service available with previous charges, underwriter's authorization letter and original underwriter's quotation were not provided for audit verification.
- ix. The original bid document or form of tender which specifies the deliverables sent to bidders was not provided for audit.
- x. The individual bids submitted by the individual suppliers and the tender opening committee minutes were not provided for audit verification.
- xi. There was no evidence of preliminary evaluation of the bidders, meaning the company profile of the service provider, the physical address and the financial standing including compliance with statutory laws and regulations was not known to the Company.

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

## **2.0 Failure to Insure Property, Plant and Equipment**

The statement of financial position and corresponding Note 20 to the financial statements reflects property, plant and equipment balance of Kshs.20,986,393. A scrutiny of the documents provided for audit revealed that, during the financial year under review, property plant and equipment worth Kshs.20,986,393 was not insured against the risks of fire, burglary, theft and accident in line with Section 11.2.3 of the company's Financial Management Systems Manual of October, 2012, thus exposing the Company to possible losses in the event calamities.

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

## **3.0 Irregular Prequalification of Suppliers**

During the financial year under review, the Company carried out a prequalification of suppliers for the financial years 2021-2023 through an open tender method dated 08 September, 2021. Opening of the tender took place on 29 September, 2021 followed by a tender evaluation on 04 to 08 October, 2021. However, analysis of the tender file and related documentation revealed the following irregularities:

- i. Evaluation of the tender was carried out by the heads of departments from four different water companies. The basis of the merger between the companies to carry out a procurement process could not be determined since no authorizing documentation was provided in support.
- ii. The advertisement was done only through the newspaper and none on the Government portal, hence an irregularity under the Public Procurement and Asset Disposal Act, 2015.
- iii. The Public Procurement and Asset Disposal Act, 2015 allows consortium for only buying goods, works and services. The Company therefore acted in breach of the law by engaging a consortium to carry out prequalification of suppliers.
- iv. Due to the irregularity of the consortium it was not possible to sign professional opinion since the evaluated list could not belong to a specific entity. Therefore, the list was approved for use among the companies without a professional opinion.

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

## **4.0 Non-Adherence to National Cohesion Requirement on Ethnicity**

Analysis of the payroll provided for audit revealed that the Company had a total of 50 employees out of which, 48 (or 96%) belonged to one ethnic group, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which requires that at least 30% of employees are from other ethnic communities.

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

## 5.0 Imprest Management

It was observed that no imprest register was kept for the purposes of managing imprests as required by Regulation 93(4)(c) of the Public Finance Management (County Governments) Regulations, 2015, and no requisitions and approvals were made before the issuance of the imprests. Also, the Management did not issue any warrants when issuing imprests, contrary to Regulation 93(1) of the Public Finance Management (County Governments) Regulations, 2015, which provides that an imprest shall be issued for a specific purpose, and any payments made from it, shall be only for the purposes specified in the imprest warrant. In the absence of an imprest register, it was not possible to ascertain whether imprest was issued for official duties, after authorization, within the correct rates and that the same was surrendered within the stipulated time and that no additional imprests were issued before retiring of a previous one.

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

#### Basis for Conclusion

##### 1.0 IT Controls Weakness

A review of Information Technology (IT) Controls and information management systems of the entity revealed that, the Company had not established an ICT Committee and lacked ICT Strategic Plan. In addition, the Company had three (3) different software as shown in table below:

Application Name	Department/Features
Billing System (Wonderkid Multimedia Limited)	Billing and Meter reading
Sage Pastel ERP (IQ Plus Limited)	Finance and Accounts
Quest	Payroll and Human Resource

It was noted that the software are not integrated, a situation that poses a risk of data inconsistencies, hence producing misleading information for the Management and financial statements reporting. Further, it was observed that migration of data from the previous billing system by a supplier was not efficiently done, posing a risk of data integrity on balances brought forward for various zones which could result to loss of revenue.

In the circumstances, the effectiveness of the Company's IT controls could not be confirmed.

## **2.0 Lack of a Risk Management Policy**

During the financial year under review, Management ought to have prepared and approved a risk management policy clearly showing the purpose of the policy, the scope, those who are involved in risk management, risk management process, risk categories and reporting of risk.

It was observed that the Management did not have an approved risk management policy and they did not carry out the risk assessment on key risky areas like expenditure.

In the circumstances, it was not possible to confirm how the entity identified risks, the significance of the risks and likelihood of the risks occurring.

## **3.0 Lack of Internal Audit**

It was observed that, although the Company had an audit committee in place, it had not established an internal audit function, contrary to the provision of Section 155(1)(a) of the Public Finance Management Act, 2012.

In the absence of the internal audit department, the efficiency and effectiveness of the Company's internal controls and risk management could not be confirmed.

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have not been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are not in agreement with the accounting records and returns.

## **Responsibilities of the Management and Board of Directors**

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

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

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


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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

11 May, 2023

GITHUNGURI WATER AND SANITATION COMPANY LTD  
Annual Report and Financial Statements for the year ended June 30, 2022

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

GITHUNGURI WATER AND SANITATION COMPANY LIMITED  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE YEAR ENDED 30TH JUNE 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	55,486,200	57,920,350
Grants Income	7	10,235,023	868,349
Other Income	8	4,232,421	1,915,635
<b>Total Revenue</b>		<b>69,953,644</b>	<b>60,704,334</b>
<b>Expenses</b>			
Staff Costs	11	23,004,366	20,682,611
General and Operations expenses	12	54,599,951	45,651,114
Board Expenses	13	1,752,662	1,008,000
Maintenance Expenses	14	1,930,997	1,117,760
Depreciation and Amortization expenses	15	1,920,527	1,903,861
<b>Total Expenses</b>		<b>83,208,502</b>	<b>70,363,345</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(13,254,859)</b>	<b>(9,659,011)</b>

GITHUNGURI WATER AND SANITATION COMPANY LTD  
Annual Report and Financial Statements for the year ended June 30, 2022

XV. Statement of Financial Position as at 30 June 2022

GITHUNGURI WATER AND SANITATION COMPANY LIMITED  
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	20	20,986,393	20,313,029
<b>Total Non-Current Assets</b>		<b>20,986,393</b>	<b>20,313,029</b>
<b>Current Assets</b>			
Inventories	28	1,563,470	1,265,897
Trade and receivable	29	63,142,411	58,620,139
Bank and cash balances	32	8,525,029	9,243,361
<b>Total Non-Current Assets</b>		<b>73,230,909</b>	<b>69,129,397</b>
<b>TOTAL ASSETS</b>		<b>94,217,302</b>	<b>89,442,426</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	33	40	40
Capital Reserve	36	11,509,082	11,509,082
Revenue Reserve	35	(112,279,585)	(99,024,726)
<b>Total Capital and Reserves</b>		<b>(100,770,463)</b>	<b>(87,515,604)</b>
<b>Non-Current Liabilities</b>			
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Current Liabilities</b>			
Trade and other payables	42	176,808,279	158,843,083
Customer Deposits	43	9,832,439	9,035,439
Deferred Income	44	8,347,047	9,079,508
<b>Total Current Liabilities</b>		<b>194,987,765</b>	<b>176,958,030</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>94,217,302</b>	<b>89,442,426</b>

The financial statements were approved by the Board on 2nd September 2022 and signed on its behalf by:

AG. Managing Director  
Charles Wahogo Muiru

Sign 

Accountant  
Alex Waruhiu Muragu  
ICPAK No. 22601

Sign 

Chairman of Board  
Bishop Solomon Waweru

Sign 

GITHUNGURI WATER AND SANITATION COMPANY LTD  
Annual Report and Financial Statements for the year ended June 30, 2022

XVI. Statement of Changes in Equity For The Year Ended 30 June 2022

GITHUNGURI WATER AND SANITATION COMPANY LIMITED

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

	Share Capital Kshs	Revenue Reserves Kshs	Capital Reserves Kshs	Total Amount Kshs
Balance as at 1st July 2020	40	(89,365,715)	11,509,082	(77,856,593)
Deficit for the year 2020-2021		(9,659,011)		(9,659,011)
Balance as at 30th June 2021	40	(99,024,726)	11,509,082	(87,515,604)
Balance as at 1st July 2021	40	(99,024,726)	11,509,082	(87,515,604)
Deficit for the year 2021-2022		(13,254,859)		(13,254,859)
Balance as at 30th June 2022	40	(112,279,585)	11,509,082	(100,770,463)

I.

XVII. Statement of Cash Flows for the Year Ended 30 June 2022

GITHUNGURI WATER AND SANITATION COMPANY LIMITED

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash Flows From Operating Activities</b>			
<b>Receipts</b>			
Operating Revenue		48,314,701.50	44,074,566.00
Non-Operating Revenue		2,063,227.90	1,915,634.79
Other Income		2,169,193.00	
Grants		9,502,562.00	
Customer Deposits		797,000.00	750,700.00
<b>Total Receipts</b>		<b>62,846,684.40</b>	<b>46,740,900.79</b>
<b>Payments</b>			
Staff Costs		23,591,146.75	20,957,610.55
Board Expenses		1,752,662.00	1,008,000.00
General And Operation Expenses		33,259,394.80	20,659,913.57
Maintenance		2,120,423.00	856,720.00
<b>Total Payments</b>		<b>60,723,626.55</b>	<b>43,482,244.12</b>
<b>Net Cash From/(Used In) Operating Activities</b>		<b>2,123,057.85</b>	<b>3,258,656.67</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment		(2,841,390.00)	(1,425,000.00)
<b>Net Cash From/(Used In) Investing Activities</b>		<b>(2,841,390.00)</b>	<b>(1,425,000.00)</b>
<b>Cash Flows from Financing Activities</b>			
<b>Net Cash From/(Used In) Financing Activities</b>		-	-
<b>Increase/(Decrease) In Cash And Cash Equivalents</b>		<b>(718,332.15)</b>	<b>1,833,656.67</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>		<b>9,243,360.83</b>	<b>7,409,704.16</b>
<b>Cash And Cash Equivalents At End Of The Year</b>		<b>8,525,028.68</b>	<b>9,243,360.83</b>

GITHUNGURI WATER AND SANITATION COMPANY LTD  
Annual Report and Financial Statements for the year ended June 30, 2022

**XVIII. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2022**

**GITHUNGURI WATER AND SANITATION COMPANY LIMITED**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT**

**FOR THE PERIOD ENDED 30TH JUNE 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
	Kshs	Kshs	Kshs	Kshs	Kshs	%
<b>Revenue</b>						
Operating Revenue	86,831,373	24,431,373	62,400,000	55,486,200	6,913,800	11%
Grants	-	(11,557,662)	11,557,662	12,404,216	(846,554)	
Other Income	2,063,228	(338,572)	2,401,800	2,063,228	338,572	14%
<b>Total Revenue</b>	<b>88,894,601</b>	<b>12,535,139</b>	<b>76,359,462</b>	<b>69,953,644</b>	<b>6,405,818</b>	<b>25%</b>
<b>Expenses</b>						
Staff Costs	30,960,000	7,897,200	23,062,800	23,004,366	58,434	0%
Board Expenses	1,380,000	(312,000)	1,692,000	1,752,662	(60,662)	-4%
General and operations Expenses	46,295,255	(4,937,545)	51,232,800	54,599,951	(3,367,151)	-7%
Maintenance	1,740,000	(120,000)	1,860,000	1,930,997	(70,997)	-4%
<b>Total Recurrent Expenditure</b>	<b>80,375,255</b>	<b>2,527,655</b>	<b>77,847,600</b>	<b>81,287,976</b>	<b>(3,440,376)</b>	<b>-14%</b>
<b>Profit or Loss</b>	<b>8,519,346</b>	<b>10,007,484</b>	<b>(1,488,138)</b>	<b>(11,334,332)</b>	<b>9,846,194</b>	<b>39%</b>
<b>Capital Expenditure</b>	<b>6,536,628</b>	<b>3,525,628</b>	<b>3,011,000</b>	<b>2,593,890</b>	<b>417,110</b>	<b>14%</b>
<b>Total Expenditure</b>	<b>86,911,883</b>	<b>6,053,283</b>	<b>80,858,600</b>	<b>83,881,866</b>	<b>(3,023,266)</b>	<b>0%</b>

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.

GITHUNGURI WATER AND SANITATION COMPANY LTD  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Title	Description	Effective Date
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.*

**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 <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

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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.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

**4. Summary of Significant Accounting Policies**

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

a) **Revenue recognition**

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

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

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

**Summary of Significant Accounting Policies**

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates(%)
Office Equipment's.	8.0	12.5%
Computers and Laptops	3.0	33.3%
Furniture & Fittings	8.0	12.5%
Motor Vehicle & Motor Cycles	4.0	25.0%
Plant and Equipment's	8.0	12.5%
Buildings and civil works	40.0	2.5%
Mobile Phones	3.0	33.3%
Pipes and Meters	8.0	12.5%
Tools	3.0	33.3%

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

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

**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) Amortisation and impairment of intangible assets**

Amortisation 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 recognised so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

**h) Right of Use Asset**

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

**i) Fixed interest investments (bonds)**

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

**j) Quoted investments**

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

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

**Summary of Significant Accounting Policies**

**k) Unquoted investments**

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

**l) Inventories**

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

**m) Trade and other receivables**

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.

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

**Summary of Significant Accounting Policies**

**n) Taxation**

**i) Current income tax**

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

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

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

**o) Deferred tax**

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

**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.

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

**Summary of Significant Accounting Policies**

**p) Borrowing costs**

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

**q) Cash and cash equivalents**

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

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

**Summary of Significant Accounting Policies**

**r) Borrowings**

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

**s) Trade and other payables**

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

**t) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2010. The scheme is administered County Pension Fund and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

**u) Provision for staff leave pay**

Employees' entitlements to annual leave are recognised as they accrue. The company usually pay the annual leave every December of each year.

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

**Summary of Significant Accounting Policies**

**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 recognised in profit or loss.

**w) Budget information**

The original budget for FY 2021-2022 was approved by the Board of Directors on April 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. 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. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xviii of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**x) Service concession arrangements**

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

**y) Comparative figures**

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

**z) Subsequent events**

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

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**6. Operating Revenue**

Description	2021-2022	2020-2021
	Kshs	Kshs
Water sales	55,486,200	57,920,350
<b>Total</b>	<b>55,486,200</b>	<b>57,920,350</b>

**7. Grants Income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Capital Grant Income	732,461.00	732,461.00
Water Sector Trust Fund	9,502,562.00	135,888.00
<b>Total</b>	<b>10,235,023</b>	<b>868,349</b>

**8. Other Income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Received	1,228	1,035
KENHA	2,055,100.00	-
Karuri Water	23,023.00	-
Kiambu Water	23,023.00	-
Kikuyu Water	23,023.00	-
Limuru Water	23,024.00	-
Laser Insurance Broker	10,000.00	-
Tai Sacco	12,000.00	-
Miscellaneous Income (Connection Fee)	2,062,000	1,914,600
<b>Total</b>	<b>4,232,421</b>	<b>1,915,635</b>

**9. Finance Income**

During the financial year that ended 30<sup>th</sup> June 2022 the Company did not have any item under the finance income. E.g. treasury bonds & bills, dividends, interest on staff loans, interest receivables or interest from commercial banks & financial institutions.

**10. Other Gains and Losses**

During the financial year that ended 30<sup>th</sup> June 2022 the Company did not have any item under the other gains and losses E.g. foreign exchange gains/losses, gains on sale of fixed assets, loss/gains on disposal on sale of investments, fair value gain/loss on biological assets, fair value gain/loss on revaluation of investment property, revaluation losses on inventory or unrealised foreign exchange gains/losses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Staff Salaries and Allowances	18,221,561	16,997,219
Employer's Contributions to Social Security Schemes	111,800	112,200
Employer's Contributions to Pension Scheme	1,598,702	1,458,623
Gratuity Provision	801,840	-
Medical Expenses	1,563,839	1,114,349
Casual Wages	331,263	721,060
Staff Welfare	375,360	279,160
<b>Total</b>	<b>23,004,366</b>	<b>20,682,611</b>
<b>The average number of employees during the year</b>	<b>49</b>	<b>48</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. General and Operations Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Chemicals	620,874	544,375
Electricity - Operational	7,948,422	5,266,727
Fuel and Lubricants.	1,559,348	1,973,605
Bulk Water Supply	24,303,220	19,037,910
Water Quality	656,000	189,000
Staff Protective Gears and Uniform.	22,800	102,412
Telephone Expenses.	298,594	375,505
Postal and Postage.	9,750	-
Maintenance of Water Supply	4,209,254	4,292,092
Insurance	35,199	58,074
Rent and Rates	134,200	72,000
Water Use Fee (WRA)	727,241	1,055,776
Office Electricity	4,587	-
Traveling and Accommodation.	2,878,081	1,888,395
Printing & Stationeries	100,249	128,530
Staff Training and Education.	928,169	598,778
Bank Charges	82,641	76,177
Security Services	1,545,700	1,292,503
Billing and Other Support Services	612,736.01	130,662
Advertising and Publicity.	87,015	96,675
Audit Fees	232,000	232,000
Contribution to Merger Fund	936,344	520,070
Office Repairs & Maintenance	21,810	69,670
Licensing and levies	2,219,448	2,316,814
WASCO Games	947,760	90,050
Stakeholders Forum	57,180	-
Covid 19 Interventions	163,965	61,850
General Office Running Expenses	100,265	91,073
Membership to Professional Association	515,580	108,750
Environmental Conservation & Water Source Management	120,500	152,000
Provision for doubtful debts	2,521,020	4,829,642
<b>Total</b>	<b>54,599,951</b>	<b>45,651,114</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**13. Board Expenses**

Description	2021-2022	2020-2021
	Kshs	Kshs
Board Sitting allowances	1,752,662	1,008,000
<b>Total</b>	<b>1,752,662</b>	<b>1,008,000</b>

**14. Maintenance Expenses**

Description	2021-2022	2020-2021
	Kshs	Kshs
Maintenance of Plant and Equipment	1,128,806	346,000
Maintenance of Buildings and Stations	155,285	21,480
Vehicles Maintenance	373,760	614,880
ICT Costs	273,146	135,400
<b>Total</b>	<b>1,930,997.00</b>	<b>1,117,760.00</b>

**15. Depreciation and Amortization Expenses**

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Plant, and Equipment	1,920,527	1,903,861
<b>Total Depreciation</b>	<b>1,920,527</b>	<b>1,903,861</b>

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

**16. Finance costs**

During the financial year that ended 30<sup>th</sup> June 2022 the Company did not have any item under the Finance Costs E.g. interest expense on loans, interest expense on bank overdrafts or interest on lease liabilities.

**17. Income Tax Expense/(Credit)**

This did not apply during the financial year as the company did not make any profit.

**18. Earnings Per Share**

This does not apply to Githunguri Water and Sanitation Company Limited since we do not have such item.

**19. Dividend Per Share**

This does not apply to Githunguri Water and Sanitation Company Limited since we do not have such item.

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

**20. Property, Plant and Equipment**

**Property, Plant and Equipment Schedule for the Year Ended 30th June 2021**

<b>2020-2021 COST OR VALUATION</b>	Office Equipments	Computers & Laptops	Furniture & Fittings	Motor Cycle & Vehicle	Plant & Equipments	Buildings	Mobile Phones	Pipes & Meters	Tools	<b>TOTALS</b>
As at 1st July 2020	130,235	1,928,256	407,286	1,301,100	2,771,768	10,691,581	327,200	10,369,280	54,500	<b>27,981,206</b>
Additions		390,000						1,425,000		<b>1,815,000</b>
As at 30th June 2021	130,235	2,318,256	407,286	1,301,100	2,771,768	10,691,581	327,200	11,794,280	54,500	<b>29,796,206</b>
<b>DEPRECIATION</b>										
As at 1st July 2020	97,378	1,510,773	279,905	601,510	1,479,569	1,665,635	33,752	1,858,693	52,101	<b>7,579,316</b>
Charge for the Year	4,107	160,298	15,924	174,898	161,525	225,649	96,838	1,063,823	799	<b>1,903,860</b>
As at 30th June 2021	101,485	1,671,071	295,829	776,408	1,641,094	1,891,283	130,590	2,922,517	52,900	<b>9,483,177</b>
<b>NET BOOK VALUE</b>										
As at 30th June 2021	28,750	647,185	111,457	524,692	1,130,674	8,800,298	196,610	8,871,763	1,600	<b>20,313,029</b>
As at 30th June 2020	32,857	417,483	127,381	699,590	1,292,199	9,025,946	293,448	8,510,587	2,399	<b>20,401,890</b>

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

**Property, Plant and Equipment (Continued)**

**Property, Plant and Equipment Schedule for the Year Ended 30th June 2022**

<b>2021-2022 COST OR VALUATION</b>	Office Equipments	Computers & Laptops	Furniture & Fittings	Motor Cycle & Vehicle	Plant & Equipments	Buildings	Mobile Phones	Pipes & Meters	Tools	<b>TOTALS</b>
As at 1st July 2021	130,235	2,318,256	407,286	1,301,100	2,771,768	10,691,581	327,200	11,794,280	54,500	<b>29,796,206</b>
Additions				836,400			189,990	1,567,500		<b>2,593,890</b>
Transfers	-	-	-	-	-	-	-	-	-	<b>-</b>
As at 30th June 2022	130,235	2,318,256	407,286	2,137,500	2,771,768	10,691,581	517,190	13,361,780	54,500	<b>32,390,096</b>
<b>DEPRECIATION</b>										
As at 1st July 2021	101,485	1,671,071	295,829	776,408	1,641,094	1,891,283	130,590	2,922,517	52,900	<b>9,483,177</b>
Charge for the Year	3,594	236,100	13,933	131,173	141,334	220,007	64,881	1,108,970	533	<b>1,920,527</b>
As at 30th June 2022	105,079	1,907,171	309,762	907,581	1,782,428	2,111,291	195,471	4,031,487	53,433	<b>11,403,703</b>
<b>NET BOOK VALUE</b>										
As at 30th June 2022	25,156	411,085	97,524	1,229,919	989,340	8,580,290	321,719	9,330,293	1,067	<b>20,986,393</b>
As at 30th June 2021	28,750	647,185	111,457	524,692	1,130,674	8,800,298	196,610	8,871,763	1,600	<b>20,313,029</b>

*Listing of all the assets that we manage and use to generate revenues and which we do not own are as listed in Appendix VII of the financial statements. We have not included these assets in our P.P.E. since they have not been handed over to us and we don't have ownership documents.*

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

**Valuation**

During the financial year ended 30<sup>th</sup> June 2022 the Company did not do any valuation of any of its assets.

**21. Intangible Assets**

During the financial year that ended 30<sup>th</sup> June 2022, Githunguri Water and Sanitation Company Limited did not have any intangible asset.

**22. Investment Property**

During the financial year that ended 30<sup>th</sup> June 2022, Githunguri Water and Sanitation Company Limited did not have any Investment Property.

**23. Right-of-use assets**

During the financial year that ended 30<sup>th</sup> June 2022, Githunguri Water and Sanitation Company Limited did not have any Right-of-use assets.

**24. Biological Assets**

During the financial year that ended 30<sup>th</sup> June 2022, Githunguri Water and Sanitation Company Limited did not have any Biological assets.

**25. Fixed Interest Investments (Bonds)**

During the financial year that ended 30<sup>th</sup> June 2022, Githunguri Water and Sanitation Company did not invest in fixed interest investment or bonds.

**26. Quoted Investments**

During the financial year that ended 30<sup>th</sup> June 2022, Githunguri Water and Sanitation Company did not invest in any quoted investment.

**27. Unquoted Investments**

During the financial year that ended 30<sup>th</sup> June 2022, Githunguri Water and Sanitation Company did not invest in any unquoted investment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Aluminium Sulphate	167,708	17,446
Chlorine	77,604	49,157
Soda Ash	14,187	23,811
Uniform and protective clothing	13,200	
Stationery and general stores	16,256	
Water Fittings and Accessories	1,274,515	1,175,484
<b>Total</b>	<b>1,563,471</b>	<b>1,265,898</b>

*Inventories which we don't own have been listed as per Appendix VII of this financial statement's*

28 a) Reconciliation of Impairment Allowance for Inventories

There was no reconciliation of impairment allowance for inventories during the financial year ended 30<sup>th</sup> June 2022.

29.) Trade and Other Receivables

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Receivables (note (29a))	96,482,136	89,310,638
Deposits and Prepayments	576,953	705,160
<b>Gross trade and other receivables</b>	<b>97,059,089</b>	<b>90,015,798</b>
Provision for bad and doubtful receivable	(33,916,679)	(31,395,658)
<b>Net trade and other receivables</b>	<b>63,142,411</b>	<b>58,620,139</b>

29 (a) Trade Receivables

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Trade Receivables	96,482,136	89,310,638
Provision for Doubtful Receivables	(33,916,679)	(31,395,658)
<b>Net trade receivables</b>	<b>62,565,457</b>	<b>57,914,979</b>
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	4,128,297	4,125,275
Between 30 and 60 days	820,022	-
Between 61 and 90 days	489,064	333,266
Between 91 and 120 days	1,151,492	1,626,761
Over 120 days	89,893,261	83,225,336

<b>Total</b>	-	-
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**29 (b) Reconciliation of Impairment Allowance for Trade Receivables**

There was no reconciliation of impairment allowance for trade receivables during the financial year ended 30<sup>th</sup> June 2022.

**29 (c) Staff Receivables**

During the year ended 30<sup>th</sup> June 2022 there were no staff receivables since the Company does not provide any loans or advances to the staff, however this will be considered in future when the company improves on its financials.

**29 (d) Reconciliation of Impairment Allowance for Staff Receivables**

There was no reconciliation of impairment allowance for staff receivables during the financial year ended 30<sup>th</sup> June 2022.

**30. Tax Recoverable**

There was no tax recoverable during the financial year ended 30<sup>th</sup> June 2022.

**31. Short Term Deposits**

During the financial year ended 30<sup>th</sup> June 2022, Githunguri Water and Sanitation Company Limited did not invest in any short term deposits with any financial institutions or any bank.

**32. Bank and Cash Balances**

Description	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank (32b)	8,513,339	9,234,009
Cash in hand (32c)	920	50
Safaricom Mpesa (32d)	10,770	9,302
<b>Total</b>	<b>8,525,029</b>	<b>9,243,361</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 (a) Detailed analysis of the cash and cash equivalents

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
<b>a) Current account</b>			
KCB Banks-Expenditure Account	1105027333	391,625	626,753
<b>Sub- total</b>		<b>391,625</b>	<b>626,753</b>
<b>b) Revenue Accounts</b>			
KCB Banks-Revenue Account	1134860803	18,645	1,046,122
Equity Bank-Revenue Account	0930293233664	185	32,415
K-Unity Finance Revenue Account	00310000002498	445	150,406
GDC Sacco-Revenue Account	01-1200-080-00469	495	56,715
<b>Sub- total</b>		<b>19,770</b>	<b>1,285,658</b>
<b>c) Miscellaneous Account</b>			
KCB Banks-Miscellaneous Account	1105027023	5,398	893,226
<b>Sub- total</b>		<b>5,398</b>	<b>893,226</b>
<b>d) Others(specify)</b>			
KCB Banks - Customers Deposit	1105027597	8,096,487	6,428,372
Cash in hand - Petty Cash Book		920	50
Family Bank - Grant Account	002000037300	60	-
Safaricom M-Pesa - Revenue Account	Paybill 905900	10,770	9,302
<b>Sub- total</b>		<b>8,108,237</b>	<b>6,437,724</b>
<b>Grand total</b>		<b>8,525,029</b>	<b>9,243,361</b>

<b>32 (b) Cash at Bank</b>			
KCB Banks-Expenditure Account	1105027333	391,625	626,753
KCB Banks-Revenue Account	1134860803	18,645	1,046,122
Equity Bank-Revenue Account	0930293233664	185	32,415
K-Unity Finance Revenue Account	00310000002498	445	150,406
GDC Sacco-Revenue Account	01-1200-080-00469	495	56,715
KCB Banks-Miscellaneous Account	1105027023	5,398	893,226
KCB Banks - Customers Deposit	1105027597	8,096,487	6,428,372
Family Bank - Grant Account	002000037300	60	-
<b>Total</b>		<b>8,513,339</b>	<b>9,234,009</b>

<b>32 (c) Cash in Hand</b>			
Cash in hand - Petty Cash Book		920	50

<b>32 (d) Cash in Hand</b>			
Safaricom M-Pesa - Revenue Account	Paybill 905900	10,770	9,302

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**33. Ordinary Share Capital**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Authorized:</b>		
5,000 Ordinary shares of Kshs 20.00 par value each	100,000	100,000
<b>Issued and fully paid:</b>		
2 Ordinary shares of Kshs 20.00 par value each	40	40

**34. Share Capital**

This represents investment of the County Government of Kiambu to the Company since the company is wholly owned by the County.

**35. Revenue Reserve**

Revenue Reserve comprises of cumulative losses over the years. The fund if there is any surplus is supposed to be used for investment and infrastructure development.

**36. Capital Reserve**

Capita reserve represents the opening balance of trade debtors when the company started its operations in April 2007. This were inherited from Athi Water Services Board now Athi Water Works Development Agent.

**37. Deferred Tax Liability**

This did not apply to the company during the financial year.

**38. Borrowings**

During the financial year that ended on 30<sup>th</sup> June 2022 Githunguri Water and Sanitation Company Limited did not borrow any amount form any bank of any other financial institution.

**39. Lease Liability**

During the financial year that ended on 30<sup>th</sup> June 2022 Githunguri Water and Sanitation Company Limited did not have any lease liability.

**40. Provisions**

During the financial year that ended on 30<sup>th</sup> June 2022 Githunguri Water and Sanitation Company Limited did not have any provisions.

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

**41. Retirement Benefit Obligations**

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs 200per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund. Employees contribute 12% while employers contribute 15% of basic salary plus house allowance. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

**42. Trade and Other Payables**

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	176,808,279	158,843,083
<b>Total</b>	<b>176,808,279</b>	<b>158,843,083</b>

**As at June 30, the ageing analysis of the gross trade payables was as follows:**

Less than 30 days	4,134,099	5,444,423
Between 30 and 60 days	3,635,458	3,874,909
Between 61 and 90 days	2,733,980	4,536,760
Between 91 and 120 days	2,608,736	4,589,682
Over 120 days	163,696,006	140,397,309
<b>Total</b>	<b>176,808,279</b>	<b>158,843,083</b>

**43. Customer Deposits**

Description	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	9,035,439	8,284,739
Add: deposits received during the year	797,000	750,700
<b>Closing balance</b>	<b>9,832,439</b>	<b>9,035,439</b>

**44. Deferred Income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance brought forward	9,079,508	9,811,969
Transfers to income statement	732,461	732,461
<b>Balance carried forward</b>	<b>8,347,047</b>	<b>9,079,508</b>

This resulted from Kwamaiko & Githiga Sanitation blocks funded by WSTF. The grant amount is amortised annually and recognized in the Financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. Dividends Payable

There were no dividends payable during the financial year.

46. Taxation

There was no taxation during the financial year as the company reported deficit.

47. Notes to The Statement of Cash Flows

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Profit or loss before tax	(13,254,859)	(9,659,011)
Depreciation	1,920,527	1,903,861
Operating profit/(loss) before working capital changes	(11,334,332)	(7,755,151)
<b>Working Capital Changes</b>		
(Increase)/decrease in inventories	(297,573)	(26,198)
(Increase)/decrease in trade and other receivables	(4,522,271)	(9,413,830)
Increase/(decrease) in trade and other payables	(17,965,195)	20,825,596
Increase/(decrease) in customers deposit	797,000	750,700
<b>Cash generated from/(used in) operations</b>	<b>(33,322,372)</b>	<b>4,381,118</b>
<b>(c) Analysis of cash and cash equivalents</b>		
Cash at bank	8,524,109	9,243,311
Cash in hand	920	50
Balance at end of the year	<b>8,525,029</b>	<b>9,243,361</b>

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

**Other Disclosures**

**48. Related Party Disclosures**

**County Government of Kiambu**

The County Government of Kiambu is the principal shareholder of the Company, holding 100% of the Company's equity interest.

Other related parties include:

- The County Department in charge of Water
- County Government of Kiambu
- Athi Water Works Developments Agencies
- WASREB
- WRA
- Water Sector Trust Fund
- Limuru Water
- Kiambu Water
- Kikuyu Water
- Karuri Water
- Ruiru Juja Water
- Gatundu Water
- Thika Water
- Key management
- Board of directors

**Transactions with related parties**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Water sales to County Government Agencies	272,800	469,270
Water sales to Staff	23,340	18,240
<b>Total</b>	<b>296,140</b>	<b>487,510</b>
<b>b) Purchases from related parties</b>		
Purchase of water from Nairobi Water providers	24,303,220	19,037,910
<b>Total</b>	<b>24,303,220</b>	<b>19,037,910</b>
<b>b) Grants from the Government</b>		
Grants from KENHA	2,055,100	-
Grants from WSTF	9,502,562	135,888
Grants from Other WSPS	92,093	-
<b>Total</b>	<b>11,649,755</b>	<b>135,888</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	13,030,785	11,002,509
<b>Total</b>	<b>13,030,785</b>	<b>11,002,509</b>
<b>d) Key management compensation</b>		
Directors' emoluments	1,752,662	1,008,000
Compensation to key management	7,703,119	7,488,533
<b>Total</b>	<b>9,455,781</b>	<b>8,496,533</b>

**49. Capital Commitments**

There were no capital Commitment at the end of the reporting period, which is as at 30<sup>th</sup> June 2022 that the company had done.

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

**50. Contingent Assets and Liabilities**

**Contingent Assets**

There was no contingent asset during the financial year.

**Contingent Liabilities**

The following were the cases that the company had during the financial year.

CASE NUMBER	PARTIES INVOLVED	DATE CASE STARTED	MATTER AT HAND	STATUS
Civil Appeal No 79 of 2014	GIWASCO & Beatrice Njeri Kamau & 2 others	1 <sup>st</sup> September 2009	Customer arrested and prosecuted over illegal water connection. Claimed the arrest was malicious	Case determined and GIWASCO ordered to pay general damages amounting to Kshs. 2,652,487.
ELRC 2208 of 2012	GIWASCO & Robert Njenga	2012	Unfair termination	Case still not determined
ELRCJR/E006/2022	Joseph Mwangi Vs Kiambu County Govt, WASREB & BOD GIWASCO	1 <sup>st</sup> March 2021	Joseph Mwangi, the Former MD went to court after the non-renewal of contract	Case awaiting judgement
MLSS/LD/IR/4/7/2016	Samuel Gachanja Ndungu & others Vs GIWASCO	July 2016	Unfair termination of Samuel Ndungu and Charles Kaindo	Matter heard by a conciliator who gave recommendations in favor of the terminated staff but the case is still not finalized.

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

**51. Financial Risk Management**

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

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

**(i) Credit risk**

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

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

***Credit Risk (Continued)***

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

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

**ii) Liquidity risk management**

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

**(iii) Market risk (*Tailor as appropriate*)**

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 transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

**(iii) Market risk (Continued)**

The Company did not have any foreign transaction.

**b) Foreign currency sensitivity analysis**

There were no foreign currency exchange during the financial year thus no point of coming up with sensitivity analysis.

**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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. There were no foreign transactions thus no need for sensitivity analysis.

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.

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. We are greatly affected as a company when it comes to going concern since we have not benefited on projects either done by Awwda or the County Government of Kiambu.

We will be benefiting from projects like Kiameru water supply where we will get additional water of 1,500 cubic meter per day.

We will also benefit from Danida project which have a sewerage component of treating 1,500 cubic meter of waste water per day, additional 5,000 cubic meter of water per day and NRW equipment's that will help us reduce the NRW which will translate to more revenue and reduction of operational costs.

After these projects the company will improve its performance and its going concern will improve since we will have more revenue and be able to meet our financial obligations.

**52. Incorporation**

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

**53. Events After the Reporting Period**

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

**54. Currency**

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

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16	Irregular Fuelling of Motor Vehicles	The motor vehicles in question are owned by related parties e.g. Kiambu County, AWWDA which were fuelled during field visits from the County and transportation of big pipes within Githunguri jurisdiction.	Resolved	
17	Failure to Insure Company Assets	Related parties like AWWDA, Ministry of Water, County Government of Kiambu own the assets that we operate, thus the issue of ownership becomes a barrier when it comes to insuring the assets. However, we insure assets whose ownership documents we have, we insure, and for those owned by AWWDA, we reimburse for the insurance.	Not Resolved	31 <sup>st</sup> December 2023
18	Non-Compliance with Preference and Reservation of Procurement Opportunities	The organization does not exclude disadvantaged groups from procurement activities, as the aforementioned group was awarded the supply of computers and stationeries.	Resolved	
19	Excessive Non-Revenue Water	The Company is experiencing high NRW because of certain reasons and challenges, some of which are capital intensive and beyond our control. The Company has made proposals to the County and AWWDA to fund the purchase of the required equipment and pipes, and put in place strategies to reduce the NRW to acceptable levels.	Not Resolved	In Progress.

<b>OFFICE BLOCKS</b>					
<b>S. N O.</b>	<b>LOCATION</b>	<b>L. R. NO.</b>	<b>OWNERSHIP</b>	<b>STATUS</b>	<b>REMARKS</b>
<b>DEFUNCT LOCAL AUTHORITIES</b>					
<b>DEVOLVED FUNCTIONS OF THE NATIONAL GOVERNMENT</b>					
1	WITHIN GITHUNGURI POLICE STATION	GITHUNGURI/GIT HUNGURI/LR 405	CGK	Developed	Office
2	WITHIN KEREITA FOREST		CGK	Developed	Treatment works Gatamaiyu
3	GITHIGA		CGK	Developed	Sanitation Block Done by WSTF
4	KWAMAIKO		CGK	Developed	Sanitation Block Done by WSTF

<b>TREATMENT PLANT, BOREHOLES AND THEIR SITES</b>			
<b>S. NO.</b>	<b>LOCATION</b>	<b>STATUS</b>	<b>OWNERSHIP</b>
<b>DEFUNCT LOCAL AUTHORITIES</b>			
<b>DEVOLVED FUNCTIONS OF THE NATIONAL GOVERNMENT</b>			
1	GITHUNGURI 1- B/HOLE SITE	Developed	CGK
2	GITHUNGURI 2- B/HOLE SITE	Developed	CGK
3	GITHUNGURI 3-B/HOLE SITE	Developed	CGK
4	THAKWA B/HOLE SITE	Developed	CGK
5	KIAIRIA B/HOLE SITE	Developed	CGK
6	KIANJOGU B/HOLE SITE	Developed	CGK
7	Giathieko B/HOLE SITE	Developed	CGK
8	KIRATINA B/HOLE SITE	Developed	CGK
9	MIHUKO B/HOLE SITE	Developed	CGK
10	GITOMBO B/HOLE SITE	Developed	CGK
11	MARIGE B/HOLE SITE	Developed	CGK
12	GATHAITHI B/HOLE SITE	Developed	CGK
13	GITIHA B/HOLE SITE	Developed	CGK
14	KIAWAIGURU B/HOLE SITE	Developed	CGK
15	MATIMBEI DAM SITE	Developed	CGK
16	KOMOTHAI TREATMENT WORKS	Developed	CGK
17	UPPER GITHIGA WATER INTAKE	Developed	CGK
18	MUKUYU DAM	Developed	CGK
19	MIGUTA PUMPING STATION SITE	Developed	CGK

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MOTOR VEHICLES						
No	Registration No.	Engine No.	Chasis No.	Colour	Model	Ownership
1	KBG 963C	QD3227693 6	JNICJUD22Z0097871	WHITE	NISSAN	Under Athi Water
2	KBJ 676E	QD3226648 18	JNICJUD22Z0093799	WHITE	NISSAN	Under Athi Water
3	KBP 095V			WHITE	FORD RANGE R	Under Athi Water
4	KBY 409Q	2KD-A405744	AHTFFRR22GX0608 4110	GREY	TOYOTA	Under Athi Water

Plant, Machinery and Equipment				
No	Name/Type	Make	Status/Condition	Remarks/Location
1	GITHUNGURI 1- B/HOLE MOTOR & PUMP	Grundfos	WORKING	WITHIN GITHUNGURI POLICE STATION COMPOUND
2	GITHUNGURI 2- B/HOLE MOTOR & PUMP	Grundfos	WORKING	WITHIN GITHUNGURI POLICE STATION COMPOUND
3	GITHUNGURI 3- B/HOLE MOTOR & PUMP	Grundfos	WORKING	NEXT POLICE STATION
4	THAKWA- B/HOLE MOTOR & PUMP	Grundfos	WORKING	2KM FROM GITHUNGURI TOWN
5	KIAIRIA B/HOLE MOTOR & PUMP	Grundfos	NOT WORKING	KIAIRIA WATER GROUND SITE
6	KIANJOGU B/HOLE MOTOR & PUMP	Grundfos	WORKING	KIANJOGU VILLAGE
7	Giathieko B/HOLE MOTOR & PUMP	Grundfos	WORKING	GAKOE NEXT TO POLICE POST
8	KIRATINA B/HOLE MOTOR & PUMP	Grundfos	WORKING	GWA KARIO
9	MIHUKO B/HOLE MOTOR & PUMP	Grundfos	WORKING	
10	GITOMBO B/HOLE MOTOR & PUMP	Grundfos	WORKING	CATTLE DIP
11	MARIGE B/HOLE MOTOR & PUMP	Grundfos	WORKING	KOMOTHAI POLYTECHNIC
12	WAINGERE B/HOLE MOTOR & PUMP	Grundfos	NOT WORKING	

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13	GATHAITHI B/HOLE MOTOR & PUMP	Grundfos	WORKING	GATHAITHI CATTLE DIP
14	GITHA B/HOLE MOTOR & PUMP	Grundfos	NOT WORKING	THUKUS AREA
15	MIGUTA ULTRAFILTRATION UNIT		NOT UTILIZED	

**ICT EQUIPMENT, COMPUTERS AND COMPUTER ACCESSORIES**

No	Name	Serial No.	Type	Make	Condition	Remarks
1	DESKTOP	26419273453	DEL	DEL	WORKING	AWWDA
2	PRINTER	AGJ3146461	KYOCERA	KYOCERA	OBSOLETE	AWWDA
3	SERVER	C28408948723			WORKING	AWWDA
4	DESKTOP	26419273453	DELL	DELL	WORKING	AWWDA
5	PRINTER		HP	HP	OBSOLETE	AWWDA
6	DESKTOP	RF1203455	DELL	DELL	WORKING	AWWDA
7	UPS				OBSOLETE	AWWDA
8	UPS				OBSOLETE	AWWDA
9	DESKTOP	AWSBC150085	DEL	DEL	WORKING	AWWDA